Barking & Dagenham College

Report & Financial Statements
Year Ended 31 July 2016


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Members Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

1. The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Barking & Dagenham College. The College is an exempt charity for the purposes of the Charities Act 2011.

2. The Corporation was incorporated as Barking College on the 1st January 1993. On the 1st February 2010, the Secretary of State granted consent to the Corporation to change the College's name to Barking & Dagenham College. The Corporation believes that the new name represents a more cross borough working relationship with our community and our stakeholders.

Mission

3. Governors reviewed the College's mission during 2015/16 and adopted a revised mission statement as follows:

   "A truly great College, passionate about success".

4. The College's values are:

- Passion
- Innovation, Creativity and Entrepreneurialism
- Respect, Social Justice and Fairness
- High standards and quality
- Professionalism
- Friendliness and Commitment
- Flexibility, Responsiveness and Ability to Change
- Accountability
- Risk-taking

The College values are underpinned by the following behaviours:

- Foster excellence in all that we do
- Work together to achieve our goals
- Role model the Barking & Dagenham College values
- Deliver results for our Learners, our Employers and for our People

College Strategic Directions

5. The College updated its strategic directions plan in October 2015 which has been approved for 2015-2018 by the governing body. The delivery of the following strategic objectives are underpinned by operational deliverables for each of the objectives. The performance of the deliverables are monitored by strategic Key Performance Indicators (KPIs) in a balanced score card. The strategic objectives are:

- Achieve excellence through transformational, inclusive and entrepreneurial teaching, learning and assessment for students
- Transform our services, operations and delivery models for our students, customers and key stakeholders harnessing the benefits of advanced technologies
- Create modern sites and facilities with the latest education and training solutions that reflect industry standards
- Strengthen strategic alliances and secure commercial partnerships to create a sustainable future
- Enhance our reputation and brand as the provider of first choice for both students and employers by delivering the skills priorities of East London region and London
- Enable empowered, motivated and entrepreneurial staff operating in an open and competitive market to lead innovation and growth

Financial objectives

6. The College's financial objectives are to:

   - Maintain a sound financial base to enable the College to meet the financial performance criteria needed to maintain a financial health category of **'Good'** to '***Outstanding'*** under the Framework for excellence

   - Continue to improve financial management

- Maintain the confidence of funding bodies, suppliers, banks and professional advisors

- Protect itself from unforeseen adverse changes in its income stream by maintaining adequate cash reserves

- Generate sufficient income to enable maintenance and improvement of its accommodation and equipment

- Raise awareness of financial issues

7. A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

8. The FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

   - Success rate
   - Learner destinations
   - Satisfaction surveys (formerly "learner views")
   - Satisfaction surveys (formerly "employer views")

   The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency (SFA). The current financial health rating of "Outstanding".

FINANCIAL POSITION

Financial results

9. The Group generated an operating surplus in the year of £0.807m (2014-15 – surplus of £0.482m).

10. During 2015-16 the Group underwent further changes to ensure it was well placed to meet current and future funding challenges. Curriculum areas were subject to realignment and thus the accounts include staff restructuring costs of £0.205m (2014-15 - £0.135m).

11. The Group has accumulated reserves of £11.672m (2014-15 £13.242m). The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

12. Tangible fixed asset additions during the year amounted to £0.774m. This was split between land and buildings acquired of £0.131m and equipment purchased of £0.643m.

13. The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the funding bodies provided 69% of the College's total income.

Treasury policies and objectives

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

15. The Group has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency/EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

    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.

Cash flows

16. There was a cash inflow from operating activities of £3.431m (2014-15 inflow £1.712m). The overall net cash outflow resulted from capital expenditure.

Liquidity

17. During the year the college took out no loans.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

18. In 2015/16 the College has delivered activity that has produced £25.015m in funding body main allocation funding (2014-15– £26.263m). The College had approximately 19,441 enrolments (9,937 learners) to its programmes. Of these 2,983 learners aged 16 to 18 and 598 adult learners attended on a full time basis and 5,878 adults attended part time or evening courses.

Student achievements

19. Students continue to prosper at the College. Overall Success rates have risen above the national average. It is anticipated to be 85% (including English & Maths) in 2015-16.

Curriculum developments

20. Barking & Dagenham College offers a broad curriculum offer, which prepares learners for employment and the next stage of their lives. The College has continued to review its offer to ensure it meets local and London LEP priorities with the introduction of new programmes; for example Formwork, Art & Design and Creative Media as well as the introduction of the Rugby Academy. Enrolments in Health, Public Services and Care; Construction, Planning and the Built Environment; Business, Administration and Law have increased. Specific areas which have seen positive growth include Dry lining, Construction Design Management and Engineering.

21. There has been a continued increase in Apprenticeships and growth in employer sponsored traineeships in Formwork, Dry Lining, Hairdressing and Business Administration. Subcontracting has reduced, as part of the College's strategy to refocus delivery through to priority areas, reduce risk and increase core delivery.

22. The College is one of the leading training providers for higher level apprenticeships, predominantly within Business, Administration and HR management at levels 4 and 5. The highest proportion of Level 4 higher apprenticeships are the Project Management framework.

23. The College is having an impact on skills attainment within the local borough which is now seeing an improvement in the number of people with no qualification decease over time. High needs funded learners continues to grow from 169 to 293 in 2015-16, equivalent to a 60% increase.

24. The number of learners completing English and maths qualifications has increased significantly in 2015-16 compared with 2014-15. The policy direction and condition of funding have influenced this growth.The College has expanded the number of specialist staff to deliver English and maths as well as investing heavily in new systems such as eTracker, Celcat and SmartAssessor to improve the planning, tracking and monitoring of learner progress and performance.

25. The College has developed exceptional partnerships with key stakeholders including CNET, Siemens, Morrisons, Meesoms, Barny Bears, NHS, BBC and Archant as well as external support agencies, Higher Education Institutions (HEIs) and funding agencies to enable learners to progress into work and further or higher education following their programme of study.

26. The College has strong links with the Local Authority and local schools, working together to provide appropriate programmes to attract young people into education and training. Examples include the newly introduced Princes Trust programme aimed at engaging NEET learners within the borough; engaging with local primary and secondary schools to make use of the Gazelle STEM centre to develop their knowledge and skills through integrated simulated projects reflecting STEM careers.

27. The College has extended its collaborative projects and partnerships with employers and organisations in the local borough and pan London. These include the establishment of a 'real work' programme at London East, the Construction Academy at Lewisham, Career Ready in Business and Finance, further development of network and data cabling with CNet, Drylining with Johnsons and ongoing dialogues regarding establishment of a Career College in Construction.

28. The College prides itself in its efforts in providing learners with 'more than just a qualification' and in embedding and encouraging entrepreneurialism amongst its learners to develop a wider skill set. A key strategic priority is to enhance learners' employability skills by providing 'real work for learners'. Various innovative initiatives support this, including the POD, Aspire Construction and the public facing retail shops at the front of the college. The College has actively pursued partnerships with employers through the Digital and Creative Career College and Career Ready (Business and Accounts) to provide extensive opportunities for work experience, mentoring, master classes, internships and networking opportunities to secure progression to work. The Employability programme in Construction includes the Vinci Employability workshop, Crossrail lecturer, Women into Construction workshop, Northern Line Extension workshop, Balfour Beatty lecturer, BIM workshop, Charlotte Nock Architect lecturer, "Inspiration 2016 - BDC & Industry Working Together".

29. Learners T-shaped skills are further enhanced through an extensive range of external and internal competitions, commissions, live briefs and community and industry projects including; BDC Dragons Den, Regional and Local Skills competitions, Archant takeover, British Legion Poppy Appeal, Arc in the Park, Apps for the NHS and entry into the LLDD skills competitions.

30. Learning environments include STEM centre which includes a 3D cinema, POD, Maths & English Hub, I-Create @ BDC and the Broadway Theatre.

Payment performance

31. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 75 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future developments

32. The £0.807m surplus achieved in 2015/16 will enable the College to reinvest in its facilities and grow its learner numbers.

33. The College aims to significantly increase its contribution by introducing a number of efficiency schemes across the College site. The College would like to reduce dependency on the Skills Funding Agency/Education Funding Agency (EFA) and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE and commercial courses.

RESOURCES

34. The Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site and partnerships including Barking Learning Centre, Broadway Theatre and the Technical Skills Academy.

Financial

35. The Group has £11.672m (2014-15 £13.242m) of net assets including long term debt in respect of a loan of £4.335m (2014-15 £4.573m).

People

36. The College employs 608 people (expressed as full time equivalents), of whom 296 are teaching staff.

Reputation

37. 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

38. The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

39. Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

40. A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register 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. This is supported by a risk management training programme to raise awareness of risk throughout the College.

41. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Government funding

42. The College has considerable reliance on continued government funding through the further education sector funding bodies and HEFCE. In 2015/16, 69.8% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The College is aware of several issues which may impact on future funding:

- The demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Focussing on employer engagement and expanding apprenticeship delivery
- Ensuring learners receive an enhanced learner experience

Tuition fee policy

43. Ministers confirmed that the fee assumption will remain at 50%. In line with the majority of other Colleges, Barking & Dagenham College will seek to increase tuition fees in accordance with the fee assumptions The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Maintain adequate funding of pension liabilities

44. The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

45. In line with other Colleges and with universities, Barking & Dagenham College has many stakeholders. These include:

- Students
- Education Sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local Authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

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

Equal opportunities and employment of disabled persons

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

47. The College's Equal Opportunities Policy, is published on the College's Internet/Intranet site. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

48. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

a) As part of its accommodation strategy the College updated its access audit and has installed lifts and ramps to ensure most of the facilities allow access to people with a disability.

b) The College has appointed a company that specialises in access advice for disabled students to carry out surveys of the College and provide advice on the needs of disabled people.

c) There is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students.

d) The admissions policy for all students is published by the College. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. 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.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Planner, which is issued to students at induction and also includes sections covering the Complaints and Disciplinary Procedures.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:

Rob Whiteman
Chair of Corporation

Professional Advisors

Financial Statement and Regularity Auditors:
MHA Macintyre Hudson
New Bridge Street House
30-34 New Bridge Street
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EC4V 6BJ

Internal Auditors:
RSM Risk Assurance Services LLP
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Bankers:
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Solicitors:
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Norwich
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NR3 1RU

VAT Advisors:
Davies-Mayers
Pillar House
Bath Road
Gloucestershire
GL53 7LS

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016.

The Corporation

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

Governors serving on the College Board during 2015/16

	Date of appointment	Term of Office	Date of resignation	Committees Served
Mark Bass	08.07.2012	4 years		Corporation, Chair of Audit
Peter Harris	05.12.2011	4 years	13.08.2015	Corporation, Policy & Resources
Elaine James	29.06.1999 (Re-appointed 29.06.2003, 29.06.2007, 11.07.2011)	4 years		Vice Chair Corporation, Vice Chair of Search & Governance, Audit, Remuneration
Cathy Walsh	01.09.2008	Ex-officio	31.08.2015	Corporation, Policy and Resources, Performance and Standards, Search & Governance
Jenni Williams	12.10.2009 Re-elected (21.10.2014)	4 years		Corporation, Remuneration, Chair of Policy & Resources
Doug Trengove (Staff Governor)	April 2014	4years		Corporation, Performance and Standards
John Ubsdell	Dec 2013	4 years		Corporation, Performance and Standards
Sue Terpilowski	Oct 2013	4 years		Corporation
Yolande Burgess	April 2014	4 Years		Corporation, Chair of Performance & Standards
Rob Whiteman	July 2014	4 Years		Chair of Corporation (July 2015), Chair of Remuneration (from July 2015), Chair of Search & Governance (from July 2015)
Sue Southwood	April 2015	4 Years		Corporation, Performance & Standards
Jennifer Fraser	July 2015	4 Years		Corporation
Yvonne Kelly (Principal)	March 2016	Ex-officio		Corporation, Policy & Resources, Performance & Standards, Search & Governance
Evelyn Carpenter	01.12.15	4 Years		Corporation, Performance & Standards

Michael Walby	19.04.16	4 Years	Corporation, Audit
Josh Bachu (Student Governor)	November 2015	2 Years	Corporation, Policy & Resources
Evan Williams was appointed Clerk to the Corporation on the 26 April 2013			

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Policy & Resources, Performance & Standards, Remuneration, Search & Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.bdc.ac.uk or from the clerk to the Corporation at:

Barking & Dagenham College
Dagenham Road
Romford
Essex
RM7 0XU

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

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

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

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

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

Appointments to the Corporation

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

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

Remuneration committee

Throughout the year ending 31 July 2016, the College's remuneration committee comprised three members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. Details of remuneration for the year ended 31 July 2016 are set out in note 7.

Audit committee

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

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the 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.

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

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Barking & Dagenham College and the funding bodies. The Principal 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 Barking & Dagenham College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

RSM Risk Assurance Services LLP affirms that our internal audit services to the institution are designed to conform to the International Standard for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors. Our services also confirm to the Public Sector Audit Standards which came into effect from the 1 April 2013.

Review of effectiveness

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

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

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

The strategic 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 senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from senior management team and internal audit and taking account of events since 31 July 2016.

Going concern

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

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:

Signed:

Chair: Rob Whiteman

Signed:

Principal and CEO: Yvonne Kelly

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

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

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

Chair: Rob Whiteman

Date: 6 December 2016

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:

Rob Whiteman
Chair

Independent Auditor's Report to the Corporation of Barking & Dagenham College
Year ended 31 July 2016

We have audited the financial statements of Barking & Dagenham College which comprise the comprise the Consolidated Statements of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Balance Sheet, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Members of the Corporation of Barking & Dagenham College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2016)

In our opinion:

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

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date - 6 Dec 2016


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Reporting Accountant's Assurance Report on Regularity to the Corporation of Barking & Dagenham College and the Secretary of State for Education acting through the Skills Funding Agency

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2016 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Skills Funding Agency, in accordance with the authorities that govern them.

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

Our review has been undertaken so that we might state to the Corporation of Barking & Dagenham College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Barking & Dagenham College and the Secretary of State for Education acting through the Skills Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Barking & Dagenham College and the Secretary of State for Education acting through the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Barking & Dagenham College

The Corporation of Barking & Dagenham College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2016 are regular.

The Corporation of Barking & Dagenham College is also responsible, under the requirements of the Accounts Direction for 2015 to 2016 financial statements published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2016 have been notified to the Skills Funding Agency.

Reporting accountant's responsibilities

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the year ended 31 July 2016 have not been applied for the purposes intended by Parliament or that the financial transactions do not conform to the authorities that govern them.

Basis of opinion

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure. The work undertaken to draw our conclusion included:

- 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 relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

Opinion

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 year 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Barking & Dagenham College
Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July		Year ended 31 July	
				Restated	
		2016	2016	2015	2015
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	27,806	27,806	29,343	29,343
Tuition fees and education contracts	3	4,263	4,243	4,163	4,160
Other grants and contracts	4	1,950	1,950	1,364	1,364
Other income	5	2,408	1,003	2,311	1,643
Endowment and investment income	6	6	6	2	2
Total income		**36,433**	**35,008**	**37,183**	**36,512**
EXPENDITURE					
Staff costs	7	21,152	20,278	21,326	20,811
Fundamental restructuring costs	7	205	205	135	135
Other operating expenses	8	11,597	11,011	12,678	12,502
Interest and other finance costs	9	578	578	571	571
Depreciation	12	1,974	1,968	1,870	1,865
Amortisation	13	120	120	120	120
Total expenditure		**35,626**	**34,160**	**36,701**	**36,003**
Surplus before tax		**807**	**848**	**482**	**508**
Taxation	10	-	-	-	-
Surplus for the year	11	**807**	**848**	**482**	**508**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes		(2,377)	(2,377)	(1,075)	(1,075)
Total Comprehensive Income for the year		**(1,570)**	**(1,529)**	**(593)**	**(567)**

Barking & Dagenham College
Consolidated and College Statement of Changes in Reserves

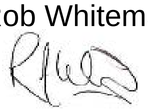
	Income and Expenditure account	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Group			
Restated balance at 1st August 2014	8,899	4,936	13,835
Surplus/(deficit) from the income and expenditure account	482	-	482
Other comprehensive income	(1,075)		(1,075)
Transfers between revaluation and income and expenditure reserves	(150)	150	-
	(743)	**150**	**(593)**
Balance at 31st July 2015	8,156	5,086	13,242
Surplus/(deficit) from the income and expenditure account	807	-	807
Other comprehensive income	(2,377)	-	(2,377)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	**(1,570)**	**-**	**(1,570)**
Balance at 31st July 2016	**6,586**	**5,086**	**11,672**
College			
Restated balance at 1st August 2014	8,918	4,936	13,854
Surplus/(deficit) from the income and expenditure account	508	-	508
Other comprehensive income	(1,075)	-	(1,075)
Transfers between revaluation and income and expenditure reserves	(150)	150	-
	(717)	**150**	**(567)**
Balance at 31st July 2015	8,201	5,086	13,287
Surplus/(deficit) from the income and expenditure account	848	-	848
Other comprehensive income	(2,377)	-	(2,377)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	**(1,529)**	**-**	**(1,529)**
Balance at 31st July 2016	**6,672**	**5,086**	**11,758**

Barking & Dagenham College
Balance Sheet as at 31 July

	Notes	Group	College	Group	College
				Restated	
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	12	38,184	38,176	39,384	39,371
Goodwill	13	346	-	368	-
Investments	13	985	1,383	1,083	1,503
		39,515	**39,559**	**40,835**	**40,874**
Current assets					
Stocks		31	20	24	22
Trade and other receivables	14	1,993	1,963	2,583	2,584
Cash and cash equivalents	21	4,181	4,099	1,869	1,836
		6,205	**6,082**	**4,476**	**4,442**
Less: Creditors – amounts falling due within one year	15	(4,671)	(4,506)	(5,094)	(5,054)
Net current assets		**1,534**	**1,576**	**(618)**	**(612)**
Total assets less current liabilities		**41,049**	**41,135**	**40,217**	**40,262**
Less: Creditors – amounts falling due after more than one year	16	(12,442)	(12,442)	(12,925)	(12,925)
Provisions					
Defined benefit obligations	23	(15,137)	(15,137)	(12,238)	(12,238)
Other provisions	17	(1,798)	(1,798)	(1,812)	(1,812)
Total net assets		**11,672**	**11,758**	**13,242**	**13,287**
Unrestricted reserves					
Income and expenditure account	20	6,586	6,672	8,156	8,201
Revaluation reserve	20	5,086	5,086	5,086	5,086
Total unrestricted reserves		**11,672**	**11,758**	**13,242**	**13,287**

The financial statements on pages 21 to 54 were approved and authorised for issue by the Corporation on 6 December and were signed on its behalf on that date by:

Rob Whiteman - Chair



Yvonne Kelly – Principal & CEO

Barking & Dagenham College
Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus for the year		807	482
Adjustment for non-cash items			
Depreciation & amortisation		2,094	1,990
(Increase)/decrease in stocks		(7)	12
(Increase)/decrease in debtors		590	(831)
Increase/(decrease) in creditors due within one year		(423)	(257)
Increase/(decrease in creditors due after one year		(265)	(297)
Increase/(decrease) in provisions		(14)	(22)
Pensions costs less contributions payable		79	65
Adjustment for investing or financing activities			
Interest payable		578	571
Investment income		(6)	(2)
Net cash flow from operating activities		**3,433**	**1,712**
Cash flows from investing activities			
Investment income		6	2
Payments made to acquire fixed assets		(774)	(1,849)
		(768)	**(1,847)**
Cash flows from financing activities			
Interest paid		(136)	(143)
Repayments of amounts borrowed		(217)	(215)
		(353)	(358)
Increase / (decrease) in cash and cash equivalents in the year		**2,312**	**(494)**
Cash and cash equivalents at beginning of the year	21	1,869	2,363
Cash and cash equivalents at end of the year	21	4,181	1,869

"It is not the biggest, the brightest or the best that will survive, but those who ADAPT the quickest."
[Charles Darwin]
"They always say time changes things, but YOU actually have to change them yourself."
[Andy Warhol]
Barking & Dagenham College
Read as much as you can
Sing and dance as if no one is looking
Smile
Be kind to others, be kind to yourself
Money isn't a goal in itself, merely a tool
Be open to new ideas
Mix with positive people
Be polite
Stop worrying!
Work hard, it will pay off
Attitude is everything
"When YOU KNOW better YOU DO better."
[Maya Angelou]
"Education is the most powerful weapon which YOU can use to change the world."
[Nelson Mandela]
"Anything's possible if YOU'VE got enough nerve."
[J. K. Rowling]

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with 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 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.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

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 Group, 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 cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

Basis of consolidation

At the year-end Barking & Dagenham College had four subsidiary companies; BDC @ Broadway Limited, Aspire Training & Enterprise Limited, Apprenticeships Work Limited and Hairazors Limited.

Recognition of income

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

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

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

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

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

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

Accounting for 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 and contracted out of the State Second Pension.

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

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority and buildings acquired since incorporation 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 reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 60 years.
Leasehold buildings are depreciated over the life of the lease. It should be noted that during 2010-11 the College acquired a leasehold property, London Road, where the premises were refurbished to an industry standard facility for motor vehicle provision. The lease agreement is for five years and thus the costs are depreciated over this period. The college also acquired a lease hold property from the London Borough of Barking & Dagenham. A 25 year lease at this site, has given the college an opportunity to deliver education and training to 16-18 years olds from centre of Barking.

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

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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

Assets under construction are 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:

- 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

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing more than £2,000 or more per individual item and all computer hardware and software is capitalised at cost. All other equipment is written off to the income and expenditure account in the period of acquisition.

All other equipment is depreciated over its useful economic life as follows:

- Motor vehicles
  - three years
- General equipment
  - five years and ten years
- Computer equipment
  - three to eight years
- Equipment acquired for specific projects
  - project life

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 deferred 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.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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 companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds and Bursary Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.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2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	8,138	8,138	10,954	10,954
Education Funding Agency	16,877	16,877	15,309	15,309
Higher Education Funding Council	421	421	429	429
Specific Grants				
Skills Funding Agency	2,076	2,076	2,352	2,352
Releases of government capital grants	279	279	275	275
HE grant	15	15	24	24
Total	**27,806**	**27,806**	**29,343**	**29,343**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,298	1,278	1,349	1,346
Apprenticeship fees and contracts	95	95	70	70
Fees for FE loan supported courses	905	905	669	669
Fees for HE loan supported courses	982	982	1,170	1,170
Total tuition fees	3,280	3,260	3,258	3,255
Education contracts	983	983	905	905
Total	**4,263**	**4,243**	**4,163**	**4,160**

4 Other grants and contracts

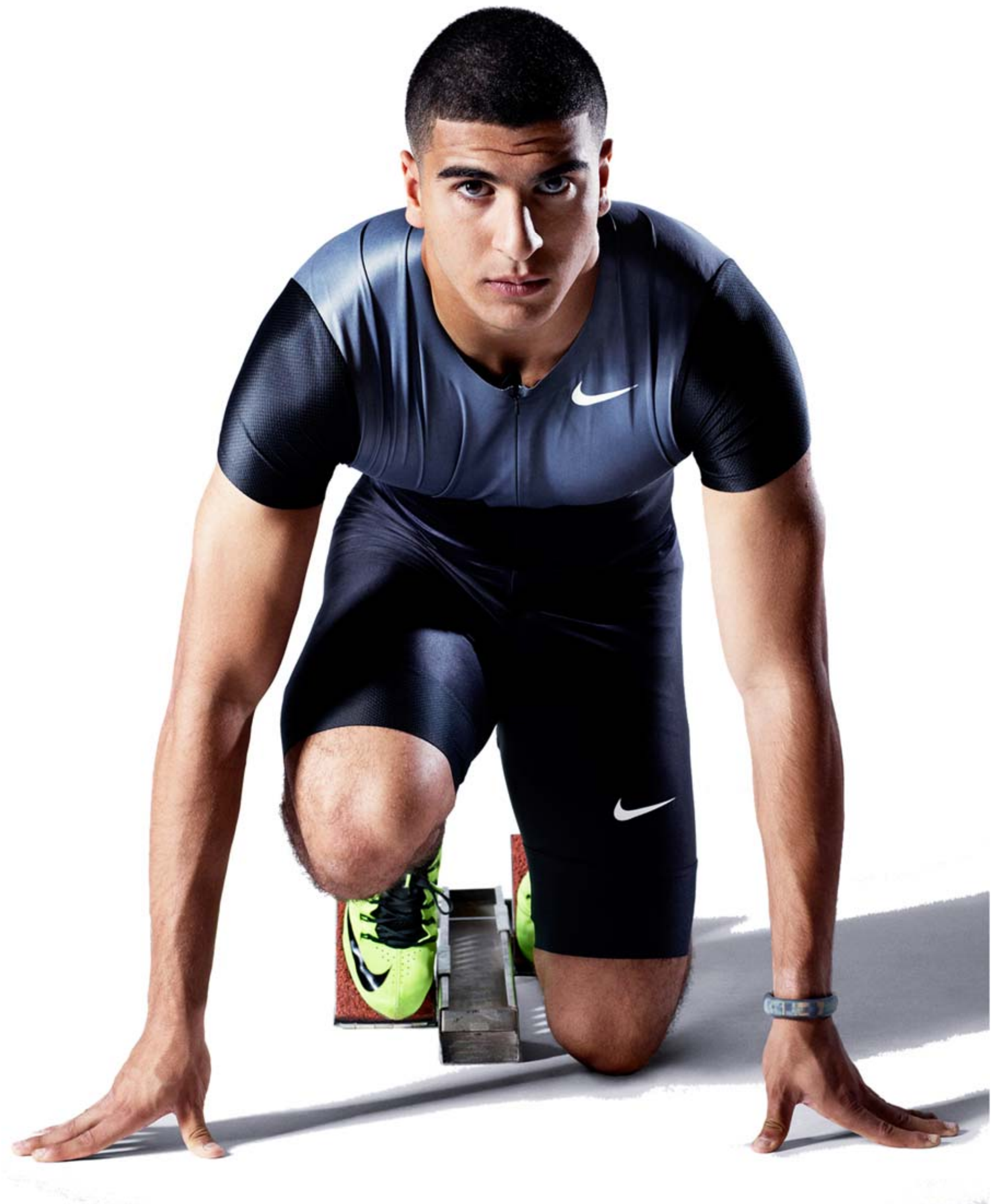
	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
High needs	1,834	1,834	1,233	1,233
Exams Fee Income	116	116	131	131
Total	**1,950**	**1,950**	**1,364**	**1,364**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Refectory sales	486	486	491	491
Other income generating activities	1,047	225	371	119
Other grant income	150	-	-	-
Other income	725	292	1,449	1,033
Total	**2,408**	**1,003**	**2,311**	**1,643**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank interest receivable	6	6	2	2
Total	**6**	**6**	**2**	**2**



7 Staff costs - Group and College

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

	2016	2015
	No.	No.
Teaching staff	296	326
Non-teaching staff	312	331
	608	**657**

Staff costs for the above persons

			Restated	
	2016	**2016**	**2015**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
	Group	**College**	**Group**	**College**
	£000's	**£000's**	**£000's**	**£000's**
Wages and salaries	14,935	14,117	14,679	14,224
Social security costs	1,120	1,080	1,026	966
Pension costs	2,359	2,345	1,922	1,922
Payroll sub total	**18,414**	**17,542**	**17,627**	**17,112**
Contracted out staffing services	2,738	2,736	3,699	3,699
	21,152	**20,278**	**21,326**	**20,811**
Restructuring costs	205	205	135	135
	21,357	**20,483**	**21,461**	**20,946**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive which comprises of the Principal, Vice Principal Curriculum & Learner Experience, Chief Financial Officer, Executive Director People and Organisation and Executive Director Business Operations.

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	3

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

	Senior post-holders		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£40,001 to £50,000	1	1	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	1	-
£100,001 to £110,000	-	2	1	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	-	-	-
£180,001 to £190,000	1	1	-	-
	4	**4**	**2**	-

Senior post holders' emoluments & Other staff

Key management personnel compensation is made up as follows:

	2016	Restated 2015
	£'000	£'000
Salaries	444	294
Employer's National Insurance	52	35
Benefits in kind	-	-
	496	**329**
Pension contributions	101	53
Total emoluments	**597**	**382**

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

	2016	2015
	£'000	£'000
Salaries	135	161
Benefits in kind	-	-
	135	161
Pension contributions	22	23

Compensation for loss of office paid to former key management personnel

	2016	2015
	£'000	£'000
Compensation paid to the former post-holder - contractual	70	-

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

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,842	2,842	3,406	3,395
Non-teaching costs	6,029	5,617	6,396	6,278
Premises costs	2,726	2,552	2,876	2,829
Total	**11,597**	**11,011**	**12,678**	**12,502**

Other operating expenses include:	**2016**	**2015**
	£'000	**£'000**
Auditor's remuneration:		
Financial statements audit	42	36
Internal audit	32	30

9 Interest payable - Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	136	143
Pension finance costs (note 25)	442	428
Total	**578**	**571**

10 Taxation

	2016	2015
	£'000	£'000
United Kingdom corporation tax at 20 per cent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
	-	**-**

11 Surplus on continuing operations for the period

	2016	2015
	£'000	£'000
Surplus on continuing operations for the year made up as:		
College's surplus for the period	798	401
Subsidiary company's performance	9	81
Total	**807**	**482**

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Short leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	46,695	3,341	11,617	61,653
Additions	131	-	643	774
Disposals	-	-	-	-
At 31 July 2016	**46,826**	**3,341**	**12,260**	**62,427**
Depreciation				
At 1 August 2015	12,844	1,785	7,640	22,269
Charge for the year	837	112	1,025	1,974
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	**13,681**	**1,897**	**8,665**	**24,243**
Net book value at 31 July 2016	**33,145**	**1,444**	**3,595**	**38,184**
Net book value at 31 July 2015	33,851	1,556	3,977	39,384

12 Tangible fixed assets (College only)

	Land and buildings		Equipment	Total
	Freehold	**Short leasehold**		
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2015	46,631	3,341	11,432	61,404
Additions	131	-	643	774
Disposals	-	-	-	-
At 31 July 2016	**46,762**	**3,341**	**12,075**	**62,178**
Depreciation				
At 1 August 2015	12,785	1,785	7,463	22,033
Charge for the year	836	112	1,020	1,968
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	**13,621**	**1,897**	**8,483**	**24,002**
Net book value at 31 July 2016	**33,141**	**1,444**	**3,592**	**38,176**
Net book value at 31 July 2015	33,846	1,556	3,969	39,371

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	**Nil**

13 Goodwill

Hairazors Limited

	£000s
Purchase consideration	484
Fair value of assets at purchase	
Fixed assets	29
Bank	94
Debtor	32
Stock	15
Creditors	(119)
Net Assets	51
Goodwill at Cost	**433**
Accumulated amortisation charge:	(87)
Balance	**346**

	Year Ended 31st July 2016		Year Ended 31st July 2015	
Net Book Value at 1 August	368		390	
Less amortisation	**(22)**		**(22)**	
		346		368
Net Book Value at 31 July		**346**		**368**

The goodwill above relates to Hairazors Limited. The hairdressing and training salon was purchased to provide training to students undertaking hairdressing courses. The college owns 100 per cent of Hairazors Limited.

13 Investments

	Year Ended 31st July 2016		Year Ended 31st July 2015	
	£000's	£000's	£000's	£000's
Barking Learning Centre	1,772		1,772	
Less amortisation	(787)		(689)	
		985		1,083
		985		1,083
Hairazors Limited	485		485	
Less amortisation	(87)		(65)	
		398		420
Total		**1,383**		**1,503**

	Group 2016	College 2016	Group 2015	College 2015
	£	£	£	£
Investments in subsidiary company - Aspire Training & Enterprise	1	1	1	1
Investments in subsidiary company - Apprenticeships Work Limited	1	1	1	1
Investments in subsidiary company - BDC@Broadway Limited	1	1	1	1
Hairazors Limited	484,523	484,523	484,523	484,523
Total	**484,526**	**484,526**	**484,526**	**484,526**

The college owns 100 per cent of the issued £1 share of Aspire Training & Enterprise Limited, Apprenticeships Work Limited and BDC@Broadway Limited; all companies incorporated in England & Wales. The principal business of Aspire Training & Enterprise Limited is to act as the holding company for all BDC investments. Aspire Training & Enterprise Limited started trading in November 2013. The Apprenticeships Work Limited principal activity is an employment business for providing employment for apprentices. The BDC@Broadway Limited principal activity is a training and commercial theatre to provide performing arts activities and started trading in June 2014. The college owns 100 per cent of Hairazors Limited. The hairdressing and training salon was purchased during 2011-12 to provide training to students undertaking hairdressing courses.

13 Investments (continued)

Barking Learning Centre

"The College has entered into a lease and memorandum of understanding by which it has agreed to make capital contributions of £1,772,000 towards the cost of the Barking Learning Centre. The college has exclusive use of parts of the building for the purposes of delivering a range of courses and shares common services with other users, London Borough of Barking & Dagenham and University of East London for a period of not less than twenty years.
The investment will be amortised on a straight line basis over a twenty year period. The college has received LSC grant approval for a sum of £167,000 towards the cost of the investment which is being released over a similar period."

14 Debtors

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,717	1,554	2,271	2,160
Amounts owed by group undertakings:				
Subsidiary undertakings	-	143	-	123
Prepayments and accrued income	70	60	106	95
Amounts owed by the Skills Funding Agency	206	206	206	206
Total	**1,993**	**1,963**	**2,583**	**2,584**

15 Creditors: amounts falling due within one year

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	215	215	215	215
Trade creditors	1,718	1,534	1,836	1 ,804
Amounts owed to group undertakings:				
Subsidiary undertakings	-	28	-	123
Other taxation and social security	349	342	-	-
Accruals and deferred income	1,378	1,377	2,284	2,153
Deferred income - government capital grants	294	294	299	299
Deferred income - government revenue grants	556	556	255	255
Receipts in advance	161	160	205	205
Total	**4,671**	**4,506**	**5,094**	**5,054**

16 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	4,355	4,355	4,573	4,573
Deferred income - government capital grants	8,087	8,087	8,352	8,352
Total	**12,442**	**12,442**	**12,925**	**12,925**

17 Provisions

	Group and College		
	Enhanced pensions	Other	Total
	£'000	£'000	£'000
At 1 August 2015	1,812	-	1,812
Expenditure in the period	125	-	125
Transferred from income and expenditure account	(139)	-	(139)
At 31 July 2015	**1,798**	-	**1,798**

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	2.30%	3.46%
Discount rate	1.30%	1.75%

18 Revaluation Reserve

	Group 2016 £000's	College 2016 £000's	Group 2015 £000's	College 2015 £000's
As at 1 August 2015	5,088	5,088	4,936	4,936
Transfer on revalued assets	-	-	150	150
As at 1 August 2016	5,088	5,088	5,086	5,086

19 Maturity of debt
Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	Cc
	2016	2016	2015	2
	£'000	£'000	£'000	£
In one year or less	215	215	215	
More than 1 year	4,355	4,355	4,573	4
Total	**4,570**	**4,570**	**4,788**	**4**

20 Income and expenditure account reserve

			Restated	
	Group	**College**	**Group**	**College**
	2016	**2016**	**2015**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
At 1 August	8,156	8,201	8,899	8,918
Surplus retained for the year	807	848	482	508
Transfer from revaluation reserve	-	-	(150)	(150)
Re-measurements	(2,377)	(2,377)	(1,075)	(1,075)
At 31 July	6,586	6,672	8,156	8,201
Balance represented by:				
Pension reserve	(15,136)	(15,136)	(12,237)	(12,237)
Income and expenditure account reserve excluding pension reserve	21,722	21,808	20,393	20,438
At 31 July	**6,586**	**6,672**	**8,156**	**8,201**

21 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash in hand and at bank	1,869	2,312	-	4,181
	1,869	2,312	-	4,181

22 Major non-cash transactions

During the year the college released a provision of £122k for future pensions costs

23 Defined benefit obligations

				Restated
Total pension cost for the year		**2016**		**2015**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		959		855
Local Government Pension Scheme:				
Contributions paid	1,321		1,205	
FRS 102 (28) charge	522		493	
Charge to the Statement of Comprehensive Income		1,843		1,698
Enhanced pension charge to Statement of Comprehensive Income		(125)		(125)
Total Pension Cost for Year		**2,677**		**2,428**

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

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

23 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.
In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £959k

FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.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23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Borough of Barking & Dagenham Local Authority. The total contribution made for the year ended 31 July 2016 was £1.665m of which employer's contributions totalled £1.321m and employees' contributions totalled £344,000. The agreed contribution rates for future years are 27.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.40%	4.00%
Future pensions increases	1.90%	2.60%
Discount rate for scheme liabilities	2.40%	3.60%

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 2016	At 31 July 2015
	years	years
Retiring today		
Males	21.80	21.20
Females	24.00	24.00
Retiring in 20 years		
Males	24.10	22.40
Females	26.50	25.10

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
		£'000		£'000
Equities	69.00%	594,800	70.00%	529,626
Bonds	20.00%	172,400	21.00%	158,888
Property	7.00%	60,300	7.00%	52,962
Cash	4.00%	34,500	2.00%	15,132
Total market value of assets		**862,000**		**756,608**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	**22,067**	**19,318**
Present value of plan liabilities	**(34,287)**	**(29,988)**
Present value of unfunded liabilities	**(18)**	**-**
Net pensions (liability	**(12,238)**	**(10,670)**

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	**1,403**	**1,262**
Past service cost	**-**	**10**
Total	**1,403**	**1,272**

Amounts included in investment income:

Net interest income	812	790
	812	**790**

Amounts recognised in Other Comprehensive Income:

Return on pension plan assets	**(1,757)**	**(1,068)**
Experience losses arising on defined benefit obligations	**(436)**	**(241)**
Changes in assumptions underlying the present value of plan liabilities	**4,570**	**2,384**
Amount recognised in Other Comprehensive Income	**2,377**	**1,075**

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016	2015
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(12,238)	(10,670)
Movement in year:		
Current service cost	(1,403)	(1,262)
Employer contributions	1,321	1,205
Past service cost	-	(10)
Net interest on the defined (liability)/asset	(442)	(428)
Actuarial gain or loss	(2,377)	(1,075)
Unfunded benefits	2	2
Net defined benefit (liability)/asset at 31 July	**(15,137)**	**(12,238)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2016	2015
	£'000	£'000
Defined benefit obligations at start of period	**34,305**	**29,988**
Current Service cost	1,403	1,262
Interest cost	1,254	1,218
Contributions by Scheme participants	344	347
Experience gains and losses on defined benefit obligations	(436)	(241)
Changes in financial assumptions	4,570	2,384
Estimated benefits paid	(665)	(661)
Past Service cost	-	10
Curtailments and settlements	-	-
Unfunded benefits	(2)	(2)
Defined benefit obligations at end of period	**40,773**	**34,305**

Reconciliation of Assets

Fair value of plan assets at start of period	**22,067**	**19,318**
Interest on plan assets	812	790
Return on plan assets	1,757	1,068
Employer contributions	1,321	1,205
Contributions by Scheme participants	344	347
Estimated benefits paid	(665)	(661)
Assets at end of period	**25,636**	**22,067**

24 Capital commitments

	Group and College	
	2016	**2015**
	£’000	**£’000**
Commitments contracted for at 31 July	-	-

25 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is 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.

Broadway Theatre

During the year ending 31 July 2016 the College paid £100,000 (2015: £100,000) towards the cost of meeting common services with other users. These are not repayable to the College and have been charged as a cost in the College's accounts.

Barking Learning Centre

During the year ending 31 July 2016 the College paid £160,000 (2015: £153,540) to Barking Learning Centre as a contribution to operating costs. These are not repayable to the College and have been charged as a cost in the College's accounts.

26 Amounts disbursed as agent

Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – hardship	346	210
Funding body grants – childcare		225
Funding body grants – bursary	367	445
	713	880
Disbursed to students	(713)	(779)
Administration costs	(27)	(44)
Balance unspent as at 31 July, included on the balance sheet	(27)	57

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

27 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		13,498	13,543	13,242	13,287
Employee leave accrual		(256)	(256)	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		(256)	(256)	-	-
Total reserves under 2015 FE HE SORP		13,242	13,287	13,242	13,287

	Year ended 31st July 2015	
	Group	College
	£'000	£'000
Financial Performance		
Surplus for the year after tax under previous SORP	810	836
Changes to measurement of net finance cost on defined benefit plans	(328)	(328)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(328)	(328)
Total comprehensive income for the year under 2015 FE HE SORP	482	508

27 Transition to FRS 102 and the 2015 FE HE SORP (cont)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. Up until 2013-14, the annual leave year ran to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was £255k unused leave for teaching staff and non-teaching staff. It was deemed that the same level of annual leave was incurred in 2014-15. In 2015-16 the annual leave year was changed in line with the financial year and thus only employees on long term sick and maternity leave were entitled to carry forward annual leave. This equated to £49k in 2015-16 and thus an adjustment to reflect the provision of £49k was made in the accounts ending 31st July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

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