

Report and Financial Statement

For the year ended 31 July 2019



CONTENTS

OPERATING AND FINANCIAL REVIEW	2
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL	14
THE BOARD'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH THE FUNDING BODY TERMS AND CONDITIONS OF FUNDING	20
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION	21
INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF NEW CITY COLLEGE	22
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	24
CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME	26
CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES	27
CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY	28
CONSOLIDATED STATEMENT OF CASH FLOWS	29
NOTES TO THE FINANCIAL STATEMENTS	30

OPERATING AND FINANCIAL REVIEW

Nature, Objectives and Strategies

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of 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. Epping Forest College merged with New City College on the 1 August 2018 and the two Havering Colleges (Havering College of F&HE and Havering Sixth Form College) merged with New City College on the 1 August 2019.

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 14 to 16.

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.

Strategic Direction

The Corporation reviewed its strategy and in its meeting in July 2018 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 includes our own, expanded teacher training department.
- Be financially stable and debt free.
- Be a confident, dynamic influencer of skills policy across London.

This remained the strategic direction of the College during 2018/19.

OPERATING AND FINANCIAL REVIEW (continued)**Strategic Direction (continued)**

During the period to 31 July 2019, change was only made where necessary to complete the process of merging, the curriculum offer continued to reflect the specific characteristics of the four colleges, from 1 August 2018.

The focus of activity remains the four boroughs, led by Principals and their campus based Deputy Principals.

The College started the process to review and confirm the strategic intent and direction in July 2019 with a view to confirming the strategic intent by January 2020.

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.

Student achievement and progression

Overall Achievement rates have continued to improve. The New City College overall achievement rates for 16-18 funded provision rose 6.8% from 2017/18 to 86.9%, which is now above the National Average by 4.18%. Over the same period adult achievement rates have risen by nearly 3.5% to 89.6%, 1.3% above the National Average.

The Retention rates remain high at over 93.8% and these are 1.1% above the sector average. The retention rate for 16-18 provision 1.4% above and for 19+ 1.1% above the Sector National Averages.

Progression continues to be strong, with more than 96.8% of learners with a known outcome progressing to Education or Employment.

Of those applying through UCAS, 74% were placed at University with 552 entering higher education. 6% gaining a place at Russell Group Universities.

Ofsted Inspection

Three constituent colleges were rated "Good" at their last Ofsted Inspections, Tower Hamlets in December 2013, Hackney in October 2015 and Redbridge in December 2015. Epping Forest were rated 'requires improvement' in February 2018 and 'inadequate' in 2017/18, at the NCC Ofsted Monitoring Visit in July 2019, the outcomes were as follows:

- What progress have leaders and teachers made in improving teaching, learning and assessment?
Outcome: Reasonable Progress
- What progress have leaders made in setting up secure governance arrangements to ensure the quality of education and training across the newly-merged College?
Outcome: Significant Progress

OPERATING AND FINANCIAL REVIEW (continued)**Funding**

The College's performance against its key funding targets for the year in respect of activity in the year was:

- The College achieved 88% of its 16-18 learner number target. It achieved 92% of its 16-18 Responsive Funding target.
- The College achieved 99.9% of its Adult Education Budget for classroom activity and therefore there is no clawback of funding.
- The College delivered 93.9% (£760,786) of its original allocation for 16-18 Apprenticeships allocation and 83.8% (£1,122,016) of its adult Apprenticeship allocation.
- The College delivered 98% (£359,726) of its original non-levy allocation for 16-18 apprenticeships allocation and 35% (£230,043) of its adult non-levy apprenticeships allocation. In addition 55% (£355,012) of carry-in pre May 2017 apprenticeship allocation was delivered and a further £117,658 of levy apprenticeships was delivered.

Student numbers

In 2018/19 the College has delivered activity that has produced funding against the Education and Skills Funding Agency main allocations amounting to £47,286,270 (2017/18: £39,614,457), including Additional Learning Support.

The College had approximately 14,249 (2017/18: 13,264) learners funded by the ESFA and 8,884 (2017/18: 5,279) learners funded from other sources. There were 820 apprentices in the year compared to 1,310 in 2017/18.

Financial Objectives

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

- financial health to remain as good to outstanding;
- 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 2019
Operating result before exceptional costs, FRS102 adjustments and the additional costs and savings arising from merger at a £296k deficit or better. None of these exclusions are reflected in the budget, which represents the underlying business.	Favourable variance - surplus of £15k (Page 5 Financial Results)
Debt service cover, where the available cashflow for the period must be equal to or greater than the annual debt servicing costs.	All bank loans and overdrafts repaid in July 2019, therefore no debt service cover required.
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.	All bank loans and overdrafts repaid in July 2019, therefore no borrowings at year-end.
Proportion of funding that comes from core funding from the EFA and SFA, including apprenticeship income, which will be as per the budget, 66%.	EFA/SFA income 61%
a) Proportion of staff costs to total income, which will be as per the budget at 72% excluding subcontracted income.	67%
b) 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 70% excluding subcontracted income.	71%
Current ratio (current assets as a proportion of current liabilities) which per the budget for the end of the year is 1.93:1.	1.71:1
Cash days in hand, based on the budget profile of 36 days.	57 days

OPERATING AND FINANCIAL REVIEW (continued)**Financial Objectives (continued)**

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating of Outstanding.

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:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Operating surplus before restructuring costs, merger costs and adjustments for FRS 102 Pension Costs	15	417
Holiday Pay Accruals adjustment	254	(446)
Restructuring costs	(864)	(777)
(Loss)/profit on fixed assets	7,838	(732)
Poplar Redevelopment Costs (capitalised/fully depreciated in year)	(917)	-
Release of capital grants on fixed asset disposal	-	2,591
Loan Breakage Costs	(650)	-
Merger related costs	(498)	(143)
Surplus before adjustments for FRS 102 Pension Costs	5,178	910
Gain on the fair valuation of assets acquired on merger with Epping Forest	36,889	-
Adjustments for FRS 102 Pension Costs	(3,911)	5,984
Gain on Investments	4	14
Surplus per Comprehensive Income	38,160	6,908

The surplus for the year added to reserves is £38,160,000 (2017/18: a surplus of £6,908,000).

At 31 July 2019, the Group has accumulated reserves and cash and short term investment balances of £54,358,000 and £11,388,000 (2017/18: £16,198,000 and £9,363,000 respectively).

The College has two subsidiary companies:

- OKN1 Limited (formally, The Trading Company (Hackney) Limited) in the current year, the company made a deficit of £124,415 (2017/18: a deficit of £6,108).
- Shoreditch Community Sports Centre Limited In the current year, the company made a deficit of £62,577 (2016/17: a deficit of £88,649).

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 £4,807,000. This was split between land and buildings improvements of £1,294,000 and equipment purchased of £3,513,000.

The College disposed of its surplus land at Epping Forest College. The surplus on disposal totalled £7,936,000.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2018/19 these bodies provided 61% (2017/18: 62%) 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. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Liquidity

The College had no borrowing as at 31 July 2019, with cash balances and short term investments of £11,388,000 and no debt (2017/18: £9,363,000 and £2,916,000 respectively). There was a net cash inflow of £3,100,000 compared to net cash outflow in 2017/18 of £2,715,000

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 SACS 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 2018/19**

At the start of the 2018/19 financial year, New City College completed a merger with Epping Forest College. Academic performance at Epping Forest College had been weak in the year prior to merger and performance improvement has received considerable focus post-merger. During 2018/19, the percentage of learners completing their courses at Epping Forest Campus rose by 13% points.

Across the group, student outcomes have improved and are above national benchmarks for young people and adults.

New City College serves a diverse urban area, spanning from the City to the outer boroughs of north east London and south Essex. The group's catchment areas include pockets of high deprivation as well as some of the most affluent areas in the country. The majority of the student body live in significantly deprived wards; approximately 34% of the group's adult cohort are dependent on benefits or income support, and over 34% of 16- 19s completing study programmes are in receipt of free school meals. In this context New City College continues to have a significant impact on the lives of the students it educates and the communities it serves. Although, as a result of the recent mergers, there have been significant changes across the campuses which form the group, the institution remains clearly anchored in its shared commitment and ethos, of providing its students with opportunities through inspiring teaching, learning and assessment.

Over the last 3 years, overall NCC achievement rates have improved steadily, sustaining outcomes through multiple mergers from 82.3% in 2016/17 to 83.7% in 2017/18, and 88.4% in 2018/19.

OPERATING AND FINANCIAL REVIEW (continued)**Curriculum Developments for 2018/19 (continued)**

The merged College has had the following income confirmed by the ESFA for 2018/19:

16-18 Funding	£30,764,000
Adult Skills	£14,724,000

An Ofsted monitoring visit in June 19 confirmed significant progress in the governance and leadership of the merger process as all four New City College campuses have continued to make progress.

New City College is a sustainable institution with Outstanding financial health and prudent plans for future growth and capital investment. Throughout the last academic year, the group was able to complete a significant programme of investment at the Hackney and Redbridge campuses, following a period of under- investment prior to merger. This included updating the IT infrastructure and refurbishing and reconfiguring a number of communal spaces, including a new modern and welcoming reception area at the Hackney campus. The College has also invested in specialist commercial facilities to support transition into work. Notably, this has included OKN1 a new student run commercial restaurant in Hoxton.

Post balance sheet events

On 1 August 2019, New City College merged with Havering College of Further & Higher Education and Havering Sixth Form College. The two Havering Colleges are run jointly and have been rebranded as Havering Colleges. A local board has been established to oversee performance.

A key priority in 2019/20 will be to integrate the Havering Colleges into the group and to ensure that outcomes are consistent across all campuses.

The merged College has had the following income confirmed by the ESFA and the GLA for 2019/20:

16-18 Funding	£51,925,725
Adult Skills	£17,678,883

The results for the College during 2018/19 provides a foundation for further development and growth. The benefits of merger in terms of a more complete *offer* to learners and cost efficiencies have emerged, as evidenced by the underlying operating result for the year and the intention through 2019/20 is to seek to build on this to improve the overall financial position, following the merger with the two Havering Colleges on the 1 August 2019.

The College as part of the transfer of assets and liabilities of the pension fund from the merger with Epping Forest College, provided a charge on the property at the Epping Forest Campus of £8.6 million to the Local Government Pension Scheme (LGPS) in September 2019.

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
- Epping, a freehold site at Loughton
- A freehold site in Bournemouth

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

OPERATING AND FINANCIAL REVIEW (continued)**Resources (continued)***Financial*

As at 31 July 2019, the College had £91.0 million of net assets (excluding £36.7 million pension liability) and no debt.

People

During the year ended 31 July 2019, the College employed 855 people (expressed as full time equivalents), of whom 344 are teaching staff. In terms of headcount this is 1,304.

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 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 College Senior Management Team 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 each meeting of 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.

On the approval of the new strategic objectives in 2020, the existing risk register will be reviewed and updated, to ensure that risks relevant to the new strategic objectives are properly identified and described.

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 significant risks are related to the College's key strategic objectives.

1. 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.

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 of not being able to:

- maintain, if not improve on, the Ofsted "Good" grade through outstanding teaching and learning;
- have clear progression routes for all of the curriculum.

OPERATING AND FINANCIAL REVIEW (continued)

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;
- clear progression pathways for all courses;
- positive responses from employers in regular satisfaction surveys;
- planning guided by: quality; success; recruitment; funding and viability; government and community priorities.

2. Be recognised for its key specialisms across east London and beyond.

The College's reputation with its communities and key employers is an essential element of its long-term sustainability. The significant risks of not being able to:

- promote ourselves as the provider of choice for the local community and specified industry sectors;
- have strong links with a range of employers to meet their needs for training and skills. In particular develop a strategy to respond to the Apprenticeship Levy and the consequent changes in funding and demand.

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

- 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;
- 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.

3. Have created a 21st century learning environment across the college by rebuilding the Poplar campus and investing significantly in other sites.

The College needs the appropriate facilities to achieve the objectives above. The key risks of not being able to:

- develop a comprehensive property strategy consistent with the overall business strategy
- operate a robust project process including specification, planning, monitoring and reporting, for the possible redevelopment of Poplar and other similar substantial projects.

OPERATING AND FINANCIAL REVIEW (continued)

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

- identifying business needs through comprehensive strategy;
 - engaging professional advisers - property consultants, architects, designers, lawyers etc - to develop the appropriate strategy;
 - regularly reconfirming analysis of learner numbers, curriculum and space requirements as provision changes (more apprenticeships means fewer on site taught hours);
 - establishing a Property sub-committee;
 - comprehensive, separate project management process, including a full risk register, for each major project;
 - clear identification of key decision points and decisions only taken after full evaluation of evidence.
4. Have successfully implemented a new approach to staff development that is highly valued across the college and includes our own, expanded teacher training department.

As well physical resources, the College needs high quality staff. The principal risk of not being able to:

- 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.

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

- communication of College's competitive advantage to differentiate it from immediate competitors - related to quality, 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.
5. Be financially stable and debt free.
- reduce our dependency on ESFA income
 - comply with the various financial regulatory frameworks - accounting, funding, taxation, etc

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

- budget setting process, with greater clarity and ownership of income targets and contribution at departmental level before the start of the year;
- authority limits to restrict ability for investment;
- strategic curriculum review and assessment finalised and agreed with Corporation Board annually which informs new strategic plan;
- effective curriculum planning;
- centralised timetabling and curriculum managers monitoring programme delivery against GLH requirements;
- review of employer strategy and introduction of new areas and partners (employers JCP etc) and new ESF projects;
- developing opportunities through the Language School;
- an effective partnership for the provision of HE courses;
- approval of funding claims submission by a senior manager, to confirm completeness and accuracy;
- governor approval for major investment at concept and final decision stage and monitoring of progress against strategic plan through KPIs;
- robust project management procedures (including a designated manager for each project, a schedule for claims for each project and a checklist to ensure evidence is collated as the project progresses);
- Internal audit review.

6. Be a confident, dynamic influencer of skills policy across London.

This will be a consequence of progress on the five objectives above and there are no specific significant risks not covered above.

OPERATING AND FINANCIAL REVIEW (continued)**Stakeholder Relationships**

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

- Students;
- Funding Bodies, primarily the ESFA and OfS;
- 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.

Trade Union Facility Time Publication Requirements

Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative. There is a statutory entitlement to reasonable paid time off for undertaking union duties. There is no such entitlement to paid time to paid time off for undertaking activities.

This agreement sets out the amount of time off that can be provided whilst recognizing fluctuations in use may occur depending on demands on time. Both employers and TU representatives have an important role to play in effectively and efficiently managing the use of facility time.

Relevant Union Officials

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>Full time equivalent employee number</i>
29	12

Percentage of time spent of facility time

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	29
51-99%	
100%	

Percentage of pay bill spent on facility time

<i>Description</i>	<i>Figures</i>
Provide the total cost of facility time	£37,573
Provide the total pay bill	£40,016,000
Provide the percentage of the total pay bill spent on facility time, calculated as; (total cost of facility time ÷ total pay bill) x100	0.09%

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	2.78%
--	-------

(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	
--	--

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 a Group Curriculum Director for SEND and ALS 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 17 December 2019 and signed on its behalf by:



Rob Hull
Chair

Professional advisers**Financial statement and
Regularity auditor:**

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Bankers:

Barclays Bank
1 Churchill Place,
London
E14 5HP

National Westminster Bank
Ground Floor,
Gredley House
1 -11 Broadway
London
E15 4BQ

Lloyds Bank Commercial Banking
25 Monument Street
London
EC3R 8BQ

Santander Corporate Banking
3rd Floor, Santander House
100 Ludgate Hill
London
EC4M 7NJ

Close Brothers
4th Floor
10 Crown Place
London
EC2A 4FT

Internal auditor:

Scrutton Bland Group
Fitzroy House
Crown Street
Ipswich
Suffolk
IP1 3LG

Solicitors:

Bates Wells Braithwaite
10 Queen Street Place
London
EC4R 1BE

Evershed Sutherland LLP
1 Wood Street
London
EC2V 7WS
13

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. This statement covers the period from 1 August 2018 to the date of signing the financial statements.

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); and
- ii. having due regard to the English College's Code of Good Governance (the Code), as adopted by the College in 2015.

The College is committed to exhibiting best practice in all aspects of corporate governance and does so by self-assessing its Board on an annual basis, against best governance practice and the Code. In the opinion of the governors, the College complies with the Code for the year 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The 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 Chair of the Corporation for the academic year 2018-19 until 1st April 2019 was Meena Chavda and from 1st April 2019 the Chair of the Corporation was Rob Hull. The Vice Chairs were Sue Williams and Gunner Burkhart until 31 July 2019. The current Vice Chair is Marilyn Hawkins.

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 1.

Table 1: Governors serving on the College Board during 2018/19

Name	Date of appointment	Term of office	Date of resignation/ End of Office	Status of appointment	Committees served
Meena Chavda	Feb-10 Re-app Feb-18	4 years 6 months	Mar-19	Independent	F&GP, Remuneration, Search, Property (Corporation Chair from Oct-17)
Rob Hull	Jan-19	4 years Apr-19 to Dec-22		Independent and Chair Designate Chair of Governors	Search, F&GP, Remuneration, Property
Marina Antoniou	Aug-19	4 years		Independent	Audit
Richard Bint	Aug-19	4 years		Independent	F&GP
Vivien Bailey	Oct-14	4 years		Independent	CQ&S, Search
Gunner Burkhart	Dec-10 (re-appointed for 6months Dec-18)	4 years	Jul-19	Independent	F&GP, Search Remuneration
Anne Canning	Feb-11	4 years	Feb-19	Independent	CQ&S

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)**Table 1: continued**

Stephen Chritoph	Aug-19	4 years		Independent	F&GP, Remuneration
Bobbi Ehsan	Dec-16	4 years	Oct-18	Staff	CQ&S
Cynthia Griffin	Jan-19	4 years		Independent	CQ&S, Audit
Rachael Halliday	Oct-10	4 years	Oct-18	Independent	CQ&S
Russell Hasnat	Jan-19	4 years	Jun-19	Staff	CQ&S
Marilyn Hawkins	Aug-18	4 years		Independent	F&GP, Search, CQ&S, Remuneration
Steve Hedges	Dec-14	4 years		Staff	CQ&S
John Houston	Aug-18	4 years	Aug-19	Independent	Audit
Mohammed Mahmud	Dec-17 (re-appointed in-year)	1 year	Jul-19	Student	CQ&S
Nikki Makinwa	Sep-14	4 years		Independent	CQ&S
Gerry McDonald	Apr-13	Ex-officio		CEO	F&GP, Search, CQ&S, Property
Rebecca Miah	Oct-18	1 year	Mar-19	Student	CQ&S
Diana Murray	Aug-18	4 years		Independent	CQ&S, Search
Malcolm O'Brien	Aug-19	4 years		Independent	Property
Martin Rosner	Aug-18	4 years	Mar-19	Independent	F&GP
Dawn Samwell	Aug-19	4 years		Independent	CQ&S
Lutfey Siddiqi	Apr-18	4 years		Independent	F&GP
Gareth Wall	Oct-13	4 years		Independent	Audit, Property
Sue Williams	Sep-11	4 years	Sep-19	Independent	Audit, Property
Neil Yeomans	Jan-19	4 years		Independent	Audit, Search, Remuneration

Governors can serve a maximum of 2 terms of 4 years each, or up to 8 years, unless there are exceptional circumstances.

Overall attendance (at Corporation and Committee meetings) was 84%.

The non-governors who were co-opted to serve on Committees during the year were:

Name	Committees Served	Date of Departure
Paul Winrow	Audit	Apr-19
Edmond Harbour	Property	Apr-19
Neal Hunt	Property	
Cormac MacCrann	Property	
Thana Nathan	Audit	
Nurul Islam	Property	

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Director of Governance was Fiona Chalk.

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

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

The Corporation conducts its business through the Corporation Board and its Committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search & Governance, Curriculum Quality & Students, Audit and Property. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

New City College
112 Poplar High Street
Poplar
London
E14 0AF

The Director of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 via an electronic Board Portal App. Briefings are provided on an ad-hoc basis and governors receive a fortnightly newsletter on sector and college matters.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive Officer (CEO) of the College 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 & Governance Committee, consisting of five 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.

The Corporation has determined that the maximum number of consecutive terms for which a member may hold office is two x 4 years. The Search & Governance committee provides an Annual Report on its work, which is available from the Director of Governance.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**Audit Committee**

The Audit Committee comprises of six members, including co-optees (a majority of which must be members of the Corporation) and excludes the CEO, Chair and staff members. The committee operates in accordance with written terms of reference approved by the Corporation and in accordance with the Post 16 Audit Code of Practice.

The Audit Committee meets at least 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 if required. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

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

Management are 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.

Finance & General Purposes committee (F&GP)

The F&GP committee normally comprises of 6 members. 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 and the Articles of Government.

Meeting four times a 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 three times during the year and among its work, approved the SPH Remuneration Code. An Annual Report of the Remuneration Committee is available from the Director of Governance.

Details of remuneration for the year ended 31 July 2019 are set out in the notes to the financial statements.

Curriculum, Quality & Students committee (CQ&S)

The CQ&S committee comprises of a minimum of eight members and includes two student governor members and two staff members. It operates in accordance with written terms of reference approved by the Corporation and meets on four occasions each academic year. 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, including HE and sub-contracted provision. In addition, it has responsibility for reviewing and monitoring the arrangements for the promotion of equality, diversity and safeguarding.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**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 Group Principal & CEO, 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 New City College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in New City College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks by means of a risk register, to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and 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 Skills Funding Agency's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

Annually, the Chair of the Audit Committee provides the governing body with a report on audit activity in the College. Further the internal audit provider submits an annual report to the Audit Committee and thence the governing body. The report includes the independent internal audit providers' opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)*Review of effectiveness*

As Accounting Officer, the Group Principal & CEO 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 (where appointed)
- 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, the appointed funding auditors in their management letters and other reports.

The Group Principal & CEO 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, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Group Principal & CEO and 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 departments and reinforced by risk awareness training. The CEO and senior management team and the Audit Committee also receive regular reports from internal audit (where appointed), 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 reporting format ensures the consideration of risk and control and receives specific reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2019.

Based on the advice of the Audit Committee and the CEO, 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 17 December 2019 and signed on its behalf by:



Rob Hull
Chair



Gerry McDonald
Accounting Officer

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

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

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

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

Approved by order of the members of the Board on 17 December 2019.



Rob Hull
Chair



Gerry McDonald
Accounting Officer

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 College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, *ESFA's College Accounts Direction 2018 to 2019* and the *UK's Generally Accepted Accounting Practice*, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

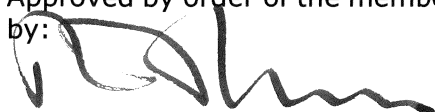
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA, and any other public funds are used only in accordance with ESFA's grant funding agreements and contracts, and any other conditions that may be prescribed from time to time by ESFA, or any other public funder. 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 economic, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and any other public bodies are not put at risk.

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by:



Rob Hull
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 2019 which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, consolidated statement of cashflows, 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 2019, 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a College and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Other information

The Corporation is responsible for the other information, which comprises Operating and Financial Review and 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 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, 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.



Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

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 and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by New City College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of New City College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of New City College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of New City College and the ESFA 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw 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 2018 to 31 July 2019 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

Chartered Accountants
15 Canada Square
London E14 5GL

20 December 2019

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	49,177	49,177	43,730	43,730
Tuition fees and education contracts	3	20,732	20,732	21,834	21,834
Other grants and contracts	4	52	52	142	142
Other income	5	5,040	4,727	4,734	4,372
Investment income	6	11	11	17	17
Total income		75,012	74,699	70,457	70,095
EXPENDITURE					
Staff costs	7	40,016	39,858	35,387	34,850
Restructuring costs	7	864	864	777	777
Other operating expenses	8	31,948	31,509	29,392	29,639
Depreciation and amortisation	10,12	5,744	5,716	4,493	4,457
Interest payable and other finance costs	9	1,978	1,978	1,148	1,148
Total expenditure		80,550	79,925	71,197	70,871
(Deficit) before other gains and losses		(5,538)	(5,226)	(740)	(776)
Profit/(loss) on disposal of assets		7,838	7,847	(732)	(732)
Gain on investments		4	4	14	14
Surplus/(Deficit) before tax		2,304	2,625	(1,458)	(1,494)
Taxation				-	-
Surplus/(Deficit) for the year		2,304	2,625	(1,458)	(1,494)
Gain on the fair valuation of assets and liabilities acquired on the merger with Epping Forest College	23	36,889	36,889	-	-
Actuarial gain/(loss) in respect of pensions schemes	22	(1,033)	(1,033)	8,366	8,366
Total Comprehensive Income and Expenditure for the year		38,160	38,481	6,908	6,872
Represented by:					
Endowment comprehensive income		4	4	14	14
Unrestricted comprehensive income		38,156	38,477	6,894	6,858
		38,160	38,481	6,908	6,872


CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

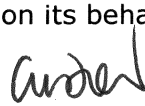
	Income and Expenditure Reserve - Unrestricted £'000	Revaluation reserve £'000	Endowment Reserve £'000	Total £'000
Group				
Balance at 1st August 2017	(3,548)	12,331	507	9,290
Surplus/(deficit) from the income and expenditure account	(1,472)	-	14	(1,458)
Other comprehensive income	8,366	-	-	8,366
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
Total Comprehensive Income and Expenditure for the year	7,293	(399)	14	6,908
Balance at 31st July 2018	3,745	11,932	521	16,198
Surplus/(deficit) from the income and expenditure account	2,300	-	4	2,304
Other comprehensive income	35,856	-	-	35,856
Transfers between revaluation and income and expenditure reserves	346	(346)	-	-
Total Comprehensive Income for the year	38,502	(346)	4	38,160
Balance at 31st July 2019	42,247	11,586	525	54,358
College				
Balance at 1st August 2017	(3,833)	12,331	507	9,005
Surplus/(deficit) from the income and expenditure account	(1,508)	-	14	(1,494)
Other comprehensive income	8,366	-	-	8,366
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
Total Comprehensive Income and Expenditure for the year	7,257	(399)	14	6,872
Balance at 31st July 2018	3,424	11,932	521	15,877
Surplus/(deficit) from the income and expenditure account	2,621	-	4	2,625
Other comprehensive income	35,856	-	-	35,856
Transfers between revaluation and income and expenditure reserves	346	(346)	-	-
Total Comprehensive Income and Expenditure for the year	38,823	(346)	4	38,481
Balance at 31st July 2019	42,247	11,586	525	54,358

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY

	Notes	Group	College	Group	College
		2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible fixed assets	10	117,593	117,327	86,167	86,133
Investments	11	525	525	521	581
Goodwill	12	719	719	820	820
		118,837	118,571	87,508	87,534
Current assets					
Stock		6	-	4	-
Trade and other receivables	13	16,921	17,681	5,367	5,576
Investments	14	-	-	1,075	1,075
Cash and cash equivalents	19	11,388	10,903	8,288	7,671
		28,315	28,584	14,734	14,322
Less: Creditors – amounts falling due within one year	15	(16,601)	(16,604)	(17,819)	(17,754)
Net current assets/(liabilities)		11,714	11,980	(3,085)	(3,432)
Total assets less current liabilities		130,551	130,551	84,423	84,102
Less: Creditors – amounts falling due after more than one year	16	(38,370)	(38,370)	(37,678)	(37,678)
Provisions					
Defined benefit pension obligations	22	(36,674)	(36,674)	(29,232)	(29,232)
Other provisions	17	(1,149)	(1,149)	(1,315)	(1,315)
Total net assets		54,358	54,358	16,198	15,877
Restricted Reserves					
Income and expenditure reserve – endowment reserve		525	525	521	521
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		42,247	42,247	3,745	3,424
Revaluation reserve		11,586	11,586	11,932	11,932
Total unrestricted reserves		53,833	53,833	15,677	15,356
Total Reserves		54,358	54,358	16,198	15,877

The financial statements on pages 26 to 54 were approved and authorised for issue by the Corporation on 17 December 2019 and were signed on its behalf on that date by:


Rob Hull
Chair


Gerry McDonald
Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		2,304	(1,458)
Adjustment for non-cash items			
Depreciation and amortisation	10,12	5,744	4,493
Decrease in stocks		(2)	-
Decrease/(Increase) in debtors	13	1,896	(893)
(Decrease)/increase in creditors due within one year	15	(802)	(232)
(Decrease)/Increase in creditors due after one year and other provisions	16, 17	692	(1,114)
Pensions costs less contributions payable	22	1,950	1,375
Taxation			
Adjustment for investing or financing activities			
Investment income	6,11	(11)	(31)
Interest payable and other finance cost	9	1,978	1,148
Loss/(profit) on sale of fixed assets		(7,838)	732
Net cash flow from operating activities		5,911	4,020
Cash flows from investing activities			
Proceeds from sale of fixed assets		14,615	2,724
Investment income	6,11	15	17
Payments made to acquire fixed assets	10	(4,807)	(8,923)
		<u>9,823</u>	<u>(6,182)</u>
Cash flows from financing activities			
Interest paid		(1,019)	(141)
Decrease/(Increase) of deposits	14	1,084	(12)
Repayments of amounts borrowed		(7,917)	(400)
Net assets, excluding net current assets , transferred from Epping Forest College on merger		(4,782)	-
		<u>(12,634)</u>	<u>(553)</u>
(Decrease)/increase in cash and cash equivalents in the year		3,100	(2,715)
Cash and cash equivalents at beginning of the year	19	8,288	11,003
Cash and cash equivalents at end of the year	19	11,388	8,288

NOTES TO THE FINANCIAL STATEMENTS**1 Accounting policies (continued)****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 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the 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 restated 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)****Basis of consolidation (continued)**

The consolidated financial statements include the College and its subsidiary companies, OKN1 Limited (previously known as 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. TowerSkills Recruitment Services Limited, View Training Limited and City Edge Limited have ceased trading during 2018/19. 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 2019.

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 Office for Students (OfS) 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 pension 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 included in the Income and Expenditure account as appropriate.

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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 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 STATEMENT (continued)

2 Funding body grants

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	13,797	13,797	12,540	12,540
Education and Skills Funding Agency - 16-18	31,437	31,437	23,710	23,710
Education and Skills Funding Agency - apprenticeships	1,125	1,125	1,936	1,936
Higher Education Funding Council	1,431	1,431	1,843	1,843
Specific grants				
ESFA Non-recurrent grants	156	156	139	139
Releases of government capital grants	1,231	1,231	3,562	3,562
Total	49,177	49,177	43,730	43,730

3 Tuition fees and education contracts

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	841	841	1,038	1,038
Apprenticeship fees and contracts	0	0	0	0
Fees for FE loan supported courses	838	838	1,213	1,213
Fees for HE loan supported courses	11,031	11,031	10,627	10,627
International student fees	544	544	687	687
Total tuition fees	13,254	13,254	13,565	13,565
Education contracts	7,478	7,478	8,269	8,269
Total	20,732	20,732	21,834	21,834

4 Other Grants and Contracts

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Erasmus	0	0	52	52
Other grants and contracts	52	52	90	90
Total	52	52	142	142

NOTES TO THE FINANCIAL STATEMENT (continued)

5 Other income

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	112	17	140	23
Other income generating activities	2,334	2,129	2,438	2,206
Other grant income	0	0	0	0
Non government capital grants	286	273	316	303
Property Income	2,065	2,065	1,676	1,676
Miscellaneous income	243	243	164	164
Total	5,040	4,727	4,734	4,372

6 Endowment and investment income

Other interest receivable	11	11	17	17
Total	11	11	17	17

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:

	2019 Group No.	2018 Group No.
Teaching staff	344	354
Non-teaching staff	511	376
	855	730

Staff costs for the above persons

	2019 Group £'000	2018 Group £'000
Wages and salaries	30,551	28,137
Social security costs	3,129	2,258
Other pension costs	6,336	4,992
Payroll sub total	40,016	35,387
Contracted out staffing services	-	-
Staff costs before restructuring costs	40,016	35,387
Fundamental restructuring costs		
- Contractual	864	777
- Non-contractual	-	-
	40,880	36,164

NOTES TO THE FINANCIAL STATEMENT (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 two college principals, and five directors with cross-college responsibility. 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

	2019 No.	2018 No.		
The number of key management personnel including the Accounting Officer was:	<u>10</u>	<u>12</u>		
The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:				
	Key Management		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£20,001 to £25,000	1	-	1	-
£40,001 to £45,000	1	2	4	-
£50,001 to £55,000	-	1	5	4
£60,001 to £65,000	-	1	10	13
£70,001 to £75,000	3	3	6	-
£80,001 to £85,000	-	1	1	-
£90,001 to £95,000	2	2	-	-
£100,001 to £105,000	1	1	-	-
£110,001 to £115,000	1	-	-	-
£180,001 to £185,000	-	1	-	-
£190,001 to £195,000	1	-	-	-
£195,001 to £200,000	<u>10</u>	<u>12</u>	<u>27</u>	<u>17</u>

Key management personnel emoluments is made up as follows:

	2019 £'000	2018 £'000
Salaries – gross of salary sacrifice and waived emoluments	962	983
Employer's National Insurance [or social security contributions]	122	124
Benefits in kind	-	-
	1,084	1,107
Pension contributions	146	148
Total emoluments	1,230	1,255

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

NOTES TO THE FINANCIAL STATEMENT (continued)

7 Staff costs (continued)

The above key management personnel includes two post holders and ten other staff post holders who were not in post for a full year and the remuneration for these employee was less than £60,000. This includes one post holder within the £110,001 to £115,000 banding, one post holder in the £95,001 to £100,000 banding, one post holder within the £85,001 to £90,000 banding, eight post holders within the £65,001 to £70,000 and two post holders within the £60,001 to £65,000 banding.

The College's Accounting Officer and other key management personnel are paid a fair and appropriate remuneration based on the value delivered by the individual acting within their role. The value factors considered by the College are market rates, roles, skills and experience. The remuneration packages of both the Accounting Officer and other key management personnel are regularly bench marked within the sector and remuneration decisions are based on robust evidence.

The above compensation includes amounts payable to the Group Principal and Chief Executive Officer who is the Accounting Officer (who is also the highest paid officer) of:

	2019	2018
	£'000	£'000
Salaries	200	187
Benefits in kind	-	-
	<u>200</u>	<u>187</u>
Pension contributions	33	31
	<u>33</u>	<u>31</u>
Total compensation	<u>233</u>	<u>218</u>

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

The remuneration package of Key management staff, including the Group Principal and Chief Executive Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Group Principal and Chief Executive Officer reports to the Chair of Governing Council, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Group Principal and Chief Executive Officer pay and remuneration expressed as a multiple.

	2019	2018
	£'000	£'000
Group Principal and CEO's basic salary as a multiple of the median of all staff	6.2:1	5.2:1
Group Principal and CEO's total remuneration (including pension contributions) as a multiple of the median of all staff	6.6:1	5.5:1

NOTES TO THE FINANCIAL STATEMENT (continued)

8 Other operating expenses

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	19,427	19,427	19,303	19,727
Non-teaching costs	6,132	5,789	4,470	4,345
Premises costs	6,389	6,293	5,619	5,567
Total	31,948	31,509	29,392	29,639

Other operating expenses include:

	2019	2018
	Group	Group
	£'000	£'000
Auditors' remuneration:		
Financial statements audit 2018/19	66	69
Financial statements audit 2017/18	9	25
Internal audit (not performed by financial auditors)	51	26
Other services provided by the financial statements auditors*	15	20
Hire of assets under operating leases	223	279
Hire of Land & Buildings	306	338

*includes £4,000 in respect of TPA Certification and £10,556 in respect of Corporate Taxation advice for the subsidiary companies

9 Interest payable and other finance cost – Group and College

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	369	89
Loan Breakage Costs	650	-
Enhanced pension	30	52
Pension finance costs (note 22)	929	1,007
	1,978	1,148

NOTES TO THE FINANCIAL STATEMENT (continued)

10 Tangible fixed assets (Group)

	Group			Total
	Land and buildings	Equipment, fixtures and fittings	Assets in the Course of Construction	
	Freehold £'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	119,854	10,323	-	130,177
Acquired on merger with Epping Forest College	31,524	865	-	32,389
Additions	1,138	3,513	156	4,807
Disposals	(2,818)	(4,960)		(7,778)
Reclassification	(929)	929		-
At 31 July 2019	148,769	10,670	156	159,595
Depreciation				
At 1 August 2018	38,529	5,481	-	44,010
Charge for the year	3,680	1,963		5,643
Elimination in respect of disposals	(2,691)	(4,960)		(7,651)
At 31 July 2019	39,518	2,484	-	42,002
Net book value at 31 July 2019	109,251	8,186	156	117,593
Net book value at 31 July 2018	81,325	4,842	-	86,167

	College			Total
	Land and buildings	Equipment, fixtures and fittings	Assets in the Course of Construction	
	Freehold £'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	119,594	10,058	-	129,652
Acquired on merger with Epping Forest College	31,524	865	-	32,389
Additions	1,074	3,307	156	4,537
Disposals	(2,558)	(4,864)		(7,422)
Reclassification	(929)	929		-
At 31 July 2019	148,705	10,295	156	159,156
Depreciation				
At 1 August 2018	38,324	5,195	-	43,519
Charge for the year	3,661	1,954		5,615
Elimination in respect of disposals	(2,453)	(4,852)		(7,305)
At 31 July 2019	39,532	2,297	-	41,829
Net book value at 31 July 2019	109,173	7,998	156	117,327
Net book value at 31 July 2018	81,270	4,863	-	86,133

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Tangible fixed assets (continued)

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 and Epping Forest Colleges were adjusted to fair value. The fair value of the Redbridge campus (College) was £8,690,000 on the 31 July 2017 and the fair value of the Epping campus (College) was £31,540,000 on the 1 August 2018, in addition the value of the assets held for sale at Epping campus (College) was £19,925,000 on the 1 August 2018. 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 July 2019 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 College disposed of its surplus land at the Epping Forest Campus on 10 May 2019 for £28,065,000.

11 Non-current investments

	College	
	2019	2018
Endowment assets:		
Balance at 1 August 2018	521	507
Appreciation of endowment asset investment	4	14
Expenditure		-
Balance at 31 July 2019	525	521

	College	
	2019	2018
Endowment assets:		
Balance at 1 August 2018	521	507
Appreciation of endowment asset investment	4	14
Balance at 31 July 2019	525	521

Investment in subsidiary companies	109	109
Less provision for impairment	(109)	(49)
	0	60
Total	525	581

Endowment assets are represented by:

Charities Aid Foundation IM CAF Fixed Interest Fund and UK Equity Fund, Accumulation units.	419	415
Cash balances	106	106
	525	521

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:

- OKN1 formally, The Trading Company (Hackney) Limited. Its principal activity is to operate as a commercially trading restaurant.
- Shoreditch Community Sports Centre Limited. Its principal business activity is the operational management of the sports centre.

During the year, the company directors of the following companies took the decision to cease trading. The College had 100 percent of the issued ordinary £1 shares and the following companies were incorporated in England and Wales:

- TowerSkills Recruitment Services Limited. Its principal activity is temporary and permanent recruitment services.
- 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 2018	(195)
Release for the year	(101)
At 31 July 2019	(296)
Net book value	
At 31 July 2019	719
At 1 August 2018	820

13 Debtors

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,030	1,023	1,918	1,859
Prepayments and accrued income	2,283	2,281	3,084	3,034
Amount owed by group undertakings:				
Subsidiary undertakings	-	769	-	319
Amounts owed by the ESFA	158	158	364	364
Other Debtors	13,450	13,450	-	-
Total	16,921	17,681	5,366	5,576

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Current investments

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Short term deposits	-	-	1,075	1,075

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

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	-	416	416
Obligations under finance leases	-	-	-	-
Trade payables	2,679	2,655	680	625
Amount owed to subsidiary undertakings:				
Subsidiary undertakings	-	-	-	-
Other taxation and social security	1,433	1,434	1,355	1,361
Accruals and deferred income	10,538	10,514	13,327	13,324
Deferred income - government capital grants	1,387	1,387	1,287	1,274
Deferred income - government revenue grant:	-	-	-	-
Amounts owed to ESFA	374	374	449	449
Other creditors	190	240	305	305
Total	16,601	16,604	17,819	17,754

16 Creditors: amounts falling due after one year

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	-	-	2,500	2,500
Deferred income - government capital grants	35,788	35,788	32,450	32,450
Other Creditors	2,582	2,582	2,728	2,728
Total	38,370	38,370	37,678	37,678

NOTES TO FINANCIAL STATEMENTS (Continued)

16 Creditors: amounts falling due after one year (continued)**Maturity of debt****a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	-	-	416	416
Between one and two years	-	-	2,500	2,500
Between two and five years	-	-	-	-
	-	-	2,916	2,916

All outstanding bank loans and overdrafts were repaid within the year.

b) Finance leases

There were no finance leases in the period.

17 Provisions

	Defined benefit pension obligations	Enhanced pension	Total
	£'000	£'000	£'000
At 1 August 2018	29,232	1,315	30,547
Net cost in the period	7,442	(131)	7,311
Transferred from income and expenditure	-	(35)	(35)
At 31 July 2019	36,674	1,149	37,823

NOTES TO 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 2019 £'000	Total 2018 £'000
At 1 August 2018	415	42	457	64	521	507
Gains in market value	4	-	4		4	14
At 31 July 2019	419	42	461	64	525	521
Consists of:						
Capital	300	42	342	64	406	406
Accumulated income	119	-	119	-	119	115
	419	42	461	64	525	521

Analysis of type of purpose:

Student Hardship	419	42	461	64	525	521
	419	42	461	64	525	521

19 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	8,288	3,100	11,388
Overdraft	-	-	-
Total	8,288	3,100	11,388

20 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	503	2,644

NOTES TO FINANCIAL STATEMENTS (Continued)

21 Lease Obligations

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

Group and College
2019 **2018**
£'000 **£'000**

Future minimum lease payments due**Land and buildings**

Not later than one year	304	278
Later than one year and not later than five years	119	385
Later than five years	-	-
	423	663

Other

Not later than one year	185	172
Later than one year and not later than five years	40	73
Later than five years	-	-
	225	245

Total lease payments due	648	908
--------------------------	------------	------------

22 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.

	2019		2018
Total pension cost for the year	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		2,574	2,190
Local Government Pension Scheme:			
Contributions paid	1,842		1,524
FRS 102 (28) charge	1,950		1,375
Charge to the Statement of Comprehensive Income		3,792	2,899
Enhanced pension charge to Statement of Comprehensive Income		(30)	(97)
Total Pension Cost for Year		6,336	4,992

At 31 July 2019, contributions amounting to £528,202 (2017: £471,827) were payable to the schemes and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)**22 Defined Pension Obligations (continued)****Teachers' Pension Scheme**

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

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

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,564,000 (2018: £2,190,000).

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 2019 were £2,414,000, of which employer's contributions totalled £1,843,000 and employees' contributions totalled £575,000. The agreed contribution rates for future years are 16.0% for employers and range from 2.9% to 11.4% for employees, depending on salary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.90%	3.85%
Future pensions increases	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	2.40%	2.35%
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:

	At 31 July 2019 Years	At 31 July 2018 Years
<i>Retiring today</i>		
Males	20.6	21.3
Females	23.2	24.0
<i>Retiring in 20 years</i>		
Males	22.3	23.7
Females	25.0	26.3

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 2019	Fair Value at 31 July 2019 £'000	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000
Equities		49,208	-	38,109
Bonds		28,111	-	17,040
Property		8,227	-	4,825
Cash		4,764	-	2,883
Total market value of		90,310		62,857
Weighted average expected long term rate of return	2.10%		2.65%	
Actual return on plan		7,093		1,961

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

	2019 £'000	2018 £'000
Fair value of plan assets	90,310	62,857
Present value of plan liabilities	(126,827)	(91,916)
[Present value of unfunded liabilities]	(157)	(173)
Net pensions (liability)/asset (note 17)	(36,674)	(29,232)

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

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

	2019 £'000	2018 £'000
Amount included in staff costs		
Current service cost	(3,032)	(2,899)
Past service cost	-	-
Total	(3,032)	(2,899)
Amounts included in interest payable		
Net interest charge	(929)	(1,007)
	(929)	(1,007)
Amount recognised in Other Comprehensive Income:		
	2019 £'000	2018 £'000
Return on pension plan assets	7,093	1,961
Experience losses arising on defined benefit pension obligations	57	583
Changes in assumptions underlying the present value of plan liabilities	(8,183)	5,822
Amount recognised in Other Comprehensive Income	(1,033)	8,366
Movement in net defined benefit (liability)/asset during year		
	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(29,232)	(35,216)
Movement in year:		
Current service cost	(3,032)	(2,899)
Employer contributions	1,700	1,524
Past service cost	(618)	-
Net interest on the defined (liability)/asset	(929)	(1,007)
Liability taken on with merger of Epping Forest College	(3,530)	-
Actuarial gain or loss	(1,033)	8,366
Net defined benefit (liability)/asset at 31 July	(36,674)	(29,232)

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit pension obligations		
Defined benefit pension obligations at start of period	92,089	93,293
Current service cost	3,032	2,899
Interest cost	3,000	2,509
Contributions by Scheme participants	575	524
Experience (gain) on defined benefit pension obligations	(8)	-
Changes in financial assumptions	14,400	(5,822)
Estimated benefits paid	(2,625)	(1,314)
Change in demographic assumptions	(6,209)	-
Liabilities assumed / (extinguished) on settlements	22,112	-
Past Service cost	-	-
Curtailments and settlements	618	-
Defined benefit pension obligations at end of period	126,984	92,089
Changes in fair value of plan assets		
	2019 £'000	2018 £'000
Fair value of plan assets at start of period	62,857	58,077
Interest on plan assets	2,153	1,578
Return on plan assets	7,011	1,885
Employer contributions	1,700	1,524
Contributions by Scheme participants	575	524
Estimated benefits paid	(2,625)	(1,314)
Other actuarial (losses)	57	583
Settlement prices received	18,582	-
Fair value of plan assets at end of period	90,310	62,857

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Business Acquisitions & Mergers

Epping Forest College

On 1 August 2018, the College merged with Epping Forest College. Given the relative size of the two colleges, this has been accounted for using the acquisition method of accounting.

The net assets as at 1 August 2018 were as follows:

	Book value at 31 July 2018 £'000	Fair value adjustment £'000	Total value on Merger £'000
Tangible Fixed Assets	32,389		32,389
Current Assets			
Debtors	306		306
Assets held for sale	19,925		19,925
Investments	44		44
Cash and cash equivalents	231		231
Creditors falling due within one year	(8,058)		(8,058)
Net Current Assets	12,448	0	12,448
Total assets less current liabilities	44,837	0	44,837
Creditors falling due after more than one year	(4,418)		(4,418)
Provisions			
Defined benefit pension obligations	(3,265)	(265)	(3,530)
Total net assets	37,154	(265)	36,889
Reserves			
Income and expenditure accounts	18,386	18,503	36,889
Revaluation reserve	18,768	(18,768)	0
Total unrestricted reserves	37,154	(265)	36,889

NOTES TO THE FINANCIAL STATEMENTS (continued)**24 Post Balance Sheet Events**

In 1 August 2019, the College merged with the Havering College of F&HE and the Havering Sixth Form College. Given the relative size of the two colleges, this will be accounted for using acquisition accounting.

The net assets prior to any fair value adjustments as at 31 July 2019 were as follows:

	Havering College of F&HE Book value at 31 July 2019 £'000	Havering Sixth Form College Book value at 31 July 2019 £'000
Tangible Fixed Assets	52,883	13,703
Current Assets		
Trade and other receivables	648	149
Cash and cash equivalents	1,179	3,263
Creditors falling due within one year	(10,919)	(1,765)
Net Current Assets	(9,092)	1,647
Total assets less current liabilities	43,791	15,350
Creditors falling due after more than one year	-	(3,218)
Provisions		
Defined benefit pension obligations	(17,279)	(3,373)
Other Provision	(1,495)	-
Total net assets	25,017	8,759
Reserves		
Income and expenditure reserve	(2,917)	2,933
Revaluation reserve	27,934	5,826
Total unrestricted reserves	25,017	8,759

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

There were no trading transactions in the year. The balance due to the College outstanding at the year-end amounted to NIL (2018 - £112,000). The company has ceased trading.

View Training 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 NIL (2018 - NIL). The company has ceased trading.

City Edge 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 NIL (2018 - £544,000). The company has ceased trading.

OKN1 Limited (Formally 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 £658,000 (2018 - £316,000).

Shoreditch Community Sports Centre 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 £499,000 (2018 - £285,000).

Poplar HARCA – a company in which Neal Hunt is a Director of Poplar Harca Projects and Developments

Purchase transactions in the year amounted to NIL (2018 £30,880). Sales transactions in the year amounted to £1,680 (2018 £2,750,840) relating to hire of the workhouse pitches. The debtor balance outstanding at the year-end amounted to £420 (2018 - NIL). There were no creditor balances at the year-end (2018 £9,630).

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

Purchase transactions in the year amounted to £78,674 (2018 £74,607) relating to the college's annual subscription and conference fees. The balance outstanding at the year-end amounted to £1,368 (2018 £2,744).

Homerton Hospital – an organisation where Rachel Halliday is employed

The trust had a lease for part of the College's campus, which ended in 2018 (2018 - £196,536). Purchase transactions in the year amounted to £48,370 (2018 - £34,247) relating to the supply of Speech and language therapy services. The balance outstanding at the year-end amounted to £13,011 (2018 NIL).

Learning Trust Hackney – an organisation where Anne Canning is employed

Purchase transactions in the year amounted to £56,512 (2018 £522) relating to bespoke educational support. Sales transactions in the year amounted to £1,116,175 (2018 £1,334,811) relating to education contracts, such as High Needs funding and the Adult Community Learning Provision. The debtor balance outstanding at the year-end amounted to £16,231 (2018 - £1,175,973). There creditor balance outstanding at the year-end amounted to £324 (2018 NIL).