Lambeth College
The Careers College

FINANCIAL STATEMENTS 2014/15

for the year ended 31 July 2015

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www.lambethcollege.ac.uk

Contents

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

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.

College objectives

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

Public Benefit

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of the strategic plan

The College Corporation has a strategic plan which is under constant review. The current plan *covers* the period 1 August 2012 to 31 July 2017.

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

The strategic plan is reviewed and updated annually.

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

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

Financial Objectives

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

The College's financial objectives were updated in the Financial Recovery Plan which the SFA accepted in May 2014 and these were to:

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

A series of performance indicators are used to monitor the achievement of these objectives

FINANCIAL POSITION

Financial results

In 2014/15, the College Group turnover was £33.183 million (2014: 30.515 million) with total expenditure of £35.822 million (2014: £33.221 million) with an operating deficit of £2.639 million compared to a £2.706 million operating deficit in 2013/14.

Within the deficit, £0.190 million (2014: £0.499 million) pertains to the FRS17 valuation charge to the income and expenditure account in relation to the College's local government pension scheme liabilities. The outcome of this revaluation is out of the immediate direct control of the College.

Overall income in 2014/15 was £2.668 million (8.7%) higher than in 2013/14, despite a reduced funding body grant of £1.240 million (4.9%). The College continues to rely significantly on the SFA and the EFA as its principal sources of funding. In 2014/15 these funding bodies provided 73.3%, £24.336 million, (2014: 83.8%, £25.576 million) of the College's total income.

Total expenditure of £35.822 million was 7.8% higher than in 2013/14. Staffing costs increased by £728k (3.5%). Other costs of £14.144 million, excluding restructuring, increased by 15.3%.

During 2014/15 the College incurred £1.2 million of restructuring costs (2013/14 £0.694 million).

The financial health of the college was deemed to be 'inadequate' for 2014/15 however the forecasts take it to 'satisfactory' in both 2015/16 and 2016/17.

The College Group has accumulated a general reserve of £18.046 million (before the local government pension scheme adjustment), which includes cash balances of £3.219 million and net current liabilities of £1.094 million compared to £17.153 million cash balance and £13.890 million net current assets as at 31 July 2014.

The accumulated deficit on the local government pension scheme reserve has increased by 26.2% to £18.588 million._This is due to on-going changes in actuarial assumptions, a 12.5% increase in scheme liabilities, £5.483 million, partly offset by a £1.622 million (5.6%} higher valuation of the fund's assets. After the deficit on the pension reserve is included, the income and expenditure account funds amounts to £0.542 million deficit at 31 July 2015 compared to reserve of £5.160 million at 31 July 2014.

Tangible fixed asset additions during the year amounted to £12.902 million of which £10.273 million was spent on the enabling works for the Phase 2 of the development of Clapham site.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with these risks. The College has a treasury management policy in place; it is reviewed annually by the Corporation.

The College has a revolving credit facility with the bank and is negotiating a short term borrowing facility for revenue and capital purposes, this has resulted from the timing of receipts relating to a significant ESF project, and capital expenditure incurred in advance of anticipated grant funding.

Long term borrowing requires the authorisation of the Corporation.

Following the breach of the Bank Covenants during 2013/14, the College renegotiated its bank loans in November 2014, rolling both the long-term and short-term loans into a single loan, with £15.3 million outstanding at 31 July 2015 (£18.008 million at 31 July 2014). An additional revolving credit facility of £2.3 million was negotiated at the same time. The financial covenant provisions in the Facility

Agreement for the Barclays loans were breached in 2014/15. Barclays Bank is aware of the breach and further negotiations are currently taking place. **[TBA]**

Cash flows and liquidity

The College's liquidity position has decreased with cash outflow from operating activities at £0.755 million in 2014/15 (2013/14: £0.395 million outflow). The net cash outflow for capital expenditure in 2014/15 was £9.5 million (2013/14: net cash inflow £17.4 million).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

During 2014/15 the College provided education to 14,254 students of whom 10,211 were funded by the SFA and EFA.

Curriculum developments

The College offers a wide range of provision to both young people and adults at all levels from entry through to Higher Education. The key developments during 2014/15 have been to build on the vocational training facilities which were opened in 2012/13 and to continue the emphasis that all students should gain employability skills which will enable them to move a career.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods and services or the date on which the invoice was received. The target set by the Treasury for payments to suppliers within 30 days is 95%. During the accounting period 1 August 2014 to 31 July 2015, the College estimates that 75% per cent of its invoices were paid within 30 days. The College incurred no interest charges in respect of late payments for this period.

Future developments

The Corporation has adopted a budget for 2015/16 and a three year financial forecast to meet its financial objectives. The 2015/16 budget assumes a small operating cost surplus.

The Clapham Phase 2 project, costing over £12 million in total, was completed during September 2015.

The College's Strategic Plan is entirely consistent with Lambeth Council's Economic Strategy and the London LEP investment strategy. There are a number of major regeneration and redevelopment schemes planned with the Borough of Lambeth. The strategic plan details these proposed developments and the resulting opportunities available to the College. The College's current locations are well positioned to take advantage of these opportunities.

The Department for Business, Innovation and Skills (BIS) published a report Reviewing post-16 education and training institutions, which sets out plans for a national programme of area-based reviews. It expressed the "need" to move towards "fewer, often larger, more resilient and efficient providers" in a bid to bring "greater efficiency" to the sector,

There are plans to create a strategic alliance between ourselves and South Thames College. In the coming months, Governing bodies from both Colleges will be working with both Principals to explore these proposals in more detail. This will put both Colleges in a stronger position going forward.

It supports the move towards fewer, larger and more resilient organisations, which was signalled in the review of further education and skills that the government launched this summer. We anticipate that a stronger alliance will bring together the best of both organisations and enhance opportunities for future learners, as well as safeguarding the provision of further education to employers and local communities in South London.

It is very much the intention of the governing bodies that both colleges will continue to have a major presence in their own local, regional and business communities so strong links with established employer and community networks can be maintained.

COLLEGE COMPANIES

The College has three subsidiary companies:

G02Work Limited
Skill Exchange Limited
SW4 Catering Limited.

Further details of these are provided in Note 32. Go2Work Limited and Skill Exchange Limited were dormant during 2014/15. SW4 Catering Limited started trading in 2014/15 and the activities are included in the "group" results.

RESOURCES

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

Tangible resources at the 31 July 2015 included the two main College sites at Vauxhall and Clapham and continuing use of part of the Brixton site under a licence to occupy.

The College Group had £18.142 million of net assets (including £18,588 million pension liability) and long term debt of £14.887 million at 31 July 2015.

The College employed 448 FTE staff in 2014/15 of whom 238 FTE were teaching staff.

The College recognises that maintaining a good reputation is essential for its success at attracting students.

Going concern

During the year ended 31 July 2015, the College incurred a deficit of £2.64 million against an original budgeted deficit of £1.64 million and spent £12.9 million in relation to capital expenditure. At 31 July 2015, the cash resources totalled £3.22 million compared to £17.15 million at 31 July 2014. The College had net current liabilities of £1.094 million at 31 July 2015 {2014: net current assets of £13.89 million). Based on the financial results and position for the year ended 31 July 2015, the College breached its financial covenants in relation to the loan from Barclays Bank. However the Bank has agreed not to take action on the breaches and consequently only the loan repayments falling due within 2015/16 under the current loan terms have been shown within creditors due less than one year. The remaining balance is shown within creditors due in more than one year.

The current agreed budget for 2015/16 shows a small surplus. Since the year end, the College has also spent further monies in relation to capital projects. As a result, the liquidity position since 31 July 2015 has been challenging and based on cash flow forecasts for 12 months from the date of signing these financial statements, the College will need an increased credit facility if it is to meet its liabilities as they fall due. The Bank's advisors, who are currently undertaking a financial due diligence exercise at the College and have reviewed the cash flow forecasts for 2015/16 as part of their work, have recommended that bank offer the College additional credit of £0.5 million in December 2015. A further £0.3 million credit is also likely to be available in January 2016 should the College require it, however it is not anticipated at this stage that this will be needed.

Furthermore, the following will also help the College manage its cash flow requirements in the short term:

- The College is currently in negotiations with its capital creditors in relation to the Vauxhall site with a view to agreeing delayed payments from the College.
- The profiled payments from the funding bodies in 2015/16 are more heavily weighted in Spring 2016 thus further boosting the College cash flow in that period.
- All existing creditors relating to the Vauxhall project can be funded by July 2016.
- The College could seek short to medium term Exceptional Financial Support from the SFA, although it has not currently done so. Guidance issued by the SFA in Autumn

2015 (FE College Financial Intervention and Exceptional Financial Support, October 2015) states that on exceptional basis, support may be made available from the SFA on application by the College.

If the College decides to continue with the Vauxhall capital project, it will require additional credit from the bank. The bank is awaiting the outcome of bids to develop the Vauxhall site (expected by late December 2015) before it confirms the level of further credit it will offer the College.

The College is also reviewing its estates strategy to consider ways to realise further funds from part disposals of its land and buildings as a contingency, should this be required. Any proceeds from disposals would not be available in the short term and earliest likelihood would be April 2016. The College is confident that the outcome of the bids to develop the Vauxhall site will enable it to obtain the required credit facility from the bank.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

The significant risks include managing the College's cash position, the ability of the College to increase student success rates to above national benchmark levels; to grow 16- 18 and apprentice learner numbers in the face of changing patterns of student demand; manage the expectations of the strategic alliance with South Thames College and to resource the development of new vocational training facilities through rationalising the College's estates.

STAKEHOLDER RELATIONSHIPS

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

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

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

Equal opportunities

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

Disability statement

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

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

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled employees.

CHARITABLE AND TAXATION STATUS

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

Approved by order of the members of the Corporation on 17 December 2015 and signed on its behalf by:

Mary McCormack
Chair

Date

PROFESSIONAL ADVISERS

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

MEMBERS

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Corporation meetings %
Simeon Baker	1 August 2014	1 year	31July2015	Student		**70%**
David Gregg	14 November 2013	4 years	-	Co-opted member of Audit Committee	Audit 14/15 only	66.6%
Peter Griffin	12 April 2002. Reappointed 3 April 2006, 1 August 2010. **Continuing in post, due re-** appointment delayed until December 2015	4 years	1June 2015	Lay		**50%**
Samantha Henry	1 August 2014	1 year	31July 2015	Student		**60%**
Bobby Holder	17 December 2012	**4 years**	-	Lay	Chair: Search 14/15	**80%**
Beverley Jullien	4 February 2013	**4 years**	-	Lay	**Remuneration** 14/15: Chair **Finance Group** 14/15 Capital 14/15 Quality 14/15	**80%**
Jan Lloyd	4 March 2012	4 years	-	Lay	Chair: Capital 14/15	**80%**
Dolores **Massaro**	13 November 2014	2 years	-	Teaching Staff		62.5%
Mary McCormack	23 April 2012	4 years	-	Lay	Chair of Governor 14/15 Chair Quality 14/15 Vice Chair 13/14 **Finance Group** 13/14:14/15 **Remuneration** 14/1513/14 Capital 14/15	100%
Andrew Osborne	15 April 2013	4 years	-	Lay	Audit 14/15: Chair **Finance Group** 14/15: Chair	80%

Toni Phillips	15 November 2013	2 years	-	Support Staff	Quality Group 14/15	80%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at corporation meetings %
Angus Pickthall	15 April 2013	2 years	11 September 2014	Teaching Staff		**0%**
Paul Reid	19 June 2014	4 years	-	Lay		**10%**
Dean Ricketts	3 April 2014	**4 years**	20August 2015	Lay		30%
Mohammed Seedat	23 April 2015	4 years	-	Lay		**67%**
Mark Silverman	Ex officio from 27 February 2012	n/a	-	Principal	Search 14/15 Finance Group 14/15 Capital Work Group 14/15 Quality 14/15	100%
Michael Smith	3 April 2014	4 years	-	Lay	Vice Chair of **Governors** Quality 14/15	**90%**
Emma Louise Stewart	04 February 2013	4 years	-	Lay	Audit 14/15 Search 14/15 Quality 14/15 **Remuneration** 14/15	**90%**
William Talmage	14 December 2009. Re-appointment December 2014	4 years	11June 2015	Lay	Audit 14/15	**50%**
Guy Ware	13 November 2014	4 years		Lay	Audit 14/15	71%
Christopher Wellbelove	1 August 2009. Reappointed 8 July 2013	4 years	29 January 2015	Lay	Vice Chair: Corporation 12/13	40%

Mr C Robinson acted as Clerk to the Corporation from 3 September 2012 to 30 June 2015.
Mr S Lee acted as Clerk to the Corporation from 1 July 2015 until present.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code").

In the opinion of the Corporation members, the College complies with all the prov1s1ons of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013.

The composition of the Corporation is set out on pages 6 and 7. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met eight times during 2014/15, to address the various issues and challenges facing the College.

The Corporation conducted its business in the period to 31 July 2015 through a number of committees. Each committee has terms of reference which were approved by the Corporation. These committees were Remuneration, Search and Audit. Full minutes of all meetings except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Lambeth College
45 Clapham Common South Side
London
SW4 9BL

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal, as Accounting Officer, 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 Search Committee consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2015, the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for senior post-holders for the year ended 31 July 2015 are set out in note 7 to the financial statements.

AUDIT COMMITTEE

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

The Audit Committee met three times during 2014/15. It provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lambeth College forthe year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

There is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been **in** place and operational for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

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

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

During 2014/15 the College Leadership Group received reports setting out key performance and risk indicators and considered possible control issues brought to their attention by early warning mechanisms, which are being embedded throughout the College. The College Leadership Group and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

Lambeth College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 8 and 9.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

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

At its 17 December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the College executive team and internal audit, and taking account of events since 31 July 2015.

Going Concern

After making appropriate enquiries, the Corporation acknowledges that based on current forecasts , the College are able to satisfy creditors once the revenue funds receivable from both the SFA and EFA in accordance with a receipt profile weighted toward April to June 2016.

Approved by order of the members of the Corporation on 17 December 2015 and signed on its behalf by:

Mary McCormack **Date**
Chair

Mark Silverman **Date**
Principal and Chief Executive/Accounting Officer

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Skills Funding Agency and/or the Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency and/or Education Funding Agency terms and conditions of funding, under the financial memorandum and /funding agreement in place between the College and the Skills Funding Agency and Education Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum and funding agreement.

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

Approved by order of the members of the Corporation on 17 December 2015 and signed on its behalf by:

Mary McCormack **Date**

Chair

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Mark Silverman **Date**

Principal and Chief Executive/Accounting Officer

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the SFA and EFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice - Accounting for Further and Higher Education Institutions* and with the *Accounts Direction for 2014/15 financial statements* issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the SFA and the EFA are used only in accordance with the Financial Memorandum with the SFA and EFA and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the SFA and the EFA are not put at risk.

Approved by order of the members of the Corporation on 17 December 2015 and signed on its behalf by:

Mary McCormack Date
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAMBETH COLLEGE

We have audited the financial statements of Lambeth College for the year ended 31 July 2015 set out on pages 21 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the Corporation of Lambeth College and the Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 14, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Emphasis of matter

We draw attention to the accounting policy on going concern in note 1 of the financial statements, which explains the College's current liquidity position and the need for an additional credit facility going forward. At the time these financial statements were approved, negotiations with the bank to increase the College's credit facility were on going. As no agreement had been reached with the bank at this point, there was a material uncertainty in relation to the going concern basis. The College is confident that it will obtain the required credit facility from the bank and so has used the going concern assumption in the preparation of these financial statements.

The accounting policy disclosure in note 1 also explains the effect on the College's financial statements should the going concern assumption be deemed inappropriate due to events after the date of approval of the financial statements. It indicates that a break up basis would be appropriate, however at this juncture; the College is unable to estimate the extent or value of such an adjustment required in this eventuality.

Our opinion is not qualified with regards to the above.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the SFA and the EFA

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

Buzzacott LLP **Date**
Chartered Accountants & Registered Auditor

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAMBETH COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 13 May 2014 and further to the requirements of the funding agreement with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lambeth College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record {ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Lambeth College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of 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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP
Chartered Accountants

Date

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Lambeth College
Income and Expenditure Account for the year ended 31 July 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
INCOME					
Funding body grants	2		24,336		25,576
Tuition fees and education contracts	3		7,098		4,096
Other income	4		1,693		817
Interest receivable	5		56		26
Total Income			**33,183**		**30,515**
EXPENDITURE					
Staff costs	6	(21,678)		(20,950)	
Exceptional restructuring costs	6	(1,206)		(694)	
Other operating expenses	8	(9,737)		(7,658)	
Depreciation	12	(2,046)		(2,431)	
Interest and other finance costs	9	(1,155)		(1,488)	
Total Expenditure			**(35,822)**		**(33,221)**
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			(2,639)		(2,706)
Exceptional items					
Surplus on disposal of tangible fixed assets	12				14,775
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax			(2,639)		12,069
Taxation	10				
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	11		(2,639)		12,069
(Deficit)/Surplus for the year retained within **general reserves**			(2,639)		12,069

The Income and Expenditure account is in respect of continuing activities

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Lambeth College

Statement of Historical Cost Surpluses and Deficits

	Notes	2015 £'000	2014 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and exceptional items		(2,639)	12,069
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	12,19	652	511
Release from revaluation reserves relating to disposal of tangible fixed assets previously revalued			1,599
Historical cost (Deficit)/Surplus for the year		**(1,987)**	**14,179**

Statement of Total Recognised Gains and Losses

		2015 £'000	2014 £'000
(Deficit)/Surplus for the year		(2,639)	12,069
Actuarial (loss) in respect of Local Government Pension Scheme	24	{3,671)	(2,418)
Revaluation of enhanced pension provision	17	(44)	(28)
Total recognised (loss)/gain for the year		{6,354)	9,623

Reconciliation

Opening reserves		14,081	4,458
Total recognised (losses)/gains for the year		(6,354)	9,623
Closing reserves		**7,727**	**14,081**

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Lambeth College

Balance sheet as at 31July

	Notes	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Fixed assets					
Tangible assets	12	55,091	55,091	44,235	44,235
Total fixed assets		55,091	55,091	44,235	**44,235**
Current assets					
Debtors	13	3,090	3,228	808	808
Stock		4	4	6	6
Short term deposits	22	2,000	2,000	11,000	11,000
Cash at bank and in hand	22	1,219	1,118	6,153	6,153
Total current assets		6,313	6,350	17,967	17,967
Less: Creditors - amounts falling due within one year	14	(7,407)	(7,380)	(4,077)	(4,077)
Net current (liabilities)/assets		**(1,094)**	**(1,030)**	13,890	**13,890**
Total assets less current liabilities		**53,997**	**54,061**	**58,125**	58,125
Less: Creditors - amounts falling due after more than one year	15	(14,887)	(14,887)	(17,220)	(17,220)
less: Provisions for liabilities and charges	17	(2,380)	(2,380)	(2,392)	(2,392)
Net assets excluding pension liability		**36,730**	**36,794**	38,513	**38,513**
Net pension liability	24	(18,588)	(18,588)	(14,727)	(14,727)
NET ASSETS INCLUDING PENSION LIABILITY		**18,142**	**18,206**	**23,786**	23,786
Deferred capital grants	18	10,415	10,415	9,705	9,705
Reserves					
Income and expenditure account excluding pension reserve	20	18,046	18,110	19,887	19,887
Pension reserve	24	(18,588)	(18,588)	(14,727)	(14,727)
Income and expenditure account including pension reserve		(542)	(478)	5,160	5,160
Revaluation reserve	19	8,253	8,253	8,905	8,905
Restricted reserves		16	16	16	16
Total reserves		7,727	7,791	**14,081**	14,081
TOTAL FUNDS		18,142	18,206	23,786	23,786

The financial statements on pages 21 to 46 were approved by the Corporation on 17 December 2015 and were signed on its behalf on that date by:

Mary McCormack
Chair

Mark Silverman
Accounting Officer

DRAFT

Lambeth College
Cash Flow Statement - 31 July

	Notes	2015	2014
		£'000	£'000
Cash inflow /(outflow) from operating activities	21	**1,674**	**(395)**
Returns on investments and servicing of finance	23	(946)	(1,066)
Capital expenditure and financial investment	23	(11,953)	17,390
Management of liquid resources	23	9,000	(11,000)
Financing	23	(2,709)	(670)
(Decrease)/Increase in cash in the year	22	**(4,934)**	**4,259**

Reconciliation of net cash flow to movement in net funds

	2015	2014
(Decrease)/Increase in cash in the year	(4,934)	4,259
Cash (inflow)/outflow from liquid resources	(9,000)	11,000
Cash inflow from secured loan	2,709	670
Movement in net funds in the period	(11,225)	15,929
Net funds at 1 August	(855)	(16,784)
Net funds at **31 July**	**(12,080)**	**(855)**

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 *Statement af Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2014/15 financial statements and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the 2014/15 Accounts Direction Handbook.

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

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

During the year ended 31 July 2015, the College incurred a deficit of £2.64 million against an original budgeted deficit of £1.64 million and spent £12.91 million in relation to capital expenditure. At 31 July 2015, the cash resources totalled £3.22 million compared to £17.15 million at 31 July 2014. The College had net current liabilities of £1.094 million at 31 July 2015 (2014: net current assets £13.89 million). The College also breached its financial covenants in relation to the loan from Barclays Bank in 2014/15, although a waiver of breach was provided in December 2015 to the College **(TO BE UPDATED).**

The current agreed budget for 2015/16 shows a small surplus and is based on certain key income assumptions which are still to be confirmed. Since the year end, the College has also spent further monies in relation to capital projects. Consequently, its current liquidity position is challenging and based on cash flow forecasts for 12 months from the date of signing these financial statements, the College will need an additional credit facility **TO BE UPDATED** if it is to meet its liabilities as they fall due. It is therefore currently seeking an additional credit facility from the bank to help manage its cash flow requirements. It is also reviewing its estates strategy to consider ways to realise further funds from part disposals of its land and buildings.

The negotiations for the additional credit facility with the bank were on going at the date these financial statements were approved. The College has not sought additional financial assistance from the funding bodies at this stage. In the event that the College failed to obtain timely credit facility to pays its debts as they fall due, the College could seek additional support from the funding bodies. The College is confident that it will obtain the required credit facility from the bank and so has used the going concern assumption in the preparation of these financial statements. Consequently, the values of assets and liabilities within the financial statements for the year ended 31 July 2015 are based on the assumption that the College does obtain adequate funding to enable it to continue for the foreseeable future and pay its liabilities as they fall due.

If it was deemed that an adequate credit facility with the bank was unlikely to be agreed and other sources of borrowing and support were not available to the College, then all assets and liabilities would require restatement to their realisable value on a break up basis in these financial statements. Any additional liabilities arising on a break up, such as redundancy costs, would need to be accrued for and all liabilities would need to be reflected as current liabilities. The College is unable to estimate at this juncture the extent or value of any adjustments that may be required in this eventuality.

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 reconciliation and is therefore not subject to contract adjustments.

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

Post-Retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, 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.

Enhanced Pensions

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

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

Tangible Fixed Assets

Land and Buildings

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

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

Assets under Construction

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

Subsequent Expenditure on existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

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

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

Motor vehicles	20% per year
General equipment	between 10% and 20% per year
Computer equipment	20% per year

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

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. The College held no leased assets in 2014/15.

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 expenditure account and are shown separately in note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Investments

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

2 FUNDING BODY GRANTS

	2015 £'000	2014 £'000
Skills Funding Agency recurrent grant (adult learners and 16-18 apprentices)	14,554	16,360
Education Funding Agency recurrent grant (16-18 year old students)	9,200	8,459
HE Foundation Degree contracts	240	186
Skills Funding Agency non recurrent grant	14	0
Education Funding Agency non recurrent grant	78	104
Release of deferred capital grants (note 18)	250	467
Total	**24,336**	**25,576**

3 TUITION FEES, EDUCATION CONTRACTS AND OTHER GRANTS

	2015 £'000	2014 £'000
Tuition fees		
UK and European Union	2,910	2,486
Non-European Union	0	5
Tuition Fees sub-total	**2,910**	**2,491**
Education contracts		
Local Education Authority	1,801	1,358
Other contract income	207	116
Education contracts sub-total	**2,008**	**1,474**
Other grants		
Other grants	2,179	129
Release of deferred capital grants (note 18)	1	2
Other Grants sub-total	**2,180**	**131**
Total	**7,098**	**4,096**

4 OTHER INCOME

	2015 £'000	2014 £'000
Hire of premises	28	72
Nursery income	381	370
Catering income	331	227
Other income	953	148
	1,693	**817**

5 INTEREST RECEIVABLE

	2015 £'000	2014 £'000
Bank interest	56	26
	56	**26**

6 STAFF COSTS

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2015 No.	2014 No.
Teaching staff	238	268
Non teaching staff	210	220
	448	**488**

Staff costs for the above persons

	2015 £'000	2014 £'000
Wages and salaries	15,221	15,862
Social security costs	1,290	1,314
Other pension costs (including FRS 17 charge of £37,000 (2014 FRS charge: £95,000))	2,125	2,068
Payroll sub total	**18,636**	**19,244**
Contracted out staffing services	3,042	1,706
	21,678	**20,950**
Exceptional restructuring costs	1,206	694
	22,884	**21,644**

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

	Senior post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£20,000 to £30,000	1		N/A	N/A
£30,001 to £40,000	2		N/A	N/A
£40,001 to £50,000		1	N/A	N/A
£50,001 to £60,000		1	N/A	N/A
£60,001 to £70,000		1	1	5
£70,001 to £80,000			1	1
£80,001 to £90,000	1			
£90,001 to £100,000	1			
£100,001 to £110,000				
£110,001 to £120,000		1		
£120,001 to £130,000				
£130,001 to £140,000				
£140,001 to £150,000				
£160,001 to £170,000	1	1		
	6	**5**	**2**	**6**

Lambeth College
Notes to the Financial Statements (continued)

7 SENIOR POSTHOLDERS' EMOLUMENTS

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Corporation has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

	2015 No.	2014 No.
The number of senior post-holders including the Accounting Officer was:	**6**	**4**

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	422	416
Benefit in kind	14	11
Pension contributions	57	52
Total emoluments	**493**	**480**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2015 £'000	2014 £'000
Salaries	150	154
Benefit in kind	14	2
	164	156
Pension contributions	18	22

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

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

Compensation for loss of office paid to former senior post-holders:

	2015 £'000	2014 £'000
Compensation paid to senior post-holders	6	42
Value of other benefits, including provision for pension benefits		
	6	42

The compensation payments in 2013/14 were approved by the remuneration panel, the payment of £6k in 2014/15 was a statutory compensation payment, in lieu of notice, and therefore not required to be approved by the remuneration panel.

8 OTHER OPERATING EXPENSES

	2015 £'000	2014 £'000
Teaching costs	703	463
Teaching support services	218	380
Other support services	371	250
Non teaching costs	3,110	2,993
Premises costs	2,599	2,456
Franchised and sub-contracted provision	2,143	609
	9,144	**7,151**
Other expenses		
Catering	237	160
Interest on enhanced pension provision (note 17)	97	104
Bad debts (including bad debt provisions)	259	243
	593	**507**
Total	**9,737**	7,658

Other operating expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration:		
Financial statements audit	35	32
Internal audit	25	44
Regularity audit	6	6

9 INTEREST AND OTHER FINANCE COSTS

	2015	2014
On bank loans, overdrafts and other loans:	1,002	1,084
Pension finance costs (note 24)	153	404
Total	**1,155**	**1,488**

10 TAXATION

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.

11 THE (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The Deficit on continuing operations for the year is made up as follows:

	2015 £'000	2014 £'000
College (deficit)/surplus for the year	(2,575)	12,069
Deficit generated by subsidiary undertaking	(64)	
Total	(2,639)	12,069

Lambeth College
Notes to the Financial Statements (continued)

12 TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2014	62,118	2,322	2,199	66,639
Additions		12,596	306	12,902
At 31July 2015	**62,118**	**14,918**	**2,505**	**79,541**
Depreciation				
At 1 August 2014	20,924		1,480	22,404
Charge for the year	1,714		332	2,046
At 31 July 2015	**22,638**		**1,812**	**24,450**
Net book value at 31 July 2015	**39,480**	**14,918**	**693**	**55,091**
Net book value at 31 July 2014	**41,194**	**2,322**	**719**	**44,235**

The College's policy is to carry all assets at historical costs, except for inherited assets which are included on the balance sheet at a valuation which existed at 31 July 1999 when the College implemented FRS 15 Tangible Fixed Assets for the first time. 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 cost of the assets is nil.

If inherited land and buildings had not been valued they would have been included at a nil value. Land and buildings with a net book value of £8.252 million have been funded from local Education Authority sources

land and buildings with a net book value of £7.259 million have been financed by Exchequer funds and/or grants from the funding bodies. Should these assets be sold, the College may be liable under the terms of the Financial Memorandum with the Skills Funding Agency, to surrender the proceeds.

The College currently occupies two freehold sites at Clapham and Vauxhall. Its occupancy of the Brixton site is under the terms of a licence to occupy which was signed on 1 August 2014 following the disposal of this site during 2013/14. The disposal generated a surplus of £14.775 million in 2013/14. The freeholds of the College's sites have been transferred to the College and the title deeds for all the sites are held by solicitors Bates Wells Braithwaite.

The depreciation charge for the period is analysed as follows:

		2015	2014
		£'000	£'000
Revalued assets	Recurring annual charge	652	511
Owned assets	College funded	1,143	1,598
	Capital grant funded	251	322
Total		**2,046**	**2,431**

Lambeth College
Notes to the Financial Statements (continued)

13 DEBTORS

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Amounts falling due within one year:				
Trade debtors and accrued income	3,000	2,994	441	441
Prepayments	90	90	340	340
Amounts owed by the Skills Funding Agency			27	27
Amount due by subsidiary undertaking		144		
Total	3,090	3,228	808	808

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Bank loans (note 16)	412	412	788	788
Payments received on account	114	114	78	78
Trade creditors	1,020	993	879	879
Other taxation and social security	649	649	612	612
Amount owed to funding bodies	184	184	168	168
Accruals - recurrent	2,579	2,579	1,424	1,424
Accruals - capital works	2,449	2,449	128	128
Total	7,407	7,380	4,077	4,077

15 CREDITOR: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Bank loans (note 16)	14,887	14,887	17,220	17,220
Total	14,887	14,887	17,220	17,220

16 ANALYSIS OF BORROWINGS OF THE COLLEGE

Bank loans and overdrafts

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans are repayable as follows:				
In one year or less {note 14)	412	412	788	788
Between one and two years	916	916	812	812
Between two and five years	1,026	1,026	2,585	2,585
ln five years or more	12,946	12,946	13,823	13,823
Total	**15,300**	**15,300**	**18,008**	**18,008**

Following the breach of the Bank Covenants during 2013/14, the College renegotiated its bank loans in November 2014, rolling both the long-term andshort-term loans into a single loan, with £15.3 million outstanding at 31 July 2015 (£18.008 million at 31 July 2014). An additional revolving credit facility of £2.3 million was negotiated at the same time. Based on the financial results and position for the year ended 31 July 2015, the College breached its financial covenants in relation to the loan from Barclays Bank. However the Bank has agreed not to take action on the breaches and consequently only the loan repayments falling due within 2015/16 under the current loan terms have been shown within creditors due less than one year. The remaining balance is shown within creditors due more than one year.

The previous short term loan was converted into a revolving credit facility of £2.3 million at November 2014. The previous short term loan was converted into a revolving credit facility of £2.3 million at November 2014. The facility is available for four years from signing at a variable interest rate of LIBOR plus 1.25%.The amount available under the facility reduced in November 2015 to £2 million and this will be available until November 2016, after which the facility will reduce to £1.7 million. In November 2017, the amount available will reduce to £1.4 million until the endof the facility. The facility is available for four years from signing at variable interest rate of LIBOR plus 1.25%.

The loan outstanding is repayable by 2035 and has a fixed interest rate of 5.25% plus margin. The loan is secured with a charge over the College's Clapham and Vauxhall sites.

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Enhanced Pensions £'000
At 1 August 2014	2,392
Expenditure in the year	{153)
Increase in provision	44
Interest on provision (note 8)	97
At 31July 2015	2,380

The only provision made by the College refers to a provision for enhanced pension payments. During the three year period 1995/96 to 1997/98, 72.33 FTE staff accepted enhanced premature retirement offers which were made to redundant staff aged SO years or over. The offers included up to five added years pension entitlement in 1995/96 and up to four added years entitlement in 1996/97. The offer in 1997/98 included a mix of up to five added years entitlement plus a College contribution to the basic earned pension for teaching staff aged 50 to 59 in line with the TPS revised regulations. A further 2 redundant FTE staff accepted an enhanced premature retirement offer of 6 2/3 additional years in 1999/00, 2 FTE staff were granted premature retirement {one of which was enhanced) in 2002/03. A further 1 FTE staff, 2 FTE staff and 1 FTE staff were granted premature retirement in 2003/04, 2005/06 and 2006/07 respectively.

In accordance with guidance issued by the SFA and its predecessor organisations, the College is obliged to make a provision for the full cost of the added years of pension payments in the year in which staff leave the College's employment and/or the commitment to pay the on-going pension is made. During 2014/15 the provision has been recalculated by reference to updated actuarial factors published by the Association of Colleges. This has led to an increase in the provision of £44k. The existing provision will be expended over the lifetime of the staff who accepted the enhanced premature retirement offer andtheir surviving spouses - this period could be up to thirty years.

The principal assumption for this calculation are:	2015	2014
Interest rate	1.75%	2.25%
Discount rate	3.46%	4.06%

Lambeth College

Notes to the Financial Statements (continued)

18 DEFERRED CAPITAL GRANTS

	Group and College Funding Body Grants £'000	Other Grants £'000	Total £'000
At 1 August 2014	9,700	5	9,705
Cash received	961		961
Released to income and expenditure account	(250)	(1)	(251)
At 31 July 2015	**10.411**	**4**	**10 415**

19 REVALUATION RESERVE

	Group and College 2015 £'000	Group and College 2014 £'000
At 1 August 2014	8,905	11,015
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on re-valued assets	(652)	(511)
Transfer relating to disposal of tangible fixed assets		{1,599)
At 31 July 2015	**8 253**	**8 905**

20 MOVEMENT ON GENERAL RESERVES

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
At 1 August 2014	5,160	5,160	(6,573)	(6,573)
(Deficit)/Surplus on continuing operations after depreciation of assets and tax	{2,639)	(2,575)	12,069	12,069
Transfer from revaluation reserve	652	652	2,110	2,110
Revaluation of enhanced pension (note 17)	(44)	(44)	(28)	(28)
Actuarial loss in respect of pension scheme (note 24)	(3,671)	(3,671)	(2,418)	(2,418)
At 31 July 2015	**(542)**	**(478)**	**5160**	**5160**
Balance represented by:				
Pension Reserve (note 24)	(18,588)	(18,588)	(14,727)	(14,727)
Income and expenditure account reserve excluding pension reserve	18,046	18,110	19,887	19,887
At 31 July 2015	**(542)**	**(478)**	**5160**	**5160**

21 RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015	2014
	£'000	£'000
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and exceptional items	(2,639)	12,069
Depreciation (note 12)	2,046	2,431
Surplus on disposal of tangible fixed assets		(14,775)
Deferred capital grants released to income (note 18)	(251)	(469)
FRS17 pension adjustment (note 24)	190	471
Increase in other provisions	(44)	(27)
Increase in debtors	(2,282)	(175)
Increase/ {Decrease) in creditors	3,706	(972)
Oecrease/(lncrease) in stock	2	(6)
Interest receivable (note 5)	(56)	(26)
Bank and other loan interest payable	1,002	1,084
Net cash outflow from operating activities	1,674	**(395)**

22 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2014	Cash Flows	At 31 July 2015
	£'000	£'000	£'000
Cash in hand, and at bank	6,153	(4,934)	1,219
Investments money market deposits	11,000	(9,000)	2,000
Debt due within one year (note 14)	(788)	376	(412)
Debt due after one year (note 15)	(17,220)	2,333	(14,887)
Total	**(855)**	**(11,225)**	**(12,080)**

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

Returns on investments and servicing of finance

	2015	2014
	£'000	£'000
Investment interest received (note 5)	56	18
Interest paid on bank loan	(1,002)	(1,084)
Net cash outflow from returns on investments and finance servicing	**(946)**	**(1,066)**

Capital expenditure and financial investment

	2015	2014
	£'000	£'000
Purchase of tangible fixed assets	(12,914)	(3,776)
Receipts from sales of fixed assets		17,937
Deferred capital grants received (note 18)	961	3,229
Net cash (outflow}/inflow from capital expenditure and financial investment	**(11,953)**	**17,390**

	2015	2014
	£'000	£'000
Management of liquid resources		
Withdrawals from deposits	12,000	10,000
Placing of deposits	(3,000)	(21,000)
Net cash outflow/{inflow}from management of liquid resources	9,000	**(11,000)**

	2015	2014
Financing		
Debt due beyond a year:		
New secured loans repayable by 2023		1,300
Repayment of amounts borrowed	(2,709)	(1,970)
Net cash outflow from financing	**(2,709)**	**(670)**

24 PENSIONS

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for teaching and related staff managed by the Teachers' Pensions Agency (TPA), and the Local Government Pension Scheme (LGPS) for non-teaching staff managed by the London Pensions Fund Authority (LPFA). Both are defined benefit schemes. The total pension cost to the College was:

Total pension cost for the year		2015 £'000		2014 £'000
Teachers Pension Scheme: contributions paid		967		1,074
Local Government Pension Scheme:				
Contributions paid	806		786	
FRS 17 charge	37		95	
Payment of past service charges	315		113	
Charge to the Income and Expenditure Account (staff costs)		1,158		994
Total Pension Cost for Year		2,125		2,068

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £212,381 (2014 £168,415) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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 (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

DRAFT

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 16.4% 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 year amounted to £1,637,967 (2014: £1,782,381).

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Lambeth College
Notes to the Financial Statements (continued)

24 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme and therefore 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 FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31July 2015 was £1,150,095, of which employer's contributions totalled £802,853 and employees' contributions totalled £347,242. In 2014/15 the College also made a deficit reduction payment totalling £315,550 (2013: 113,000). The agreed contribution rates for future years are 16.5% for employers and from 5.5% to 12.5% for employees, based on salary bandings.

FRS 17

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary:

	At 31July 2015	At 31 July 2014
Rate of price increases (RPI)	3.50%	3.50%
Rate of price increases (CPI)	2.60%	2.70%
Rate of increase in salary	4.30%	4.50%
Rate of pension increase	2.60%	2.70%
Discount rate for liabilities	3.80%	4.20%

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 2015	At 31 July 2014
Retiring today		
Males	21.9	21.8
Females	25.1	25.0
Retiring in 20 years		
Males	24.2	24.1
Females	27.4	27.2

24 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014
		£'000		£'000
Equities	*	13,609	6.70%	12,854
Target return funds	*	5,980	6.10%	8,366
Alternative assets	*	2,756	n/a	2,090
Cash	*	3,973	3.20%	4,050
Cashflow Matching	*	4,450	3.40%	1,786
Total market value of assets		**30,768**		**29,146**
Present value of funded scheme liabilities		**(49,356)**		**(43,873)**
Deficit in the scheme		**(18,588)**		**(14,727)**

* For accounting periods begininning on or after 1 January 2015, the expected long term rate of return and interest cost will be replaced with a single net interest cost. The actuary has used an expected return of 5.8% in the year to 31 July 2015.

Analysis of the amount charged to income and expenditure account

	2015	2014
	£'000	£'000
Employer service cost (net of employee contributions)	1,189	1,021
Total operating charge	**1,189**	**1,021**

Analysis of pension finance costs

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	1,697	1,540
Interest on pension liabilities	(1,850)	(1,944)
Pension finance costs	**(153)**	**(404)**

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015	2014
	£'000	£'000
Actuarial losses on pension scheme assets	(420)	(1,061)
Experience (losses)/gains	(645)	3,859
Changes in assumptions underlying the present value of the Fund liabilities	(2,606)	(5,216)
Actuarial losses recognised in STRGL	**(3,671)**	**(2,418)**

Movement in deficit during year:

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	**(14,727)**	**(11,810)**
Movement in year:		
Employer service cost (net of employee contributions)	(1,189)	(1,021)
Employer contributions	854	822
Repayment of past service costs	315	113
Unfunded pension payments	38	
Net interest on assets	(153)	(404)
Actuarial loss	(3,671)	(2,418)
Settlement and curtailments	(55)	(9)
Deficit in scheme at 31 July	**(18,588)**	**(14,727)**

24 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The Co llege [1]s share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015	Long-term rate of return expected at 31July 2014	Value at 31 July 2014
		£'000		£'000
Equities	*	13,609	6.70%	12,854
Target return funds	*	5,980	6.10%	8,366
Alternative assets	*	2,756	n/a	2,090
Cash	*	3,973	3.20%	4,050
Cash/low Matching	*	4,450	3.40%	1,786
Total market value of assets		**30,768**		**29,146**
Present value of funded scheme liabilities		**(49,356)**		**(43,873)**
Deficit in the scheme		**(18,588)**		**(14,727)**

- For accounting periods begininning on or after 1 January 2015, the expected long term rate of return and interest cost will be replaced with a single net interest cost. The actuary has used an expected return of 5.8% in the year to 31 July 2015.

Analysis of the amount charged to income and expenditure account

	2015	2014
	£'000	£'000
Employer service cost (net of employee contributions)	1,189	1,021
Total operating charge	**1,189**	**1,021**

Analysis of pension finance costs

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	1,697	1,540
Interest on pension liabilities	(1,850)	(1,944)
Pension finance costs	**(153)**	**(404)**

Amount recognised in the statement of total recognised gains and losses (STRGL}

	2015	2014
	£'000	£'000
Actuarial losses on pension scheme assets	(420)	(1,061)
Experience (losses)/gains	(645)	3,859
Changes in assumptions underlying the present value of the Fund liabilities	(2,606)	(5,216)
Actuarial losses recognised in STRGL	**(3,671)**	**(2,418)**

Movement in deficit during year:

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	**(14,727)**	**(11,810)**
Movement in year:		
Employer service cost (net of employee contributions)	(1,189)	(1,021)
Employer contributions	854	822
Repayment of past service costs	315	113
Unfunded pension payments	38	
Net interest on assets	(153)	(404)
Actuarial loss	(3,671)	(2,418)
Settlement and curtailments	(55)	(9)
Deficit in scheme at 31 July	**(18,588)**	**(14,727)**

Lambeth College
Notes to the Financial Statements (continued)

24 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Local Government Pension Scheme (Continued)
Asset and Liability Reconciliation

	2015 £'000	2014 £'000
Reconciliation of Liabilities		
Liabilities at start of year	43,873	40,436
Current service cost	1,189	1,021
Interest cost	1,850	1,944
Contributions by members	339	307
Actuarial loss	3,251	1,350
Estimated benefits paid	(1,163)	(1,194)
losses on curtailments	55	9
Unfunded pension payments	(38)	
Liabilities at end of year	49,356	43,873
Reconciliation of Assets		
Assets at start of year	29,146	28,626
Expected return on assets	1,697	1,540
Contributions by members	339	307
Contribution by employer	1,207	935
Actuarial loss	(420)	(1,068)
Estimated benefits paid	(1,201)	(1,194)
Assets at end of year	30,768	29,146

The estimated value of employer contributions for the year ended 31st July 2016 is £1,310,000.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £345,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains and losses:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets:	(420)	(1,068)	3,278	(1,185)	1,045
Value of assets	30,768	29,146	28,626	23,854	23,257
Percentage of scheme assets	(1.40%)	**(3.70%)**	11.50%	**(5.00%)**	4.50%
Experience adjustments on scheme liabilities:	(645)	3,866			5,138
Present value of liabilities	(49,356)	(43,873)	(40,436)	(39,282)	(32,897)
Percentage of scheme liabilities	**(1.30%)**	8.80%	0.00%	0.00%	15.60%
Total amount recognised In STRGL:	3,671	**(2,418)**	4,199	**(5,199)**	3,147

26 CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Commitments contracted for at 31 July		3,351
Authorised but not contracted at 31 July	301	
	301	**3,351**

27 FINANCIAL COMMITMENTS

There are no financial commitments at 31 July 2015 (2014: £ nil).

28 CONTINGENT LIABILITY

There are no known contingent liabilities at 31 July 2015 (2014:£ nil).

29 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the members of the Corporation 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 Corporation 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. No transactions were identified which should be disclosed under Financial Reporting Standard and Related Party Disclosures.

Governors' expenses for the year amounted to £1,799 (2014: £1,142), of which £516 (2014: £576) was claimed by and paid directly to three individuals governors (Andrew Osborne £260; William Talmage £80; Bev Julien £176) (2014: three governors). The payments made related to travel and subsistence.

30 POST-BALANCE SHEET EVENTS

There are plans to create a strategic alliance between ourselves and South Thames College. In the coming months, Governing bodies from both colleges will be working with both Principals to explore these proposals in more detail. This will put both colleges in a stronger position going forward.

It supports the move towards fewer, larger and more resilient organisations, which was signalled in the review of further education and skills that the Government launched this Summer. It is anticipated that a stronger alliance will bring together the best of both organisations and enhance opportunities for future learners, as well as safeguarding the provision of further education to employers and local communities in South London.

There are no other post-balance sheet events.

31 AMOUNTS DISBURSED AS AGENT DISCRETIONARY LEARNER SUPPORT

	2015	2014
	£'000	£'000
Funding body grants - hardship support	400	739
Funding body grants - childcare	991	728
24+ Bursary	481	
	1,872	1,467
Disbursed to students	1,664	1,148
Administration costs	78	103
Balance unspent as at 31 July included in creditors	129	216
	1,871	1,467

Learner Support funds are available solely for students and the College acts as a paying agent. Therefore, in these circumstances the grants and disbursements are excluded from the income and expenditure account.

32 INVESTMENTS

Lambeth College holds 100% of the issued £1 ordinary shares in each of the following companies:

SW4 Catering Limited (incorporated on 10 July 2014, Company Number 09125790) and its principal business activity is catering. The company has been trading since August 2014 and is consolidated within these financial statements.

Skills Exchange Recruitment Limited (incorporated on 4 December 2013, Company Number 08428330). This company has been dormant since incorporation.

Go2Work Limited (incorporated on 31 January 2013, Company Number 0838512). This company has been dormant since incorporation.

All three subsidiary companies are incorporated in England and Wales and the shares in all three companies were purchased at par and are carried at cost. Total cost of shares held is £3.