NEW CITY COLLEGE

(formerly Tower Hamlets College)

Report and Financial Statements
for the year ended 31 July 2017

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 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting New City College (formerly Tower Hamlets College). The College is an exempt charity for the purposes of the Charities Act 2011.

The College was incorporated as Tower Hamlets College on 1 January 1993. Following the merger with Hackney Community College on 1 August 2016 and in light of the proposed merger with Redbridge College on 1 April 2017, the Corporation applied to the Department for Education for approval to change its name to New City College, to reflect the broader range of its activities in East London. This change of name was approved with effect from 1 February 2017.

Strategic Direction

Following the mergers noted above, the Corporation reviewed its strategy and in its meeting in July 2017 confirmed the following:

By 2022 New City College will:

- Be regarded as the first choice for young people, adults, apprentices and businesses who wish to prepare for further study, employment or improve their skills.
- Be recognised for its key specialisms across east London and beyond.
- Have created a 21st century learning environment across the college by rebuilding the Poplar campus and investing significantly in other sites.
- Have successfully implemented a new approach to staff development that is highly valued across the college and incudes our own, expanded teacher training department.
- Be financially stable and debt free.
- Be a confident, dynamic influencer of skills policy across London.

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 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 Governing Body, who are trustees of the charity, are disclosed on pages 15 to 18.

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

In delivering its mission, the 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.

OPERATING AND FINANCIAL REVIEW (continued)

Mergers and Acquisitions

As reported last year, after following due process, including an SPA, full due diligence and consultation, the College and Hackney Community College agreed in March 2016 that they would merge with effect from 1 August 2016. This was completed as planned, with Hackney Community College dissolving on that date and transferring its assets, liabilities and undertaking to Tower Hamlets College. As part of the merger process the Corporation was expanded to include those independent governors from Hackney who wished to continue, a new independent chair was recruited and the Tower Hamlets principal was confirmed as principal of the merged college.

In addition, on 9 September 2016, the College completed the acquisition of the business and undertaking of a specialist English Language School, Westbourne Academy, at a cost of £1.45m, which operates as a department of the College.

As noted above, following the merger Tower Hamlets College changed its name to New City College on 1 February 2017.

One of the recommendations of the Area Review for East London was that Tower Hamlets College should merge with Redbridge College. Having already completed initial due diligence and consultation, the Corporation resolved to proceed with the merger which was completed on 1 April 2017, with Redbridge College dissolving on that date and transferring its assets, liabilities and undertaking to New City College. Those governors from Redbridge that wished to continue joined the Corporation on merger.

The Corporation has now completed an initial review of the vision, mission and strategy and revised strategic objectives are set out above.

In the period to 31 July 2017, change was only made where necessary to complete the process and the curriculum offer continued to reflect the specific characteristics of the three colleges, while steps were taken to start to harmonise processes and rationalise core business systems.

The College has now commenced the restructuring required to deliver the agreed strategic objectives. The focus of activity remains the three boroughs, led by borough principals, but the first phase of the curriculum reorganisation has been to appoint group directors responsible for specific curriculum areas across the three boroughs.

The College has complied with the requirement of accounting standards in accounting for the mergers. The merger with Hackney has therefore been accounted for using merger accounting, with the comparative amounts for the year ended 31 July 2016 being revised to include those from Hackney. The merger with Redbridge does not have the strict characteristics of a merger and has therefore been accounted for using acquisition accounting, with balances transferred in 1 April 2017 and the income expenditure from that date only included. The assets acquired on the merger with Redbridge have adjusted to fair value, the resulting gain of £9,932,000 being included in the Total Comprehensive Income for the year.

However, because of the complexities on reporting on some data for part of the year, this Operating and Financial Review includes the data for all three constituent colleges for the full year unless otherwise indicated and the developments for 2017/18 reflect the merged college.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates.

The following paragraphs set out the performance against these measures and indicators.

OPERATING AND FINANCIAL REVIEW (continued)

Student achievement and progression

Overall Achievement rates have continued to improve. The New City College overall achievement rates for 16-18 funded provision rose 4% from 2015/16 to 80%, which is 8% above the National Average for similar provision but 1% below the whole sector National Average. Over the same period adult achievement rates have risen by nearly 6% 85.6%, 5% above the National Average for similar provision and on a par with the whole sector National Average.

The detail behind this improvement includes:

- Retention rates remain outstanding at over 95% and are above national averages both for similar provision and for the whole sector.
- Pass rates have risen 2% to 87%, which is on a par with the National Average for similar provision but 3% below the whole sector National Average.

Progression continues to be strong, with 88% of learners with a known outcome progressing to Education or Employment.

Of those applying through UCAS, 82% were placed at University with 663 entering higher education. Over 100 have entered Russell Group Universities and two have progressed to Cambridge.

Ofsted Inspection

All three constituent colleges were rated "Good" at their last Ofsted Inspection and the College has used the findings of the inspections of Tower Hamlets in December 2013, Hackney in October 2015 and Redbridge in December 2015 to inform continued progress during 2016/17.

Funding

The College's performance against its key funding targets for the year was:

- The College achieved 90% of its 16-18 learner number target. It achieved 81% of its 16-18 Responsive Funding target.
- The College achieved 98% of its Adult Education Budget for classroom activity and therefore there is no clawback of funding.
- The College delivered 73.5% (£1,275,966) of its original allocation for 16-18 Apprenticeships allocation and 93% (£2,688,286) of its adult Apprenticeship allocation.

Student numbers

In 2016/17 the College has delivered activity that has produced funding against the Education and Skills Funding Agency (ESFA – formerly the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) which merged from April 2017) main allocations amounting to £39,726,105 (2015/16: £16,904,000), including Additional Learning Support.

The College had approximately 14,210 (2015/16: 12,442) learners funded by the SFA/EFA and 4,468 (2015/16: 2,554) learners funded from other sources. There were 1,206 apprentices in the year compared to 1,355 in 2015/16.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Objectives

The College's long-term financial objectives were approved as:

i. financial health to remain as good to outstanding;
ii. surpluses generated to allow the College to meet its capital investment requirements.

During the year, the focus was on the following performance indicators:

KPI	At 31 July 2017
Operating result before exceptional costs, FRS102 adjustments and the additional costs and savings arising from merger at break even or better. None of these exclusions are reflected in the budget, which represents the underlying business.	Favourable variance – surplus of £490k
Debt service cover, where the available cashflow for the period must be equal to or greater than the annual debt servicing costs.	Debt servicing costs £275k – net cash inflow for period £7,886k and cash balances of £11.0m
Operational leverage, where the borrowings should be no more than 3.5 times the adjusted surplus for the year. Adjusted surplus is the result for the year adjusted to exclude capital grants, depreciation and amortisation, non-cash adjustments for pension costs and interest payable.	Actual net funds of £11.0m so no actual borrowings
Proportion of funding that comes from core funding from the EFA and SFA, including apprenticeship income, which will be as per the budget, 68%.	EFA/SFA income 63%
Proportion of staff costs and staff adjusted for agency and similar costs and subcontracting costs to total income, which will be as per the budget at 61% and 62% respectively.	70%
Current ratio (current assets as a proportion of current liabilities) which per the budget for the end of the year is 0.84:1.	1.14:1
Cash days in hand, based on the budget profile of 59 days.	75 days

The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The Finance Record produces a financial health grading. The current rating of Good.

The reasons for the variances have been reviewed and the Corporation is satisfied with the College's overall performance against the objectives.

Financial results

The financial results are set out in the Consolidated Statements of Comprehensive Income. In summary, these are:

OPERATING AND FINANCIAL REVIEW (continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Operating surplus before restructuring costs, merger costs and adjustments for FRS 102 Pension Costs	490	154
Holiday Pay Accruals adjustment	(71)	(119)
Restructuring costs	(801)	(1,044)
Profit/(loss) on fixed assets	525	(195)
Merger related costs	(137)	(268)
Deficit before adjustments for FRS 102 Pension Costs	6	(1,472)
Gain on the fair valuation of assets acquired on merger with Redbridge	8,649	-
Adjustments for FRS 102 Pension Costs	3,819	(10,787)
Gain on Investments	29	15
Surplus/(deficit) per Comprehensive Income	12,503	(12,244)

The surplus for the year added to reserves is £13,762,000 (2015/16: a deficit of £12,244,000).

At 31 July 2017, the Group has accumulated reserves and cash and short term investment balances of £9,290,000 and £11,003,000 (2015/16: £(1,642,000) and £3,117,000 respectively).

The College has five subsidiary companies:

- TowerSkills Recruitment Services Limited, whose principal activity is a recruitment agency for permanent and temporary staff. In the current year, the company made a deficit of £28,652 (2015/16: a deficit of £8,999).
- City Edge Limited In the current year, the company made a deficit of £40,576 (2015/16: a surplus of £20,375).
- View Training Limited In the current year, the company made a deficit of 86,977 (2015/16: a surplus of £838,449).
- The Trading Company (Hackney) Limited In the current year, the company made a surplus of £26,796 (2015/16: a surplus of £3,906).
- Shoreditch Community Sports Centre Limited In the current year, the company made a deficit of £37,346 (2015/16: a surplus of £22,920).

Any taxable profits generated by the subsidiaries are transferred to the College under the Gift Aid Scheme.

Tangible fixed asset additions during the year amounted to £2,746,000. This was split between land and buildings improvements of £1,549,000 and equipment purchased of £1,197,000.

The College disposed of its right to enter into a lease at the Bethnal Green Centre. Together with other disposals, the net surplus on asset disposals was £525,000. In addition, it disposed of surplus land at Redbridge, the value of which was increased to fair value on merger, given a gain of £7,327,000.

The College has significant reliance on the SFA and EFA for its principal funding source, largely from recurrent grants. In 2016/17 these bodies provided 63% (2015/16: 71%) of the College's total income.

OPERATING AND FINANCIAL REVIEW (continued)

Treasury policies and objectives

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

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the SFA/EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The inflow of £7,886,000 after transferring £12,000 to short-term investments to cash (2015/16: outflow of £169,000).

Liquidity

The College had no net borrowing as at 31 July 2017 or 2016, with cash balances of £11,003,000 and long term debt of £3,316,000 (2015/16: £3,117,000 and £1,201,000 respectively).

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. In the interests of operational efficiency it is the College's practice to pay suppliers invoices by BACS transmission twice per month. The College incurred no interest charges in respect of late payment for this period.

Current and Future Development and Performance

Curriculum Developments for 2016/17

A key objective is continue to reduce dependency on SFA and EFA core funding and to use the combined expertise to develop opportunities to diversify income sources.

The curriculum offer for the merged college reflects the characteristics of the three colleges, but improved progression routes in some provision areas, for example higher level construction courses, have been identified, and the curriculum teams across the three sites are working together to share best practice and explore opportunities to develop activity.

Hackney and Redbridge have a large employer-facing offer, including significant volumes of apprenticeship activity and this has been an important vehicle for developing this offer in response to the introduction of the Apprentice Levy from May 2017. Activity in respect of new apprentices from levy payers or non-levy, funded work has been limited in the period to 31 July 2017, as the College focused on developing the delivery model.

Hackney and Tower Hamlets each had some 145 high needs learners in 2016/17 but with the merger, this now represents a significant activity that will allow the development of a broader range of specialist skills and a greater ability to collaborate with specialist schools particularly for post 18 provision.

At Tower Hamlets, the direct entry provision for 14-16 year olds continues to be expanded to include not just the existing new arrivals but also those possibly not suited to mainstream schooling and some 70-80 such students enrolled during the year.

OPERATING AND FINANCIAL REVIEW (continued)

Curriculum Developments for 2016/17 (continued)

The College's strategy has been to seek to diversify income sources by careful investment, and in September 2016 it completed the acquisition of an English Language School, Westbourne Academy. The school is based in Bournemouth. Investment has been made to improve the facilities and teaching quality. The change in ownership has not had any significant impact on business and student numbers are consistent with, if not better than previous years.

The merger with Redbridge brought in a significant contract for HE provision through a partner, which will reduce the proportion of income received from the ESFA.

Curriculum Developments in 2017/18

As for 2016/17 a key objective is continue to reduce dependency on ESFA core funding and to use the combined expertise to develop opportunities to diversify income sources.

At the start of year, the College started to restructure the management of the curriculum. While the three borough principals retain responsibility for the curriculum at their campuses, group curriculum directors have been appointed to lead the development of curriculum across the three colleges, so that best practice and efficiencies can be shared. This will also provide opportunities to consolidate provision in more specialist areas and ensure that there are clear progression routes to higher level courses.

For apprenticeships, delivery will be by the relevant curriculum area, but there will be a central compliance and quality function.

The expansion in HE provided by the Redbridge partner provides opportunities to develop more shared delivery and scope to diversify the offer.

At the start of 2017/18 the College had increased its total of high needs learners to approximately 400, with more activity at Redbridge. This should allow the College to meet the local requirement more effectively.

The model at Tower Hamlets for direct entry 14-16 year olds is being explored with other local authorities.

The College has had extensive discussions with the agents working with the Language School about the potential to expand the offer by running courses in London and providing clear progression pathways on to vocational courses in London. This will allow the College to develop a comprehensive international offer, on a fee-paying basis.

The merged College has had the following income confirmed by the SFA and EFA for 2017/18:

16 – 18 Funding	£21,286,000
Adult Skills	£12,500,000

Future developments

As last year, the financial planning for the merged college has made only limited assumptions for savings to be secured as a result of merger and the intention through 2017/18 is to seek secure additional income and cost savings that will help to improve the overall financial position. In addition to systems and business process rationalisation, there is potential to reduce cost by more effective, co-ordinated procurement.

Post balance sheet events

There are no significant post balance sheet events.

OPERATING AND FINANCIAL REVIEW (continued)

Resources

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

Tangible Resources
Tangible resources include the principal College Campuses for:

- Tower Hamlets, freehold sites at Poplar High Street and Arbour Square,
- Hackney a freehold site at Shoreditch
- Redbridge, a freehold site at Chadwell Heath

together with lease expiring in December 2020 for premises in Ilford.

The College has a 99 lease on a property at East India Dock Road which the College intends to dispose of during 2017/18.

Financial
As at 31 July 2017, the College had £44.5 million of net assets (excluding £35.2 million pension liability) and long term debt of £3.3 million.

People
During the year ended 31 July 2017, the College employed 901 people (expressed as full time equivalents), of whom 498 are teaching staff. In terms of headcount this is 1,104.

Reputation
The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Principal Risks and Uncertainties

The system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation, continues to be developed.

Based on the strategic plan, the College Senior Management Team (Risk Management Group) undertakes a comprehensive review of the risks to which the College is exposed. They identify 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 appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk management plan is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk management plan identifies the key 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 and sources of assurance are also identified.

The significant risks are reviewed by the Audit Committee at each of their meetings and the full risk register at least once a year.

With the approval of the new strategic objectives to 2022, the existing risk register is now being reviewed and updated, to ensure that risks relevant to the new strategic objectives were properly identified and described. However, for the purpose of this report, risks relating to the previous strategic objectives are set out below.

OPERATING AND FINANCIAL REVIEW (continued)

The operating environment is one of rapid change which is reflected in the nature of the principal risk factors that may affect the College, with or without merger or collaboration, and these are described below. This environment requires the Corporation, management and staff to be informed of the changes, aware of the opportunities and able to adapt. Not all the risk factors are within the College's control.

Other factors besides those listed below may also adversely affect the College. The risks are related to the College's key strategic objectives which had been approved in July 2014.

1. To be recognised as an outstanding college

The College needs to provide a high quality learning experience, delivering success rates to required national standards, in order to remain able to recruit learners in a competitive environment. The key risks are identified as:

- Maintain, if not improve on, the Ofsted "Good" grade through outstanding teaching and learning;
- Promote ourselves as the provider of choice for the local community and specified industry sectors.

The College manages these risks through a number of actions including:

- the quality improvement plan and a specific post-inspection action plan, which are regularly monitored by Senior Management and the Corporation;
- detailed monitoring of curriculum delivery, including externally-led reviews of curriculum areas and robust self-assessment;
- tracking of student performance, with appropriate intervention as necessary;
- weekly monitoring of student attendance and retention, taking action where issues are emerging;
- consideration of emerging quality issues, for example from Ofsted inspections of other colleges;
- robust lesson observation policy and training for curriculum managers, focused staff development for teaching staff on effective teaching, and targeted support for teachers whose lesson observation is not up to standard;
- the use of current students as ambassadors to promote the positive messages about the quality of teaching and learning;
- collation and promotion of accurate relevant data about academic performance;

- marketing campaigns to promote academic performance and positive benchmarking using relevant national and local comparators, through the web-site, social media and more traditional channels;

- optimising the positive messages from the Ofsted inspection, with the positive Ofsted outcome reducing the probability of the risk crystallising.

2. To be an innovative learning organisation

The College needs to facilitate innovative approaches to teaching improvement, create a culture of peer learning throughout the College, allow practical experimentation and the development of new learning approaches and consider alternative models of collaboration and partnership in order to respond to the changing environment. The key risks are identified as:

- Have clear progression routes for all of the curriculum;
- Have strong links with a range of employers to meet their needs for training and skills;
- Recruit and retain the right staff, who can be encouraged to innovate and support staff in implementing innovation, while ensuring requirements for English and maths, Safeguarding and Equality and Diversity are retained.

OPERATING AND FINANCIAL REVIEW (continued)

The College manages these risks through a number of actions including:

- clear progression pathways for all courses;
- planning guided by: quality; success; recruitment; funding and viability; government and community priorities;
- briefings to local elected representatives on importance of the College;
- the quality improvement plan and a specific post-inspection action plan, which are regularly monitored by Senior Management and the Corporation;
- strategic curriculum review and assessment agreed with Corporation annually;
- communication of College's competitive advantage to differentiate it from immediate competitors - related to quality, student safety, progression to HE and employment, vocational specialisms and pathways, location, industry expertise;
- optimising the positive messages from the Ofsted inspection, with the positive Ofsted outcome reducing the probability of the risk crystallising;
- using positive links with Job Centre Plus and employers to demonstrate opportunities for existing and prospective students;
- maintaining positive PR image and reputation in community and through local media, detailed monitoring of curriculum delivery, including externally-led reviews of curriculum areas and robust self-assessment.

3. To develop financial resilience and security

The College needs to maintain outstanding financial health unless investing for future growth, rebuild its income, explore alternative markets across the educational landscape that reduce our dependency on grant funding and develop a robust, flexible estate that provides an engaging student experience. The key risks are identified as:

- Reduce our dependency on EFA/SFA income;
- Ensure that all investment decisions are properly evaluated and prioritised.

The College manages these risks through a number of actions including:

- a robust budget setting process, with clarity and ownership of income targets and contribution at faculty/departmental level before the start of the year;
- monitoring with budget holders of financial performance, including new income streams, through monthly management accounts;
- management planning days to develop possible new income sources and prepare action plans from these;
- strategic curriculum review and assessment finalised and agreed with Corporation Board annually which informed new strategic plan 2016-18;
- approved authority limits restrict ability for investment;
- governor approval for major investment at concept and final decision stage;
- governor monitoring of progress against strategic plan through KPIs;
- property and accommodation strategies.

Stakeholder Relationships

In line with other colleges, New City College has many stakeholders. These include:

- Students;
- Funding Bodies, primarily the ESFA and HEFCE;
- Staff;
- Local employers;
- Local authorities;
- Government Offices and Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Higher education institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities and employment of disabled persons

New City College is committed to providing a high quality educational experience and to promoting, maintaining and supporting equality and diversity in all aspects of its work.

The College will actively seek to ensure that students and staff experience equality of opportunity and are free from harassment, discrimination or victimisation of any kind, regardless of age, sex (gender), disability, learning difficulty, sexual orientation, gender reassignment and gender recognition, religious or political belief, race, ethnicity, nationality, national origins, family or marital status, social isolation, social status and deprivation, homelessness, unemployment, asylum and refugee status or membership of a trade union, or for any other identifiable cause protected by law.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and associated legislation. This has been summarised in the College's Single Equality Scheme, published on the College website, and includes the following:

- The College has Group Curriculum Director for Foundation Learning who provides information, advice and arranges support where necessary for students with disabilities;
- There is a list of specialist equipment, which the College can make available for use by students, held by the IT department, learning technologies team and the additional learning support team. There is also a range of assistive technology equipment/resources available in the library learning centres at each main site;
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format;

- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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 auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 6 December 2017 and signed on its behalf by:

MChavda

M Chavda
Chair

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The Corporation recognises as a body entrusted with both public and private funds that it has a particular duty to observe at all times the highest standards of corporate governance in carrying out its responsibilities. In response to the recommendation of the Association of Colleges, for corporations to adopt the English Colleges' Foundation Code of Governance (The Code) it issued in December 2011, the Corporation formally adopted the Code on 11 July 2012.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the Code. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with the provisions of the Code in so far as they apply to the Further Education Sector in the year ended 31 July 2017.

In addition, following the implementation of the Education Act 2011, the College has considered updates to its Instruments and Articles of Government to reflect the changed responsibilities and freedoms.

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

The Corporation

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

Name	Date of appointment	Term of office	Date of Resignation/ Term ended	Status of appointment	Committees served
Vivien Bailey OBE	October 2014	4 years		Independent member	▪ Curriculum Quality & Students
Babu Bhattacherjee	Appointed July 2014	4 years		Independent member	▪ Audit

Name	Date of appointment	Term of office	Date of Resignation/ Term ended	Status of appointment	Committees served
Gunner Burkhart	December 2010 Re-appointed December 2013	4 years		Independent member	▪ Finance & General Purposes (chair from October 2017) ▪ Remuneration ▪ Search
Anne Canning	February 2011 Re-appointed February 2014	4 years		Independent member	▪ Curriculum Quality & Students
Meena Chavda	February 2010 Re-appointed February 2013	4 years		Independent member	▪ Corporation chair from October 2017 ▪ Finance & General Purposes (Chair to October 2017) ▪ Remuneration (Chair) ▪ Search
Bobbie Ehsan	December 2016	1 Year		Staff (Academic)	
Rosie Fernando	December 2016	1 Year		Student	▪ Curriculum Quality & Students
Julia Gallop*	August 2016	Dec 2016	March 2017	Independent member	▪ Search
Natasha Graham	Appointed July 2014	4 years	July 2017	Independent member	▪ Curriculum, Quality & Students
Lucy de Groot CBE	August 2016	4 years	October 2017	Independent member	▪ Corporation Chair ▪ Finance & General Purposes ▪ Remuneration ▪ Search
Rachael Halliday*	August 2016	Oct 2017		Independent member	▪ Curriculum Quality & Students

Name	Date of appointment	Term of office	Date of Resignation/ Term ended	Status of appointment	Committees served
Win Harris CBE*	August 2016			Independent member	▪ Curriculum Quality & Students (Chair from May 2017)
Steve Hedges	December 2016	1 Year		Staff (Support)	
Professor John Joughin*	August 2016	Oct 2018		Independent member	▪ Curriculum Quality & Students
Gerry McDonald	April 2013	n/a		Group Principal and CEO	▪ Finance & General Purposes ▪ Curriculum Quality & Students ▪ Search
Nikki Makinwa+	April 2017			Independent member	▪ Curriculum, Quality & Students
Jackie Moylan*	August 2016	Dec 2017	June 2017	Independent Member	▪ Audit
Anthony Painter*	August 2016	July 2017	July 2017 (term ended)	Independent member	▪ Curriculum Quality & Students ▪ Finance & General Purposes ▪ Remuneration
Sue Primmer*	August 2016	March 2018	March 2017	Independent member	▪ Finance & General Purposes ▪ Remuneration
Martin Ryan	May 2011 Re-appointed May 2014	4 years	February 2017	Independent member	▪ Audit (Chair)
Ahmet Savat	December 2016	1 Year		Student	▪ Curriculum, Quality & Students
Catherine Swarbrick	July 2012	4 years	July 2017	Independent member	▪ Audit ▪ Search (Chair)
Gareth Wall*	August 2016	Oct 2017		Independent Member	▪ Audit

Name	Date of appointment	Term of office	Date of Resignation/ Term ended	Status of appointment	Committees served
Ray Wilkinson	December 2010 Re-appointed December 2013	4 years	Deceased May 2017	Independent member	▫ Curriculum, Quality & Students (Chair)
Sue Williams+	April 2017			Independent member	▪ Audit (Chair from April 2017)

* transferred from Hackney
+ transferred from Redbridge

The date of appointment for governors reflects when they were appointed to New City College Corporation (or previously Tower Hamlets Corporation) but the term of office runs from their first appointment to the Corporations of Hackney, Redbridge or Tower Hamlets as relevant.

Overall attendance at the Corporation meetings was 75%.

The non-governors who were co-opted to serve on Committees during the year and up to the date of signature of this report were:

Name	Committees Served	Date of departure
Paul Winrow	Audit	
Richard Ward	Audit (Staff)	
Ioannis Anagnostopoulos	Curriculum, Quality & Students (Staff)	

Ms Jayne Chaplin was clerk to the Corporation until 27 March 2017 when she resigned. She was replaced by Ms Judith Nelson who was appointed interim clerk on 28 March 2017 and appointed Clerk on 01 August 2017.

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 conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search, Curriculum, Quality and Students, 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:

New City College
112 – 114 Poplar High Street
Poplar
E14 0AF

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of three 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.

Finance & General Purposes committee (F&GP) – overall attendance 85%

The F&GP Committee normally comprises seven members, five of which are Corporation members, it should be noted that three Corporation members resigned between March and October 2017, leaving vacancies which were discussed at the November Search Committee. It operates in accordance with written terms of reference approved by the Corporation, advising on appropriate financial policies and procedures subject at all times to the requirements of the Financial Memorandum between the Corporation and the Education and Skills Funding Agency or successor bodies and the Articles of Government.

Meeting five times each academic year, the Committee oversees the financial affairs of the Corporation, monitors staffing issues and considers and advises the Corporation on matters relating to estates and buildings, health and safety along with determining such other matters that may be delegated to it.

Remuneration committee

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. The Committee met twice during the year.

Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Curriculum, Quality and Students Committee (CQ&S) – overall attendance 67%

The CQ&S Committee comprises a minimum of eight members and includes the two student governor members, staff co-opted member. It should be noted four Corporation members resigned between March and July 2017. It operates in accordance with written terms of reference approved by the Corporation and meets on four occasions each academic year.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

It advises on the procedures in place for the continuous review of the curriculum offered by the College; along with the effectiveness of strategies used by managers to improve quality and the academic standard of provision for students. In addition, it has responsibility for reviewing and monitoring the arrangements for the promotion of equality, diversity and safeguarding.

Audit Committee – overall attendance 84%

The Audit Committee comprises six members, five of which are members of the Corporation. It should be noted three members of the Corporation resigned between March and July 2017. Membership excludes the Accounting Officer and the Chair of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and 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 SFA and EFA 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 Tower Hamlets College and the SFA. 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 New City College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

New City College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA'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 minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As 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;
- comments made by the College's financial statements auditors, the regularity auditors and the appointed funding auditors (when required by the SFA) in their management letters and other reports.

The Accounting Officer 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 the Risk Management Group (Senior Management Team) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the programme areas and reinforced by risk awareness training at College Management briefing sessions. The Senior Management Team 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.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December meeting each year, the Corporation carries out the annual assessment for the year ended at the preceding 31 July by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Going concern

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

Approved by order of the members of the Corporation on 6 December 2017 and signed on its behalf by:

M Chavda
Chair

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

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

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

Gerry McDonald	M Chavda
Accounting Officer	Chair of Governors
6 December 2017	6 December 2017

Statement of 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 Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2016 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued jointly by the Skills Funding Agency and the Education Funding Agency, 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk. Approved by order of the members of the Corporation on 6 December 2017 and signed on its behalf by:

M Chavda
Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF NEW CITY COLLEGE

Opinion

We have audited the financial statements of New City College ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Operating and Financial Review and the Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 24, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Corporation, 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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

M Rowley

Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 December 2017

Reporting Accountant's Report on Regularity to the Corporation of New City College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 4 September 2017 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by New City College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of New City College and the Education and 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 New City College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of New City College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of New City College and the reporting accountant

The corporation of New City 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 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 our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Michael Rowley
For and on behalf of KPMG LLP, Reporting Accountant
15 Canada Square
London
E14 5GL

20 December 2017

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	37,354	37,354	32,776	32,776
Tuition fees and education contracts	3	14,488	14,094	6,352	5,596
Other grants and contracts	4	203	203	143	143
Other income	5	5,030	4,893	4,452	3,188
Investment income	6	23	23	46	46
Total income		57,098	56,567	43,769	41,749
EXPENDITURE					
Staff costs	7	31,957	29,275	28,550	25,786
Restructuring costs	7	801	801	1,044	1,027
Other operating expenses	8	20,458	22,293	11,796	13,526
Depreciation and amortisation	10,12	4,705	4,651	3,842	3,799
Interest and other finance costs	9	1,148	1,148	1,142	1,142
Total expenditure		59,069	58,168	46,374	45,280
Deficit before other gains and losses		(1,971)	(1,601)	(2,605)	(3,531)
Profit/(loss) on disposal of fixed assets		525	525	(195)	(195)
Gain on investments		29	29	15	15
Deficit before tax		(1,417)	(1,047)	(2,785)	(3,711)
Taxation		-	-	-	-
Deficit for the year		(1,417)	(1,047)	(2,785)	(3,711)
Gain on the fair valuation of assets and liabilities acquired on the merger with Redbridge College	24	8,649	8,649	-	-
Actuarial gain/(loss) in respect of pensions schemes	23	5,271	5,271	(9,459)	(9,459)
Total Comprehensive Income and Expenditure for the year		12,503	12,873	(12,244)	(13,170)
Represented by:					
Endowment comprehensive income		29	29	15	15
Unrestricted comprehensive income		12,474	12,844	(12,269)	(13,185)
		12,503	12,873	(12,244)	(13,170)

Consolidated and College Statement of Changes in Reserves

	Consolidated Statements of Comprehensive Income	Revaluation reserve	Endowment Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2015	(5,284)	13,852	463	9,031
Deficit from the income and expenditure account	(2,800)	-	15	(2,785)
Other comprehensive income	(9,459)	-	-	(9,459)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
Total Comprehensive Income and Expenditure for the year	(11,860)	(399)	15	(12,244)
Balance at 31st July 2016	(17,144)	13,453	478	(3,213)
Surplus from the income and expenditure account	(1,446)	-	29	(1,417)
Other comprehensive income	13,920	-	-	13,920
Transfers between revaluation and income and expenditure reserves	1,122	(1,122)	-	-
Total Comprehensive Income and Expenditure for the year	13,596	(1,122)	29	12,503
Balance at 31st July 2017	(3,548)	12,331	507	9,290
College				
Balance at 1st August 2015	(5,013)	13,852	463	9,302
Deficit from the income and expenditure account	(3,726)	-	15	(3,711)
Other comprehensive income	(9,459)	-	-	(9,459)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
	(12,786)	(399)	15	(13,170)
Balance at 31st July 2016	(17,799)	13,453	478	(3,868)
Surplus from the income and expenditure account	(1,076)	-	29	(1,047)
Other comprehensive income	13,920	-	-	13,920
Transfers between revaluation and income and expenditure reserves	1,122	(1,122)	-	-
Total Comprehensive Income and Expenditure for the year	13,966	(1,122)	29	12,873
Balance at 31st July 2017	(3,833)	12,331	507	9,005

Balance sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Non current assets					
Tangible fixed assets	10	81,729	81,660	73,330	73,217
Investments	11	507	567	478	587
Goodwill	12	921	921	-	-
		83,157	**83,148**	**73,808**	**73,804**
Current assets					
Stock		4	-	13	-
Assets held for resale	10	3,496	3,496	-	-
Trade and other receivables	13	4,474	4,171	2,100	1,732
Investments	14	1,063	1,063	1,051	1,051
Cash and cash equivalents	19	11,003	10,721	5,584	5,483
		20,040	19,451	8,748	8,266
Less: Creditors – amounts falling due within one year	15	(18,168)	(17,869)	(11,672)	(11,868)
Net current assets/(liabilities)		**1,872**	**1,582**	**(2,924)**	**(3,602)**
Total assets less current liabilities		**85,029**	**84,730**	**70,884**	**70,202**
Creditors – amounts falling due after more than one year	16	(39,009)	(38,995)	(38,091)	(38,064)
Provisions					
Defined benefit obligations	23	(35,216)	(35,216)	(34,638)	(34,638)
Other provisions	17	(1,514)	(1,514)	(1,368)	(1,368)
Total net assets		**9,290**	**9,005**	**(3,213)**	**(3,868)**
Restricted Reserves					
Income and expenditure reserve - endowment reserve		507	507	478	478
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(3,548)	(3,833)	(17,144)	(17,799)
Revaluation reserve		12,331	12,331	13,453	13,453
Total Reserves		**9,290**	**9,005**	**(3,213)**	**(3,868)**

The financial statements on pages 29 to 60 were approved and authorised for issue by the Corporation on 6 December 2017 and were signed on its behalf on that date by:

M Chavda
Chair

Gerry McDonald
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(1,417)	(2,785)
Adjustment for non-cash items			
Depreciation and amortisation	10,12	4,705	3,842
Decrease/(increase) in stocks		9	(13)
(Increase)/decrease in debtors	13	(2,374)	506
Increase/(decrease) in creditors due within one year	15	9,047	(44)
Increase/(decrease) in creditors due after one year and other provisions	16, 17	(1,258)	(60)
Pensions costs less contributions payable	23	684	387
Taxation			
Adjustment for investing or financing activities			
Investment income	6,11	(52)	(61)
Interest payable	9	1,148	1,142
(Profit)/loss on sale of fixed assets		(525)	195
Net cash flow from operating activities		9,967	3,109
Cash flows from investing activities			
Investment income	6	23	46
Interest paid		(380)	(201)
(Increase)/withdrawal of deposits	14	(12)	981
Finance leases repaid		(99)	(221)
New loans		2,500	-
Loans repaid		(385)	(1,170)
Proceeds from sale of fixed assets		9,891	-
Payments made to acquire fixed assets		(2,746)	(2,713)
Payments to acquire goodwill	12	(1,015)	-
Net assets, excluding net current assets and before fair value adjustment, transferred from Redbridge College on merger	24	(9,858)	-
Cash flows from financing activities		(2,081)	(3,278)
		7,886	(169)
Increase/(decrease) in cash and cash equivalents		**7,886**	**(169)**
Cash and cash equivalents at beginning of the year	19	3,117	3,286
Cash and cash equivalents at end of the year	19	11,003	3,117

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 of Recommended Practice: Accounting for Further and Higher Education 2016 (the 2016 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

The College's forecasts and financial projections indicate that it will be able to operate within its existing finances for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of consolidation
In preparing these financial statements the College has reviewed the appropriate treatment for business combinations in line with FRS 102.

Where the business combination is of entities with comparable income levels, asset bases and the complexity of operations, it is accounted for using merger accounting, with the prior year amounts being revised accordingly to reflect the merged position.

Otherwise, business combinations are accounted for by applying the acquisition method and the assets and liabilities acquired are adjusted to fair values, using external professional advisers where appropriate.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

The consolidated financial statements include the College and its subsidiary companies, TowerSkills Recruitment Services Limited, View Training Limited, City Edge Limited, The Trading Company (Hackney) Limited and the Shoreditch Community Sports Centre Limited, all controlled by the Group. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Recognition of income
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 or over achievement for the Adult Skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or 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
Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded. In addition, the College provides defined contribution schemes to a small number of employees.

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

Post-retirement Benefits (continued)
The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

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

Non-current Assets - Tangible fixed assets

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 assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired through merger but dealt with using acquisition accounting, are revalued to fair value, based on independent professional advice.

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 50 years. The College has a policy of depreciating major adaptations (in excess of £1,000,000) to buildings over the remaining period of their useful economic life of 50 years. Other adaptations (less than £1,000,000) to buildings are depreciated over the period of their useful economic life of up to 15 years.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current Assets - Tangible fixed assets (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets 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 improved
- 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 £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and five years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- motor vehicles – 5 years on a straight-line basis
- general equipment – 3, 5 & 10 years on a straight line basis
- computer equipment – 4 years on a straight-line basis
- Software – 5 & 10 years on a straight-line basis
- furniture, fixtures and fittings – 10 years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a government capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic

lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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 council capital equipment grants, the associated assets are designated as grant-funded assets.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Investments and endowment assets
Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Goodwill
Goodwill is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration paid, and the fair value of the net assets transferred. Goodwill is amortised over a 10 year period.

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 tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so that it can only recover a 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. The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

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

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

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

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

Liquid resources
Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities and can be readily converted to cash within three months.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Agency arrangements
The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 22, except for charges made for placing students at the College crèches, certain fees and charges and the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff (on a full-time equivalent basis) dedicated to the administration of Learner Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

- *Impairment of the carrying value of tangible fixed assets and goodwill*
  A review has been undertaken to determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)

2 Funding body grants

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	13,016	12,612	11,269	11,269
Education and Skills Funding Agency – 16 -18	20,364	20,364	17,656	17,656
Education and Skills Funding Agency - apprenticeships	2,221	2,221	2,223	2,223
Higher Education Funding Council	135	135	115	115
Specific grants				
ESFA Non recurrent grants	625	625	580	580
Releases of government capital grants	993	993	933	933
Total	**37,354**	**36,950**	**32,776**	**32,776**

3 Tuition fees and education contracts

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Adult education fees	972	964	956	912
Apprenticeship fees and contracts	5	5	-	-
Fees for FE loan supported courses	1,366	1,366	972	691
Fees for HE loan supported courses	5,001	5,001	207	207
International students fees	1,212	1,212	-	-
Total tuition fees	8,556	8,548	2,135	1,810
Education contracts	5,932	5,263	4,217	3,786
Total	**14,488**	**13,811**	**6,352**	**5,596**

4 Other Grants and Contracts

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Erasmus	65	65	-	-
Other grants and contracts	138	138	143	143
Total	**203**	**203**	**143**	**143**

Notes to the Financial Statements (continued)

5 Other income

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	669	7	846	6
Other income generating activities	827	446	793	383
Other grant income	1,324	1,324	899	899
Non government capital grants	569	556	369	355
Property Income	1,521	1,521	1,384	1,384
Miscellaneous income	120	1,039	161	161
Total	**5,030**	**4,893**	**4,452**	**3,188**

6 Endowment and investment income

Other interest receivable	23	23	46	46
Total	**23**	**23**	**46**	**46**

7 Staff costs

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

	2017	2016
	Group	Group
	No.	No.
Teaching staff	498	389
Non-teaching staff	403	282
	901	**671**

Staff costs for the above persons	2017	2016
	Group	Group
	£'000	£'000
Wages and salaries	24,420	21,999
Social security costs	2,348	1,888
Other pension costs	4,108	3,793
Payroll sub total	30,876	27,680
Contracted out staffing services	1,081	870
Staff costs before restructuring costs	31,957	28,550
Restructuring costs		
- Contractual	759	1,044
- Non-contractual	42	-
	32,758	**29,594**

Notes to the Financial Statements (continued)

7 Staff costs (continued)

Key management personnel - College and Group

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Group Principal and Chief Executive Officer, the Deputy CEO, the three borough principals, and five directors with cross-college responsibility. The details for 2016 includes the senior management teams of Tower Hamlets and Hackney Community Colleges. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	10	6

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

	Key Management		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000	5	-	6	6
£70,001 to £80,000	1	-	-	-
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	2	3	-	-
£100,001 to £110,000	1	-	-	-
£120,001 to £130,000	-	1	-	-
£130,001 to £140,000	-	1	-	-
£180,001 to £190,000	1	-	-	-
	10	**6**	**6**	**6**

Key management personnel emoluments is made up as follows:

	2017	2016
	£'000	£'000
Salaries	888	618
Employers National Insurance	111	38
Benefits in kind	-	3
	999	659
Pension contributions	142	100
Total emoluments	**1,141**	**759**

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

The above key management personnel (Other Staff) does not include five post holders, who would have been included if they had received a full year's salary. This includes 4 post holders within the £60,001 to £70,000 banding and one in the £90,001 to £100,000 banding.

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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

	2017 £'000	2016 £'000
Salaries	185	256
Benefits in kind	-	1
	185	257
Pension contributions	30	42

The 2017 amounts payable relate to one Accounting Officer against the comparative numbers for 2016 of two Accounting Officers for Tower Hamlets and Hackney Community Colleges.

8 Other operating expenses

	2017		2016	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	12,518	9,301	5,050	2,609
Non-teaching costs	4,279	6,871	3,764	6,971
Premises costs	3,661	4,484	2,982	3,946
Total	**20,458**	**20,656**	**11,796**	**13,526**

Other operating expenses include:	2017 Group £'000	2016 Group £'000
Auditors' remuneration:		
Financial statements audit	64	59
Internal audit	48	32
Other services provided by the financial statements auditors*	17	36
Hire of assets under operating leases	69	12
Hire of Land & Buildings	188	198

*includes £2,000 in respect to TPA Certification and £14,165 in respect to Corporate Taxation advice for the subsidiary company

9 Interest payable – Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	280	89
On finance leases	53	82
Enhanced pension	47	30
Pension finance costs (note 20)	768	941
	1,148	**1,142**

Notes to the Financial Statements (continued)

10 Tangible fixed assets

	Group			
	Land and buildings		Equipment, fixtures and fittings	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	100,119	5,035	6,663	111,817
Acquired on merger with Redbridge College at fair value	22,598	-	528	23,126
Additions	1,549	-	1,197	2,746
Reclassification	3	-	(3)	
Disposals	(9,587)	(670)	(1,089)	(11,346)
Transfer to current assets	-	(4,365)	-	(4,365)
At 31 July 2017	**114,682**	**-**	**7,296**	**121,978**
Depreciation				
At 1 August 2016	33,497	795	4,195	38,487
Charge for the year	3,057	87	1,063	4,207
Accelerated Deprecation	286		118	404
Eliminated on disposals	(1,024)	(13)	(943)	(1,980)
Transfer to current assets	-	(869)	-	(869)
At 31 July 2017	**35,816**	**-**	**4,433**	**40,249**
Net book value at 31 July 2017	**78,866**	**-**	**2,863**	**81,729**
Net book value at 31 July 2016	66,622	4,240	2,468	73,330

Notes to the Financial Statements (continued)

10 Tangible fixed assets (continued)

	College			
	Land and buildings		Equipment, fixtures and fittings	Total
	Freehold	Long leasehold £'000	£'000	£'000
Cost or valuation				
At 1 August 2016	99,859	5,035	6,397	111,291
Acquired on merger with Redbridge College at fair value	22,598	-	528	23,126
Additions	1,549	-	1,197	2,746
Reclassification	3	-	(3)	-
Disposals	(9,587)	(670)	(1,089)	(11,346)
Transfer to current assets	-	(4,365)	-	(4,365)
At 31 July 2017	**114,422**	**-**	**7,030**	**121,452**
Depreciation				
At 1 August 2016	33,344	795	3,935	38,074
Charge for the year	3,031	87	1,045	4,163
Accelerated Deprecation	286	-	118	404
Eliminated on disposals	(1,024)	(13)	(943)	(1,980)
Transfer to current assets	-	(869)	-	(869)
At 31 July 2017	**35,637**	**-**	**4,155**	**39,792**
Net book value at 31 July 2017	**78,785**	**-**	**2,875**	**81,660**
Net book value at 31 July 2016	66,515	4,240	2,462	73,217

Other than as noted below, land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Tangible fixed assets transferred on merger from Redbridge College were adjusted to fair value. For leasehold property, fixtures fittings and equipment and recently constructed freehold buildings, fair value was considered to be the net book value immediately prior to merger. Other freehold buildings were revalued to depreciated replacement cost. The freehold land held for resale and sold in May 2017 was valued at the agreed selling price, while the remaining land was valued on an existing use basis. The valuation of the older buildings and the retained land was undertaken by a firm of independent chartered surveyors. The gain on the adjustment to fair value of these assets was £9,932,000 which is included in the Consolidated Statements of Comprehensive Income.

Notes to the Financial Statements (continued)

10 Tangible fixed assets (continued)

In 2010 the College resolved a dispute with the London Borough of Tower Hamlets (LBTH) regarding a property that it occupied from incorporation until 2010. As a result of the dispute, the property, with a valuation at incorporation in 1993 of £1.2m, was never included within the College accounts. The resolution of the dispute meant that the College now had the right to enter into a long-term lease with LBTH for the property at some time in the future, but that LBTH would occupy the property in the meantime and so it was currently not being used by the College. It was decided to bring the College's interest in the property into the balance sheet at valuation at the date the dispute was resolved. The valuation, on depreciated replacement cost basis, provided by independent Chartered Surveyors was £670,000. The carrying value of the interest was similar to the valuation and, while the College continued not to occupy the premises or exercise its right to enter a lease, no depreciation was provided. The right was disposed of on 25 July 2017 for £1,670,000.

The College is negotiating the disposal of its long-term lease for the George Green Building and accordingly this asset has been transferred to current assets at its book value of £3,496,000 and the related capital grants included in current liabilities. The College expects the proceeds to exceed the net amount.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost of nil with depreciation and net book value of nil.

An impairment review of assets was conducted during the year. A number of assets were identified as no longer in use for the business including some items that had not yet reached the end of their expected useful lives. These are all treated as disposals in these accounts.

11 Non-current investments

	Group 2017	2016
Endowment assets:		
Balance at 1 August 2016	478	463
Appreciation of endowment asset investment	29	15
Expenditure	-	-
Balance at 31 July 2017	507	478

	College 2017	2016
Endowment assets:		
Balance at 1 August 2016	478	463
Appreciation of endowment asset investment	29	15
Expenditure	-	-
Balance at 31 July 2017	507	478
Investment in subsidiary companies	109	109
Less provision for impairment	(49)	-
	60	**109**
Total	**567**	**587**

Endowment assets are represented by:		
Charities Aid Foundation IM CAF Fixed Interest Fund and UK Equity Fund, Accumulation units.	401	372
Cash balances	106	106
	507	**478**

Notes to the Financial Statements (continued)

11 Non-current investments (continued)

The College has 100 per cent of the issued ordinary £1 shares of the following companies all incorporated in England and Wales:

- TowerSkills Recruitment Services Limited. Its principal activity is temporary and permanent recruitment services.
- The Trading Company (Hackney) Limited. Its principal activity is providing specialist training, and it operates one of the College's training restaurants.
- Shoreditch Community Sports Centre Limited. Its principal business activity the operational management of the sports centre.
- View Training Limited. Its principal activity is providing training and assessment services to business and employers.
- City Edge Limited. Its principal activity is the provision of facilities management services to the Hackney campus and managing lettings on that site.

12 Goodwill

This arises from the acquisition of the assets and undertaking of Westbourne Academy

	£'000
Fair value on acquisition	1,015
Released to income and expenditure account	
At 1 August 2016	
Release for the year	(94)
At 31 July 2017	(94)
Net book value	
At 31 July 2017	921
At 1 August 2016	-

13 Debtors

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Amounts falling due within one year:				
Trade receivables	1,568	1,264	1,009	747
Prepayments and accrued income	2,026	1,970	954	834
Amount owed by group undertakings:				
subsidiary undertakings	-	57	-	14
Amounts owed by the ESFA	137	137	137	137
Other Debtors	743	743	-	-
Total	**4,474**	**4,171**	**2,100**	**1,732**

14 Current investments

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Short term deposits	**1,063**	**1,063**	**1,051**	**1,051**

Notes to the Financial Statements (continued)

14 Current investments

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

15 Creditors: amounts falling due within one year

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Bank loans and overdrafts	400	400	2,852	2,852
Obligations under finance leases	-	-	99	99
Trade payables	2,073	1,917	1,292	1,091
Amount owed to subsidiary undertakings:				
Subsidiary undertakings	-	1,024	-	1,155
Other taxation and social security	852	803	884	811
Accruals and deferred income	8,959	7,804	4,388	3,666
Deferred capital grants	4,202	4,189	1,399	1,386
Amounts owed to ESFA	518	518	161	161
Other creditors	1,164	1,214	597	647
Total	**18,168**	**17,869**	**11,672**	**11,868**

16 Creditors: amounts falling due after one year

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Bank loans	2,916	2,916	816	816
Deferred income - government capital grants	33,187	33,173	34,279	34,252
Other Creditors	2,906	2,906	2,996	2,996
	39,009	**38,995**	**38,091**	**38,064**

Maturity of debt	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
a) Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less	400	400	2,852	2,852
Between one and two years	2,916	2,916	400	400
Between two and five years	-	-	416	416
	3,316	**3,316**	**3,668**	**3,668**

Notes to the Financial Statements (continued)

Bank Loans at 5.08 per cent are repayable by instalments falling due between 1 August 2015 and 30 April 2019, and are secured on a portion of the freehold land and buildings of the College. On 10 August 2016 £2,500k of the Bank Loans were transferred to a revolving loan on a floating rate basis, with a margin of 1.85% per annum.

Bank loan and overdraft security - Redbridge College

Following the merger with Redbridge College on 1 April 2017, £5,239k of bank loans were transferred to New City College. The bank loans are secured on the basis of a negative pledge only, with the college unable to obtain a secured loan against its property without the consent of the unsecured loan lender.

Redbridge College drew down a bank loan of £600,000 on the 9 September 2005 at 5.315% repayable by instalments falling due between 9 September 2005 and 9 September 2025.

Redbridge College drew down a bank loan of £600,000 on the 3 July 2006 at 5.805% repayable by instalments falling due between 3 July 2006 and 1 July 2021.

Redbridge College drew down a bank loan of £1,000,000 on the 2 October 2006 at 5.505% repayable by instalments falling due between 2 October 2006 and 1 October 2026.

Redbridge College entered into a new loan facility on 30 September 2014 repayable by 30 September 2034. The loan value is for £4,500,000 on a repayment basis at 1.85% above the Bank of England base rate. The college expects to repay this loan in full upon completion of the proposed land sale during 2016/17, although it has been disclosed in line with its formal repayment profile.

All Redbridge bank loans were repaid on 31 May 2017.

b) Finance leases

The net finance lease obligations to which the institution is committed are:				
In one year or less	-	-	**99**	**99**

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

17 Provisions

	Group and College		
	Defined benefit Obligations £'000	**Enhanced pensions £'000**	**Total £'000**
At 1 August 2016	34,638	1,368	36,006
Transferred from Redbridge on 1 April 2017	4,397	222	4,619
Expenditure in the period	(3,819)	(116)	(3,935)
Transferred from income and expenditure account	-	40	40
At 31 July 2017	**35,216**	**1,514**	**36,730**

Notes to the Financial Statements (continued)

18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2017 £'000	Total 2016 £'000
At 1 August 2016	372	42	414	64	478	463
Gains in market value	29	-	29	-	29	15
At 31 July 2017	401	42	443	64	507	478
Consists of:						
Capital	300	42	342	64	406	406
Accumulated income	101	-	101	-	101	72
	401	**42**	**443**	**64**	**507**	**478**
Analysis by type of purpose:						
Student Hardship	**401**	**42**	**443**	**64**	**507**	**478**

19 Cash and cash equivalents

	At 1 August 2016 £'000	Redbridge Acquisition £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	5,584	266	5,153	11,003
Overdraft	(2,467)	-	2,467	-
Total	**3,117**	**266**	**7, 620**	**11,003**

20 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	2,060	241

Notes to the Financial Statements (continued)

21 Lease Obligations

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	69	69
Later than one year and not later than five years	249	237
later than five years	5,034	4,922
	5,352	5,228
Other		
Not later than one year	77	53
Later than one year and not later than five years	186	44
later than five years		
	263	97
Total lease payments due	**5,615**	**5,325**

22 Events after the reporting period

There are no significant events after the reporting period.

23 Defined Pension Obligations

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

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

	2017		2016	
Total pension cost for the year	**£'000**	**£'000**	**£'000**	**£'000**
Teachers' Pension Scheme: contributions paid		1,953		1,842
Local Government Pension Scheme:				
Contributions paid	1,431		1,400	
FRS 102 (28) charge	684		387	
Charge to the Statement of Comprehensive Income		2,115		1,787
Enhanced pension charge to Statement of Comprehensive Income		40		169
Total Pension Cost for Year		4,108		3,798

Notes to the Financial Statements (continued)

23 Defined Pension Obligations (continued)

At 31 July 2017, contributions amounting to £454,214 (2016: £354,378) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Notes to the Financial Statements (continued)

23 Defined Pension Obligations (continued)

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 £1,953,000 (2016: £1,842,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contributions made for the year ended 31 July 2017 were £1,877,000, of which employer's contributions totalled £1,431,000 and employees' contributions totalled £446,000. The agreed contribution rates for future years are 13.8% for employers and range from 2.9% to 11.4% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.20%	3.95%
Future pensions increases	2.70%	2.15%
Discount rate for scheme liabilities	2.70%	2.55%
Inflation assumption (CPI)	2.70%	2.15%
Commutation of pensions to lump sums	0%	0%

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

Notes to the Financial Statements (continued)

23 Defined Pension Obligations (continued)

	At 31 July 2017 years	At 31 July 2016 years
Retiring today		
Males	21.1	21.8
Females	23.9	25.0
Retiring in 20 years		
Males	23.4	24.2
Females	26.2	27.2

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

	Long-term rate of return expected at 31 July 2017	**Fair Value at 31 July 2017 £'000**	**Long-term rate of return expected at 31 July 2016**	**Fair Value at 31 July 2016 £'000**
Equity instruments	-	35,605	-	20,024
Debt instruments	-	14,664	-	15,823
Property	-	3,782	-	1,455
Cash	-	4,026	-	1,619
Total fair value of plan assets		**58,077**		**38,921**
Weighted average expected long term rate of return	**2.70%**		**2.55%**	
Actual return on plan assets		**4,961**		**563**

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

	2017 £'000	**2016 £'000**
Fair value of plan assets	58,077	38,921
Present value of plan liabilities	(93,112)	(73,365)
Present value of unfunded liabilities	(181)	(194)
Net pensions liability	**(35,216)**	**(34,638)**

Notes to the Financial Statements (continued)

23 Defined Pension Obligations (continued)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	(2,115)	(1,616)
Past service cost	-	(171)
Total	**(2,115)**	**(1,787)**

	2017 £'000	2016 £'000
Amounts included in interest payable		
Net interest charge	(768)	(941)
	(768)	**(941)**

Amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	4,961	563
Experience losses arising on defined benefit obligations	(139)	(1)
Changes in assumptions underlying the present value of plan liabilities	449	(10,023)
Amount recognised in Other Comprehensive	**5,271**	**(9,461)**

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

	2017 £'000	2016 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(34,638)	(23,851)
Movement in year:		
Current service cost	(2,115)	(1,616)
Employer contributions	1,431	1,400
Past service cost	-	(171)
Net interest on the defined (liability)/asset	(768)	(941)
Liability taken on with merger of Redbridge College	(4,397)	-
Actuarial gain or loss	5,271	(9,459)
Net defined benefit (liability)/asset at 31 July	**(35,216)**	**(34,638)**

Notes to the Financial Statements (continued)

23 Defined Pension Obligations (continued)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	73,559	60,630
Current service cost	2,115	1,616
Interest cost	1,820	2,288
Contributions by Scheme participants	446	417
Experience gains and losses on defined benefit obligations	-	(1)
Changes in financial assumptions	6,086	10,023
Estimated benefits paid	(1,662)	(1,585)
Change in demographic assumptions	(1,290)	-
Experience (gain) on defined benefit obligation	(5,245)	-
Liabilities assumed / (extinguished) on settlements	17,464	-
Past Service cost	-	171
Defined benefit obligations at end of period	**93,293**	**73,559**

	2017 £'000	2016 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	38,921	36,779
Interest on plan assets	1,103	1,402
Return on plan assets	4,910	508
Employer contributions	1,431	1,400
Contributions by Scheme participants	446	417
Estimated benefits paid	(1,662)	(1,585)
Other actuarial (losses)	(139)	-
Settlement prices received	13,067	-
Fair value of plan assets at end of period	**58,077**	**38,921**

24 Business acquisitions and mergers

Hackney Community College

In 1 August 2016, the College merged with Hackney Community College. As the two colleges were broadly comparable in terms of income, asset base and complexity of operations, this has been accounted for using merger accounting and the comparative figures have been revised accordingly.

In addition, the previous treatment of a lease premium in Hackney has been reviewed and instead taking this to income it is now being recognised over the period of the lease. The balances at 1 August 2015 have been revised accordingly, adding £1,609,000 to deferred income at that date.

Previously Hackney reporting some ESFA income as beingearned through a subsidiary company. The substance of the arrangement was that the subsidiary was providing services to the College and not earning ESFA income. The income and related teaching costs have been revised accordingly.

The tables below show Income and Expenditure and Balance Sheets as reported in the financial statements for the year ended 31 July 2016 and the adjustments to eliminate inter-college activity and the revision of the lease premium and the activity of the Hackney subsidiary.

Consolidated Statements of Comprehensive Income

	Tower Hamlets		Hackney		Consolidation Adjustment	As revised	
	Group	College	Group	College		Group	College
	2016	2016	2016	2016		2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME							
Funding body grants	16,028	16,028	16,748	12,778	3,970 c	32,776	32,776
Tuition fees and education contracts	1,785	1,785	4,567	3,882	(71) c	6,352	5,596
Other grants and contracts	-	-	512	498	(369) g (355) c	143	143
Other income	1,269	1,269	2,778	1,529	405 g 390 c	4,452	3,188
Investment income	46	46	-	-		46	46
Total income	19,128	19,128	24,605	18,687		43,769	41,749
EXPENDITURE							
Staff costs	12,214	12,214	16,336	13,572		28,550	25,786
Restructuring costs	344	344	700	683		1,044	1,027
Other operating expenses	5,077	5,077	6,719	4,553	3,896 c	11,796	13,526
Depreciation	1,858	1,858	1,984	1,941		3,842	3,799
Interest and other finance costs	378	378	764	764		1,142	1,142
Total expenditure	19,871	19,871	26,503	21,513		46,374	45,280
Deficit before other gains and losses	(743)	(743)	(1,898)	(2,826)		(2,605)	(3,531)
Loss on disposal of fixed assets	(195)	(195)	-	-		(195)	(195)
Gain on investments	15	15	-	-		15	15
Deficit before tax	(923)	(923)	(1,898)	(2,826)	-	(2,785)	(3,711)
Taxation	-	-	-	-	-	-	-
Deficit for the year	**(923)**	**(923)**	**(1,898)**	**(2,826)**		**(2,785)**	**(3,711)**

Balance sheets as at 31 July 2016

	Tower Hamlets		Hackney		Consolidation Adjustment	As revised	
	Group	College	Group	College		Group	College
	2016	2016	2016	2016		2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets							
Tangible Fixed assets	27,558	27,558	45,772	45,659		73,330	73,217
Investments	478	478	0	109		478	587
	28,036	28,036	45,772	45,768		73,808	73,804
Current assets							
Stock	0	0	13	0		13	0
Trade and other receivables	770	784	1,330	949	(1) c	2,100	1,732
Investments	1,051	1,051	0	0		1,051	1,051
Cash and cash equivalents	5,485	5,478	99	5		5,584	5,483
	7,306	7,313	1,442	954		8,748	8,266
Less: Creditors – amounts falling due within one year	(3,596)	(3,603)	(8,038)	(8,228)	38 g 39 c	(11,672)	(11,868)
Net current assets/(liabilities)	3,710	3,710	(6,596)	(7,274)		(2,924)	(3,602)

Notes to the Financial Statements (continued)

24 Business acquisitions and mergers (continued)

Total assets less current liabilities	31,746	31,746	39,176	38,494		70,884	70,202
Creditors – amounts falling due after more than one year	(4,902)	(4,902)	(31,656)	(31,629)	1,533 g and c	(38,091)	(38,064)
Provisions							
Defined benefit obligations	(13,620)	(13,620)	(21,018)	(21,018)		(34,638)	(34,638)
Other provisions	0	0	(1,368)	(1,368)		(1,368)	(1,368)
Total net assets	**13,224**	**13,224**	**(14,866)**	**(15,521)**		**(3,213)**	**(3,868)**
Restricted Reserves							
Income and expenditure reserve - endowment reserve	418	418	-	-	41 g and c	459	459
Income and expenditure reserve - restricted reserve	19	19	-	-		19	19
Unrestricted Reserves							
Income and expenditure reserve - unrestricted	1,759	1,759	(17,291)	(17,946)	1,612 g and c	(17,144)	(17,799)
Revaluation reserve	11,028	11,028	2,425	2,425		13,453	13,453
Total Reserves	**13,224**	**13,224**	**(14,866)**	**(15,521)**		**(3,213)**	**(3,868)**

"g" relates to adjustments to the group position

"c" relates to adjustments to the college position

Westbourne Academy

On 6 September 2016 the College acquired net assets and undertaking of an English language school. This is branded as Westbourne Academy but operates as a department of the College.

The net assets acquired and the consideration are as follows:

	£'000
Freehold Land and Buildings	500
Equipment	15
Net Assets Acquired	515
Total Consideration	1,530
Goodwill	1,015

The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Notes to the Financial Statements (continued)

24 Business acquisitions and mergers (continued)

Redbridge College
On 1 April 2017, the College merged with Redbridge College. Given the relative income and asset bases of the two colleges, this has been accounted for using the acquisition method of accounting.

The net assets as at 1 April were as follows:

	Book value at 31 March 2017	Fair value adjustment	Total value on merger
	£'000	£'000	£'000
Tangible Fixed Assets	13,194	9,932	23,126
Current Assets			
Stock	2	-	2
Trade and other receivables	1,693	-	1,693
Cash and cash equivalents	266	-	266
Creditors falling due within one year	(8,982)	-	(8,982)
Net Current Assets	(7,021)	-	(7,021)
Total assets less current liabilities	**6,173**	**9,932**	**16,105**
Creditors falling due after more than one year	(2,837)	-	(2,837)
Provisions			
Defined benefit obligations	(4,397)	-	(4,397)
Other provisions	(222)	-	(222)
Total net assets	(1,283)	9,932	8,649
Reserves			
Income and expenditure accounts	(3,638)	12,287	8,649
Revaluation reserve	2,355	(2,355)	-
Total unrestricted reserves	(1,283)	9,932	8,649

25 Related Party Transactions

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

Only the details below concerning the College's subsidiary companies and four members of the Board of Governors were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

Notes to the Financial Statements (continued)

25 Related Party Transactions (continued)

TowerSkills Recruitment Services Ltd, a subsidiary of the college

Purchase transactions in the year amounted to £125,000 (2016 - £55,000) relating to staff agency fees less management expenses. The balance due to the College outstanding at the year end amounted to £90,000 (2016 - £71,000).

View Training Limited, a subsidiary of the college

Purchase transactions in the year amounted to £3,468,000 (2016 - £3,956,000) relating to delivery of EFA/SFA contract. The balance due from the College outstanding at the year end amounted to £1,024,000 (2016 - £629,000).

City Edge Limited, a subsidiary of the college

Purchase transactions in the year amounted to £1,272,000 (2016 - £1,291,000) relating to property management and related services less management expenses. The balance due to the College outstanding at the year end amounted to £219,000 (2016 - £93,000).

The Trading Company (Hackney) Limited, a subsidiary of the college

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £258,000 (2016 - £255,000).

Shoreditch Community Sports Centre Limited, a subsidiary of the college

Purchase transactions in the year amounted to £101,000 (2016 - £80,000) relating to the use of the Sports centre for staff and academic use. The balance due to the outstanding at the year end amounted to £57,000 (2016 - £14,000).

Newton Rachel Limited – a company in which Mr May Kunle 'Dare, Deputy Chief Executive/Executive Director Corporate Service is a shareholder and director.

Purchase transactions in the year amounted to NIL (2016 £116,000) relating to the supply of computers. There was no amount outstanding at 31 July 2017.

Poplar HARCA – a company in which Babu Bhattacherjee is a Director of Communities and Neighbourhoods

Purchase transactions in the year amounted to £37,295 (2016 £38,951) relating to childcare fees for ESOL learners funded through the learner support fund and photocopying charges relating to our ESOL outreach delivery. Sales transactions in the year amounted to £2,880 (2016 £1,680) relating to hire of the workhouse pitches. The debtor balance outstanding at the year end amounted to £420 (2016 - £420) and the creditor balance amounted to £37,295 (2016 £25,200).

Tower Hamlets Education Business Partnership – a company in which Gerry McDonald is a Board member

Purchase transactions in the year amounted to £1,733 (2016 £26,092) relating to work experience placement fees. There were no balances outstanding at the year end (2016 – NIL).

Association of Colleges – a company in which Gerry McDonald is a Board member

Purchase transactions in the year amounted to £37,599 (2016 £20,160) relating to the college's annual subscription and conference fees. There were no balances outstanding at the year end (2016 – NIL).

Notes to the Financial Statements (continued)

25 Related Party Transactions (continued)

Homerton Hospital – an organisation where Rachel Halliday is employed

The trust has a lease for part of the College's campus, and paid £398,000 (2016 - £398,000) in respect of rent and related services. Purchase transactions in the year amounted to £22,000 (2016 - £27,000) relating to the supply of Speech and language therapy services. There were no balances outstanding at the year-end (2016 - £8,000).

Learning Trust Hackney – an organisation where Anne Canning is employed

Purchase transactions in the year amounted to £12,581 (2016 £10,880) relating to support costs for the Nursery and High Needs Learners. Sales transactions in the year amounted to £1,654,568 (2016 £2,020,464) relating to education contracts, such as High Needs funding and the 14-16 Provision. The debtor balance outstanding at the year end amounted to £89,050 (2016 - £128,690). There were no creditor balances outstanding at the year end (2016 NIL).

26 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants – discretionary learner support	1,336	1,200
Disbursed to students	(860)	(796)
Administration costs	(57)	(60)
Amount consolidated in financial statements	(327)	(336)
Balance unspent as at 31 July, included in creditors	**92**	**8**

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the payment of Crèche charges and other fees.