Lambeth
College
The Careers
College

LAMBETH COLLEGE

Report and Financial Statements

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel, including Senior Post-Holders appointed by the College Corporation, were represented by the following in 2016/17:

Mark Silverman - Principal and CEO; Accounting Officer - (01 Aug/15 Aug 2016)
Monica Box - Principal and CEO; Accounting Officer - (15 Aug 16/31 Jul 2017)
Paul Cox – Vice Principal Curriculum (Aug16/Jun 17)
Katrina McCarthy – Vice Principal Quality (Aug 17/Oct 17)
Lynn Forrester Walker – Interim Vice Principal Strategic Planning
Richard Allanach – Interim Director of Finance (Aug16/Mar 17)
Martin Penny – Interim Director of Finance (from July 2017)

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

MS M Heslop acted as Interim Clerk to the Corporation throughout the period.

Financial Statements Auditors and Regularity Reporting Accountants:

Buzzacott LLP

130 Wood Street

London

EC2V 6DL

Internal Auditors:

RSM UK LLP

25 Farringdon Street

London

EC4A 4AB

Bankers:

Barclays Bank Plc

Level 28, 1 Churchill Place

London

E14 5HP

Solicitors:

Thomas Eggar LLP
Belmont House
Station Way
Crawley
West Sussex
RH10 1JA

Bates, Wells & Braithwaite
2 - 6 Cannon Street
London
EC4M 6YH

CONTENTS

	Page number
Members' Report	5
Statement of Corporate Governance and Internal Control	14
Statement of Regularity, Propriety and Compliance	20
Statement of Responsibilities of the Members of the Corporation	21
Independent Auditor's Report to the Corporation of Lambeth College	22
Reporting Accountant's Assurance Report on Regularity	25
Consolidated Statement of Comprehensive Income and Expenditure	26
Consolidated and College Statement of Changes in Reserves	28
Balance Sheets as at 31 July	29
Consolidated Statement of Cash Flows	30
Notes to the Accounts	31

Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the affairs of Lambeth College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Governors reviewed the College's mission during 2012 and adopted a mission statement as follows:

"To improve the lives, work and economic prospects of the current and future generations in Lambeth and beyond."

Public Benefit

Lambeth College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

- Widening participation and tackling social exclusion
- Good progression record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

Further examples of the delivery of public benefit are covered throughout the Members Report

Implementation of strategic plan

The College adopted a strategic plan for the period 1 August 2012 to 31 July 2017. The main cornerstones which underpinned the College's strategy were growth to meet demand, quality to ensure learners achieve their potential and securing the financial sustainability of the College.

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

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

During 2015/16 the College's finances came under severe pressure and the College had to adapt its strategy to give greater priority to securing financial stability. A key priority for the college was to secure the future of the College's provision by forming a stronger body to deliver further education by a merger with at least one other education corporation.

The College was assessed by the Further Education Commissioner in September 2016 and the recommendations were endorsed by the Department for Education to become the new strategic objectives for the College. These are:

- As a result of financial issues in 2015-16 the College finances are no longer sustainable and the College should urgently seek a merger partner with a view to enabling the work of the College to continue beyond August 2017.

- The Chair and Corporation have already started to take steps to refresh the membership of the Board with new members bringing greater financial expertise. The scope and complexity of current staffing and capital development mean that they should also consider whether the Board has sufficient knowledge and skills in HR and capital development. A skills analysis of Governors should be completed to determine whether this is necessary and a representative of the SFA invited to join the board.

- In order to meet their fiduciary responsibilities and ensure effective Governance oversight of management, it would be wise to consider ways in which Governors could ensure that they had sufficient awareness of operational matters by completing occasional 'Learning walks' in support areas such as Finance and HR. The development of a suitable training programme for Board members, particularly around FE and capital funding should also be considered.

- The Corporation should establish a Finance sub-committee to allow greater scrutiny of the college's financial performance.

- Improvements have been made to the management accounts but these need to be further developed to include debtors, capital and key indicators related to activity.

- Given the need to improve the College's short-term financial position, and given the high staff costs: income ratio the College should re-visit its decision to operate a deficit budget in 2016-17, and reduce staffing costs where possible in year.

- As a Careers College, Lambeth needs to redouble its efforts to ensure that Functional skills, Apprenticeships and GCSE Maths and English are seen by all staff and students as key to their success.

- An FE adviser should continue to monitor and review progress on a regular basis, with a stocktake assessment by the FE Commissioner in January 2017.

The College is on target for achieving the majority of these objectives.

In December 2016 the Corporation agreed London South Bank University as Lambeth College's preferred merger partner, paying attention to the timescales involved. The intention was to complete the merger before the end of the financial year. Following interventions from stakeholders the merger was delayed, with submissions of further financial and strategic plans to the ESFA and the Minister for State. At the date of the signing of these financial statements these plans are to be tested against other proposals through a FE Commissioner led Structure and Prospects Appraisal process that will conclude by February 2018.

At a meeting on 16 March 2017 the Corporation considered the future estate options for Lambeth College. Of the three options considered the Corporation resolved to consolidate and enhance the Vauxhall site to develop a flagship college to include the proposed Nine Elms Skills Centre. The Corporation resolved to stop the planning permission for the current Vauxhall Project, nullify the Development Agreement, complete the business plan focussed on an enhanced Vauxhall scheme and commence OJEC process for the preferred option.

A new proposal is in the process of completion to be submitted to the LEP in January 2018 for the enhanced Vauxhall scheme with a decision on funding expected in Spring 2018.

Financial objectives

On 21 July 2016 the corporation approved a new Financial Recovery Plan with a key aim of stabilising "the financial position of the College during the 2016/17 academic and financial year through recovery and retrenchment" whilst identifying "a partner with whom a long term relationship can be built".

The objectives to be achieved by the end of 2016/17 set in the new Financial Recovery Plan included:

- achieving an underlying operating deficit of no more than £2m;
- ensuring that staffing costs do not exceed 70% of college income;
- generating at least £3m of cash from operating activities;
- agreeing a strategic partnership, ideally a merger, with a partner by 31st July.

A series of performance indicators were agreed to monitor the successful implementation of the policies.

Performance indicators

Key performance Indicator	Measure/Target	Actual 2016/17
Underlying Operational Deficit	< £2m	-£3m
Staff Cost / Income ratio	70%	75%
Cash generated from operating activities	£3m	£1m
Agree a strategic partnership, ideally a merger, with a partner by 31st July	n/a	Not achieved

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having an "Inadequate" financial health grading. The current rating of Inadequate is considered by the corporation to be a true reflection of the current position of the College.

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £8,562k (2015/16 – deficit of £7,119k), with total comprehensive income of – (£5,208k), (2015/16 - (£14,593k)). The total comprehensive income in 2016/17 is stated after accounting for the write off of the £3.6m of costs associated with the aborted Vauxhall Project and the accelerated depreciation of £4.5m relating to the vacant building on the Vauxhall site. These losses were offset by an actuarial gain in respect of pension schemes of £6.9m.

The College increased total income to £28.3m (2015/16 - £26.4m) as a result of a change in accounting policy on bursaries and capital grants, and reduced staff costs through a restructuring exercise - £17.4m (2015/16 - £19.5m). Other operating costs remained at the same level as the previous year.

Tangible fixed asset additions, including work in progress, during the year amounted to £3.306m. This was split between building development costs of £2.011m and equipment purchased of £1.295m. In the main, this related to the new building at Brixton. The building was formally opened by the local MP in November 2017.

The aborted Vauxhall Project and the extended period of time that the Vauxhall site has remained vacant has impacted on the value of the tangible fixed assets. In total £3.6m of work in progress and £4.5m of accelerated depreciation have reduced the value of tangible fixed assets from £57.3m in 2105/16 to £50.6m in 2016/17.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 80% of the Group's total income.

The significant changes in the creditors due within one year relate to the increase of £1m in the accruals and deferred income and the increase of £6.5m in the amount owing to the ESFA. This increase reflects the high level of exceptional financial support received by the College in 2016/17 and the underperformance against the Adult Skills Funding target. The underperformance is expected to be clawed back in January 2018.

SW4 Catering Ltd made a profit of £10k in 2016/17 compared to a loss of £23k in 2015/16. These figures are included in the group figures in these financial statements.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

During 2016/17 the College had three types of loan arrangements in place with Barclays Bank:

- A legacy loan taken out to part fund the Clapham VI Form Centre and extended to part fund additional curriculum facilities at Clapham and Vauxhall.
- A revolving credit facility providing working capital.
- A series of money market loans taken out to provide bridging finance for the development of the Vauxhall Nine Elms Skills Centre until such time as the College sells the Vauxhall site.

The College breached both the financial covenants in the loans from Barclays Bank who then agreed with the College a waiver letter to continue to allow the loans to be split between short terms and long term liabilities. If this letter was not given, then the entire value of the loans would be classified as short term, increasing them by £15.4m.

Cash flows and liquidity

The College's cash flow and liquidity has been underpinned by the receipt of exceptional financial support from the Educational and Skills Funding Agency. The College generated £1.0m from operating activities but expended £1.8m on investing activities. In addition interest and capital financing payments of £1.84m resulted in the College requiring an additional £5.7m in new long term unsecured loans from the Educational and Skills Funding Agency to maintain liquidity throughout the year.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. As at the balance sheet date the Income and Expenditure reserve stands at -£19.2m (2016: -£14.7m). It is the Corporation's intention to address this position through merger with a financially strong organisation during the next financial year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £20,833,000 in funding body main allocation funding (2015/16 – £20,583,000). The College had approximately 1356 16/18 funded students and 7640 Adult funded students.

Student achievements

Student overall success rates declined slightly to 74% in 2016/17 from 76.4% in 2015/16. However within the headline figures there have been improvements in many areas, and data accuracy has improved to give real-time management information in year to support the targeted improvement in learner success.

Curriculum developments

The College has continued to embed its "Lambeth – the Careers College" ethos across the college; developing its Career Ready Standards with a continued emphasis on work experience, attendance and punctuality. The new College Leadership Team has worked closely with the Principal to embed the new learning culture, and a full review of the curriculum offer took place before the 2017/18 enrolment period.

The Corporation has closely monitored curriculum development through its Quality & Improvement Committee and reports have been made to the Corporation on a regular basis through the Principal's reports.

The College was subject to an Ofsted Inspection in November 2016 and maintained its rating for Overall Effectiveness as "Requires Improvement".

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. Because of intense pressure on the college's liquidity most suppliers were ***not*** paid within 30 days of receipt of invoice during the year under review

Events after the end of the reporting period

The exceptional financial support provided by the ESFA in 2016/17 continued in 2017/18. The sum received to 31 July 2017 in included in Note 16 to the accounts - £5.4M. The payments of exceptional financial support are conditional and some or all of them may be converted to a loan or grant at the government's discretion in the future.

Future prospects

The Corporation has adopted a budget for 2017/18 as part of the process of recovery and in line with a detailed model submitted to the ESFA. The budget provides for final fitting out of the College's new Brixton Centre which was completed during the summer of 2017.

Because of its weak financial position the College can only continue to trade with the assistance of exceptional financial support from the ESFA. The total support requested will have reached £8m at the date of the signing of these financial statements with an expectation that this will be replaced by a restructuring facility of around £25m in early 2018.

The College is required to continue to develop and implement its Financial Recovery Plan and to finalise a merger partner. The College is also submitting a bid to the London LEP to develop its Vauxhall Nine Elms Skills Centre looking to secure a £22.5million grant to part-fund this development.

Going Concern Assumption

As reflected in these financial statements, the College has recorded a deficit on Total Comprehensive Income of £5.0m for the year ended 31 July 2017. As a result the College had a substantial creditor of £8.1m payable to the Education & Skills Funding Agency at 31 July 2017, of which £5.4m is Exceptional Financial Support (EFS). The College has £2.8m of loans with its bankers that fall due within the year to 31 July 2018. EFS will be withdrawn on

31 January 2018, and an application has been made to the Restructuring Facility to provide funds to repay the EFS and the bank loans referred to above.

In addition the Corporation has set a deficit budget for 2017/18 as a result of decreases in Government Funding, and the impact of the delay to the planned merger with London South Bank University that continues to have a negative effect on the financial recovery strategy of the College. If the merger is not completed by January 2018 then the Restructuring Facility would provide resources until at least July 2019.

For these reasons the Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate. A fuller statement on Going Concern is provided in the Statement of Corporate Governance and Internal Control on page 19.

COLLEGE COMPANIES

The College has three subsidiary companies:

G02Work Limited
Skill Exchange Limited
SW4 (Catering) Limited.

Further details of these are provided in Note 13. GO2Work Limited and the Skill Exchange were dormant during 2016/17. SW4 (Catering) Limited traded throughout the year.

RESOURCES:

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

Tangible resources at the 31 July 2017 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill.

After taking account of bank loans, deferred capital grants and pension liabilities the College finished the 2016/17 year with net liabilities of £12.2 million.

The College employed 289 FTE staff in 2016/17 of whom 122 FTE were teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has arrangements for managing risk and uncertainty.

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

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

The four risks with the highest scores for net risk (i.e. after mitigation) when the financial statements were signed were:

(a) That the merger with LSBU is delayed incurring additional costs;
(b) That the College has insufficient cash to service our outgoings;
(c) That the College fails to recruit to target in 2017/18; and
(d) That the work on the College's Financial Recovery Plan fails to find a viable delivery model for Lambeth Provision

The Corporation are monitoring these risks closely and have processes in place to detect the risk crystallising at an early stage.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Lambeth 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 & HE 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.

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

Equality

Lambeth College celebrates and values the diversity brought to its workforce and learner population by individuals and believes that the College will benefit from recruiting staff from a variety of backgrounds, thus allowing it to better meet the needs of its diverse student population. We are committed to:

EQUALITY - Working towards the elimination of discrimination in all forms;

RESPECT - Treating all employees and students with respect and dignity;

SAFETY - Providing a positive working and learning environment free from discrimination and harassment in relation to race, disability, gender, transgender, age, religion or belief and sexual orientation;

INCLUSIVENESS - Building a College that is truly inclusive and one that understands, appreciates and values the diversity of each individual;

ACTION - Incorporating actions that make people feel valued and able to fully participate in all aspects of College life.

The Lambeth College Single Equality Scheme covers the rights and responsibilities of governors, staff, students and any visitors / contractors to all of the sites. It includes an Action Plan to assist in the monitoring and reviewing of the progress made to address equality and diversity issues across the equality strands: age, disability, gender, transgender, race, religion or belief, sexual orientation, marriage and civil partnerships and pregnancy and maternity.

Disability statement

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

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

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 14 December 2017 and signed on its behalf by:

Mary McCormack

Mary McCormack

Chair

Date: 14 December 2017

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and in accordance with the guidance to Colleges from the Association of Colleges in the Code of good Governance for English Colleges ("the Code"). In the opinion of the Governors, the College acts with due regard to the provisions of the Code, and has done so throughout the year ended 31 July 2017. The College will undertake self-assessment against the provisions of the code during 2017/18. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

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 on a regular basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance, quality& improvement, remuneration, search & governance and audit. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at lambethcollege.ac.uk or from the Clerk to the Corporation at:

Lambeth College, 45 Clapham Common South Side, London, SW4 9BL

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. 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 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 Accounting Officer are separate.

The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Monica Box	15/08/16	n/a	-	Principal	Search & Governance, Finance, Quality & Improvement	100% (22/22)
Mary McCormack	23/4/12 10/11/15	4 Years	-	Chair of Governors	Search & Governance, Finance, Chair of Quality & Improvement, Chair of Remuneration	100% (25/25)
Michael Smith	03/04/14	4 Years	-	Vice-Chair of Governors	Chair of Search & Governance, Quality & Improvement, Remuneration	86% (18/21)
Mohammed Seedat	23/04/15	4 Years	-	Independent member	Search & Governance, Quality & Improvement, Remuneration	88% (15/17)
Bev Jullien	26/01/13	4 Years	15/12/16	Independent member	Finance	75% (3/4)
Bev Jullien	26/01/17	4 Years	-	Co-opted member	Finance	100% (2/2)
Jan Lloyd	04/03/13	4 Years	31/10/16	Independent member	-	0% (0/1)
Guy Ware	13/11/14	4 Years	-	Independent member	Chair of Finance Committee	67% (10/15)
Fred Knipe	29/09/16	4 Years	-	Independent member	Chair of Audit Committee	100% (15/15)
Rob Flinter	29/09/16	4 years	-	Independent member	Audit	62% (8/13)
Paul Reid	19/06/14	4 years	28/02/17	Independent member	-	0% (0/4)
Jennifer Bufton	01/09/16	4 years	-	Independent member	Audit	93% (14/15)
Kirsty Wadsley	01/09/16	4 years	-	Independent member	Quality & Improvement	86% (12/14)
Teum Teklehaimanot	17/06/16	2 years	-	Support Staff	Quality & Improvement, Audit	93% (13/14)
Marcus Walsh	10/04/16	2 years	-	Teaching Staff	-	50% (5/10)
David Gregg	14/11/13	4 years	-	Co-opted member	Audit	100% (2/2)
Ayesha Casely-Hayford	15/12/16	4 Years	13/07/17	Independent member		43% (3/7)
Ruth Begusa	01/09/16	1 year	31/07/17	Student		30% (3/10)
Charley Hasted	01/09/16	1 year	16/03/17	Student		50% (2/4)

Appointments to the Corporation

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

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

Corporation performance

The Corporation has not yet completed a self-assessment of its own performance for the year ended 31st July 2017 given the complexities of pre-merger work and that governors formally resigned in June 2017 as part of the then planned change of control before that was reversed. The Corporation relied on external evaluation of its performance during 2016/17. This included positive feedback from Ofsted in December 2016, and an IAS report on Corporate Governance. The continuation of ESFA case conferences also ensured that the Corporation delivered the required outcomes for the year.

Remuneration Committee

Throughout the year ending 31 July 2017 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 Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprised three members of the Corporation (excluding the Accounting Officer and Chair and a co-opted audit specialist). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met five times during the year and provides a forum for reporting by the College's internal, reporting accountants 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 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, reporting accountants and financial statements auditors and their remuneration for 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 Interim 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Lambeth College and the funding bodies. She 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 Lambeth College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts, ***although the work of the newly appointed Internal Auditors identified serious weaknesses in the system of internal control that had not been addressed previously.***

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 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- 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 and

- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 and regularity assurance auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her 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 College Leadership Group 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 throughout the College. The College Leadership Group 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 business cycle includes a regular item for consideration of risk and control and receives reports thereon from the College Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the College Leadership Group and internal audit, and taking account of events since 31 July 2017.

The Internal Auditors concluded that, "taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective."

Urgent action was taken to strengthen the control framework to manage the identified risks with new controls immediately put in place to control expenditure, contract management and improve budgetary management. Tracking of audit recommendations has been improved, owned by the College Leadership Group and reported to the Audit Committee. The appointment of a new Interim Director of Finance with an excellent track record in this area has given the Corporation reassurance that the issues are being addressed.

Based on the advice of the Audit Committee and the Accounting Officer, although the College has been advised by Internal Audit that is does not have an adequate and effective framework for governance, risk management and control, the actions that it has taken since the issues have been highlighted, and from the updates received by the Corporation and Audit Committee, the Corporation is of the opinion that it is actively addressing its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

As reflected in these financial statements, the College has recorded a deficit on Total Comprehensive Income of £5.2m for the year ended 31 July 2017. As a result the College had a substantial creditor of £8.2m payable to the Education & Skills Funding Agency at 31 July 2017, of which £5.4m is Exceptional Financial Support (EFS). The College has £2.8m of loans with its bankers that fall due within the year to 31 July 2018. EFS will be withdrawn on 31 January 2018, and an application has been made to the Restructuring Facility to provide funds to repay the EFS and the bank loans referred to above.

In addition the Corporation has set a deficit budget for 2017/18 as a result of decreases in Government Funding, and the impact of the delay to the planned merger with London South Bank University that continues to have a negative effect on the financial recovery strategy of the College.

The Corporation is committed to developing the College's site at Vauxhall, with the total phase 1 project costs being approximately £45m. A proposal to the Local Enterprise Partnership (LEP) to fund half of this will be submitted in January 2018, and a decision is expected early in the New Year as funds have already been ring-fenced for this project by the LEP. The College anticipates that it will have sufficient funds to proceed with the development of this site when required.

The Members of the Corporation are confident that the implementation of a merger will go ahead in the future and that, combined with the supported application to the Government Restructuring Facility, that this will secure the future of Lambeth College as part of a new merged organisation. After making appropriate enquiries, the Lambeth College Corporation consider that the trade of the proposed merged organisation would have adequate resources to continue in operational existence for the foreseeable future. If the merger was not completed by July 2018 then the Restructuring Facility would provide resources until at least July 2019.

For these reasons the Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

Mary McCormack

Mary McCormack

Chair

Monica Box

Monica Box

Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. 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 terms and conditions of funding under the College's financial memorandum.

We confirm that, except for the matters highlighted on page 17 under the heading "Purpose of the system of internal control", no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Mary McCormack

Mary McCormack

Chair

Date...14 December 2017...

Monica Box

Accounting Officer

Date...14 December 2017

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by: Mary McCormack

Mary McCormack

Chair

Independent auditor's report to the Corporation of Lambeth College

Opinion

We have audited the financial statements of Lambeth College (the 'college') for the year ended 31 July 2017 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, **subject to the paragraphs below under the heading "Conclusions relating to going concern**", the financial statements:

- give a true and fair view of the state of the college's affairs as 31 July 2017 and of its deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We draw attention to the accounting policy on going concern in note 1 of the financial statements, in the Members' report and in the statement of Corporate Governance and Internal Control, which explains the College's current position regarding the College's bank loans and the Exceptional Financial Support it has received from the Education and Skills Funding Agency of £5.4m at 31 July 2017. It states that this funding will be withdrawn on 31 January 2018, and will be repaid from an application to the Restructuring Facility. The College's bank loans that fall due for repayment in 2017/18 will also be repaid under this Facility.

The policy on going concern states that the Corporation is confident that the implementation of a merger will go ahead in the future, but that if a merger does not take place then the application to the Restructuring Facility will provide sufficient resources for the College to continue until July 2019.

We note that the College has sought confirmation in writing from the Restructuring Facility that monies will be made available as set out above. This has not yet been received by the College.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2017

Reporting accountant's assurance report on regularity

To: The Members of the Corporation of Lambeth College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 7 July 2017 and further to the requirements of the funding agreement with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lambeth College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Lambeth College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post 16 Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity (continued)

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

The Statement of Corporate Governance and Internal Control under the heading "Purpose of the system of internal control" on page 17 explains that there were significant deficiencies in the College's internal control framework during the year, and the College's actions in response to this are explained under the heading "Review of effectiveness" on page 18.

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

Signed:

Buzzacott LLP

Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

19 December 2017

Lambeth College
Consolidated Statements of Comprehensive Income

	No	Year ended 31 July		Year ended 31 July	
		2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	22,443	22,443	20,976	20,976
Tuition fees and education contracts	3	5,048	5,048	4,364	4,364
Other grants and contracts	4	69	69	-	-
Other income	5	662	600	899	437
Endowment and investment income	6	1	1	4	4
Donations and Endowments	7	161	161	161	161
Total income		**28,384**	**28,322**	**26,404**	**25,942**
EXPENDITURE					
Staff costs	8	18,177	18,144	20,132	19,888
Other operating expenses	9	10,457	10,437	9,190	8,952
Depreciation	12	6,428	6,428	2,299	2,299
Interest and other finance costs	10	1,884	1,884	1,902	1,902
Total expenditure		**36,946**	**36,893**	**33,523**	**33,041**
Deficit before other gains and losses		**(8,562)**	**(8,571)**	**(7,119)**	**(7,099)**
Surplus on disposal of fixed assets	12	-	-	19	19
Write off Vauxhall project costs	12	(3,599)	(3,599)	-	-
Deficit before tax		**(12,161)**	**(12,170)**	**(7,100)**	**(7,080)**
Taxation	11	-	-	-	-
Deficit for the year		**(12,161)**	**(12,170)**	**(7,100)**	**(7,080)**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		6,942	6,942	(7,493)	(7,493)
Total Comprehensive Income for the year		**(5,219)**	**(5,228)**	**(14,593)**	**(14,573)**

Lambeth College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Restricted Reserves	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 31st July 2016	(14,753)	10	7,742	(7,001)
Surplus/(deficit) from the income and expenditure account	(12,161)	(10)	-	(12,171)
Other comprehensive income	6,942	-	-	6,942
Transfers between revaluation and income and expenditure reserves	511	-	(511)	-
Total comprehensive income for the year	(4,708)	(10)	(511)	(5,229)
Balance at 31st July 2017	(19,461)	-	7,231	(12,230)
College				
Balance at 31st July 2016	(14,669)	10	7,742	(6,917)
Surplus/(deficit) from the income and expenditure account	(12,170)	(10)	-	(12,180)
Other comprehensive income	6,942	-	-	6,942
Transfers between revaluation and income and expenditure reserves	511	-	(511)	-
Total comprehensive income for the year	(4,717)	(10)	(511)	(5,238)
Balance at 31st July 2017	**(19,386)**	**-**	**7,231**	**(12,155)**

Lambeth College
Balance sheets as at 31 July

	Note	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Fixed assets					
Tangible fixed assets	12	50,598	50,598	57,319	57,319
Investments	13	-	-	-	-
		50,598	**50,598**	**57,319**	**57,319**
Current assets					
Stocks		-	-	4	-
Trade and other receivables	14	838	903	1,080	1,144
Investments	15	-	-	-	-
Cash and cash equivalents	20	3,134	3,134	7	7
		3,972	**4,037**	**1,091**	**1,151**
Less: Creditors – amounts falling due within one year	16	(18,385)	(18,375)	(8,534)	(8,510)
Net current assets		**(14,413)**	**(14,338)**	**(7,443)**	**(7,359)**
Total assets less current liabilities		**36,185**	**36,260**	**49,876**	**49,960**
Less: Creditors – amounts falling due after more than one year	17	(24,585)	(24,585)	(27,228)	(27,228)
Provisions					
Defined benefit obligations	19	(20,848)	(20,848)	(26,752)	(26,752)
Other provisions	19	(2,982)	(2,982)	(2,897)	(2,897)
Total net assets		**(12,230)**	**(12,155)**	**(7,001)**	**(6,917)**
Unrestricted reserves					
Income and expenditure account		(19,461)	(19,386)	(14,753)	(14,669)
Revaluation reserve		7,231	7,231	7,742	7,742
Restricted reserve		-	-	10	10
Total unrestricted reserves		**(12,230)**	**(12,155)**	**(7,001)**	**(6,917)**

The financial statements on pages 22 to 53 were approved and authorised for issue by the Corporation on 14 December 2017 and were signed on its behalf on that date by:

Mary McCormack
Chair

M McCormack

Monica Box
Accounting Officer

Monica Box

Lambeth College
Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(12,161)	(7,100)
Adjustment for non cash items			
Depreciation		6,428	2,299
Decrease in stocks		4	-
Decrease in debtors		242	2,010
Increase in creditors due within one year		1,578	(417)
Increase/(decrease in creditors due after one year		(870)	2,263
Increase in provisions		129	378
Pensions costs less contributions payable		998	65
Adjustment for investing or financing activities			
Investment income		(1)	(4)
Interest payable		1,100	1,084
Write off Vauxhall project costs		3,599	(19)
Net cash flow from operating activities		**1,046**	**559**
Cash flows from investing activities			
LEP funding received for Vauxhall Project		1,159	1,330
Investment income		1	4
Withdrawal of deposits		-	(2,006)
Payments made to acquire fixed assets		(2,928)	(4,527)
		(1,768)	(5,199)
Cash flows from financing activities			
Interest paid		(1,100)	(1,084)
New long term unsecured loans		780	2,000
Repayments of amounts borrowed		(741)	(748)
ESFA Exceptional Financial Support		4,910	1,260
		3,849	1,428
Increase in cash and cash equivalents in the year		**3,127**	**(3,212)**
Cash and cash equivalents at beginning of the year	20	7	3,219
Cash and cash equivalents at end of the year	20	3,134	7

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the *2015 Statement of Recommended Practice - Accounting for Further and Higher Education* (the SORP), with the *Accounts Direction 2016 to 2017* and in accordance with applicable Accounting Standards.

Basis of Accounting

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

Going Concern

The activities of the College 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.

As reflected in these financial statements, the College has recorded a deficit on Total Comprehensive Income of £5.2m for the year ended 31 July 2017. As a result the College had a substantial creditor of £8.2m payable to the Education & Skills Funding Agency at 31 July 2017, of which £5.4m is Exceptional Financial Support (EFS). The College has £2.8m of loans with its bankers that fall due within the year to 31 July 2018. EFS will be withdrawn on 31 January 2018, and an application has been made to the Restructuring Facility to provide funds to repay the EFS and the bank loans referred to above.

In addition the Corporation has set a deficit budget for 2017/18 as a result of decreases in Government Funding, and the impact of the delay to the planned merger with London South Bank University that continues to have a negative effect on the financial recovery strategy of the College.

The Corporation is committed to developing the College's site at Vauxhall, with the total phase 1 project costs being approximately £45m. A proposal to the Local Enterprise Partnership (LEP) to fund half of this will be submitted in January 2018, and a decision is expected early in the New Year as funds have already been ring-fenced for this project by the LEP. The College anticipates that it will have sufficient funds to proceed with the development of this site when required.

The Members of the Corporation are confident that the implementation of a merger will go ahead in thefuture and that, combined with the supported application to the Government Restructuring Facility, that this will secure the future of Lambeth College as part of a new merged organisation. After making appropriate enquiries, the Lambeth College Corporation consider that the trade of the proposed merged organisation would have adequate resources to continue in operational existence for the foreseeable future. If the merger was not completed by July 2018 then the Restructuring Facility would provide resources until at least July 2019.

For these reasons the Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

Recognition of Income

The recurrent grants from the funding bodies represent the funding allocations attributable to the current financial year and are credited to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process and the results of any funding audit.16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

Post-Retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the Income and Expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

Enhanced Pensions

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

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE/HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Tangible Fixed Assets

Land and Buildings

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

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

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

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

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

Assets under Construction

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Subsequent Expenditure on existing Fixed Assets

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

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

Equipment

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

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

Motor vehicles	20% per year
General equipment	20% per year
Computer equipment	20% per year

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

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. The capital element is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding bodies' capital equipment grants, the associated assets are designated as grant-funded assets.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(Taxation continued)

they it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Liquid Resources

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

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Investments

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

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(Judgements in applying accounting policies and key sources of estimation uncertainty continued)

impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	9,407	9,407	10,051	10,051
Education and Skills Funding Agency – 16 -18	9,190	9,190	8,511	8,511
Education and Skills Funding Agency - apprenticeships	2,236	2,236	2,021	2,021
Specific Grants				
Education Funding Agency - Bursary	1,058	1,058	65	65
Releases of government capital grants	552	552	328	328
Total	22,443	22,443	20,976	20,976

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	3,298	3,298	3,058	3,058
Education contracts	1,750	1,750	1,306	1,306
Total	5,048	5,048	4,364	4,364

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	69	69	-	-
Total	69	69	-	-

5 Other income

	Year ended 31 July 2017 Group £'000	2017 College £'000	Year ended 31 July 2016 Group £'000	2016 College £'000
Catering and residences	103	103	361	63
Other income generating activities	480	480	231	224
Miscellaneous income	79	17	307	150
Total	662	600	899	437

6 Investment income

	Year ended 31 July 2017 Group £'000	2017 College £'000	Year ended 31 July 2016 Group £'000	2016 College £'000
Other interest receivable	1	1	4	4
	1	1	4	4

7 Donations - College only

	Year ended 31 July 2017 £'000	2017 £'000	Year ended 31 July 2016 £'000	2016 £'000
Unrestricted donations in kind	161	161	161	161
Total	161	161	161	161

8 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:

	2017 No.	2016 No.
Teaching staff	122	139
Non teaching staff	167	181
	289	320

Staff costs for the above persons

		2017 £'000	2016 £'000
Wages and salaries		11,562	12,796
Social security costs		1,185	1,126
Other pension costs		2,094	1,874
Payroll sub total		14,841	15,796
Contracted out staffing services		2,650	3,727
		17,491	19,523
Fundamental restructuring costs	contractual	659	534
	non contractual	27	75
		18,177	20,132

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of key management personnel was:		
permanent	3	5
interim	3	3
	6	8

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	
	Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
	No.	No.	No.	No.
£60,001 to £70,000	-	4	1	-
£70,001 to £80,000	1	1	2	-
£80,001 to £90,000	-	-	-	1
£90,001 to £100,000	-	-	-	1
£130,001 to £140,000	1	-	-	-
£160,001 to £170,000	-	1	1	1
	2	6	4	3

One member of Key Management Personnel was a senior post holder during 2016/17

During this year the College engaged individuals as contractors or through companies to discharge the functions that under normal circumstances may have been discharged by permanent Key Management Personnel. The costs associated with this support have been included in the appropriate staff cost lines.

The College Strategy during 2016/17 was to employ agency and contractual/temporary staff pending a merger proposed at 31st July 2017. This would have saved potential costs following rationalisation and was in many roles (both junior and senior) and in all areas. Following the deferment of the proposed merger to later in 2017 the College has continued this approach until a merger is finalised.

8 Staff costs - Group and College

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	343	388
Employers National Insurance	16	19
Benefits in kind	7	12
	366	**419**
Pension contributions	17	66
Total emoluments	**383**	**485**

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

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

	2017 £'000	2016 £'000
Salaries	149	150
Benefits in kind	-	1
	149	151
Pension contributions	-	24

Compensation for loss of office paid to former key management personnel

	2017 £	2016 £
Compensation paid to the former post-holder - contractual	-	75,000
Compensation paid to the former post-holder -non contractual	26,667	75,000
Estimated value of other benefits, including provisions for pension benefits	-	23,806

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

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	682	682	751	751
Franchised and sub-contracted provision	4,408	4,408	2,543	2,543
Non teaching costs	4,067	4,047	4,161	3,923
Premises costs	1,290	1,290	1,735	1,735
Total	10,447	10,427	9,190	8,952

Other operating expenses include:

	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	53	50	53	50
Internal audit	45	45	33	33
Premises costs (including a notional charge re Brixton campus which is matched by the notional income in Note7)	161	161	161	161
Surplus on disposal of tangible fixed assets	-	-	19	19
Hire of assets under operating leases	121	121	127	127

10 Interest payable - Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	1,100	1,084
	1,100	1,084
On finance leases	-	-
Pension finance costs (note 25)	700	732
Enhanced pension finance costs	84	86
Total	**1,884**	**1,902**

11 Taxation - Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	**-**	**-**

The members do not believe the College was liable for any corporation tax arising out of its activities during either the current or prior year.

12 Tangible fixed assets (Group)

	Land and buildings				
	Freehold	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	77,717	-	3,237	3,114	84,068
Additions	176	-	1,295	1,835	3,306
Exceptional item	-	-	-	(3,599)	(3,599)
At 31 July 2017	**77,893**	**-**	**4,532**	**1,350**	**83,775**
Depreciation					
At 1 August 2016	24,520	-	2,229	-	26,749
Charge for the year	1,272	-	603	-	1,875
Accelerated depreciation	4,552	-	1	-	4,553
At 31 July 2017	**30,344**	**-**	**2,833**	**-**	**33,177**
Net book value at 31 July 2017	**47,549**	**-**	**1,699**	**1,350**	**50,598**
Net book value at 31 July 2016	**53,197**	**-**	**1,008**	**3,114**	**57,319**

The value of Land and Buildings on this summary above is fully secured to Barclays Bank PLC in support of the loan portfolio extended to the College.

The opening work in progress consists of fees and costs associated with the planning for the development of the Vauxhall site which was co funded by the Local Enterprise Partnership. During the year the Corporation in took the decision to suspend the development and all costs incurred to date has been written off. The closing balance of work in progress represents the development of the Brixton site which was completed in September 2017 at a total cost of £2,116k.

12 Tangible fixed assets (College only)

	Land and buildings Freehold	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	77,717	-	3,237	3,114	84,068
Additions	176	-	1,295	1,835	3,306
Exceptional item	-	-	-	(3,599)	(3,599)
At 31 July 2017	**77,893**	**-**	**4,532**	**1,350**	**83,775**
Depreciation					
At 1 August 2016	24,520	-	2,229	-	26,749
Charge for the year	1,272	-	603	-	1,875
Accelerated depreciation	4,552	-	1	-	4,553
At 31 July 2017	**30,344**	**-**	**2,833**	**-**	**33,177**
Net book value at 31 July 2017	**47,549**	**-**	**1,699**	**1,350**	**50,598**
Net book value at 31 July 2016	**53,197**	**-**	**1,008**	**3,114**	**57,319**

Inherited land and buildings were valued at depreciated replacement cost as at 31 August 1994 by independent chartered surveyors. The valuation of inherited assets has not been updated since then. The historic costs of the assets is nil. Up to 31 July 2017 the college occupied two freehold sites at Clapham and Vauxhall. The occupation of the Brixton site is under the terms of a licence to occupy which was signed on 1 August 2014 following the disposal of the site during 2013/14.

12 Tangible fixed assets (College only) (continued)

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 Non current Investments

	College 2017 £'000	College 2016 £'000
Investments in subsidiary companies	-	-
Total	-	-

The College holds 100% of the issued £1 ordinary shares in each of the following companies: **SW4 Catering Ltd** (incorporated on 10 July 2014, Company Number 09125790) whose principal business activities are catering, cleaning and security. The company has been trading since August 2014 and is consolidated within these financial statements; **Skills Exchange Recruitment Limited** (incorporated on 4 December 2013, Company Number 08428330). This company has been dormant since incorporation. **Go2Work Limited** (incorporated on 31 January 2013, Company Number 0838512). This company has been dormant since incorporation. All three subsidiary companies are incorporated in England and Wales and the shares in all three companies were purchased at par and are carried at cost. Total cost of shares held is £3.

14 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	771	771	426	423
Amounts owed by group undertakings:				
Subsidiary undertakings	-	65	-	67
Prepayments and accrued income	67	67	654	654
Total	838	903	1,080	1,144

15 Current investments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Money Market Deposits	-	-	-	-
Total	-	-	-	-

16 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	2,789	2,789	1,975	1,975
Obligations under finance leases	-	-	-	-
Trade payables	2,772	2,772	3,636	3,612
Other taxation and social security	504	494	519	519
Accruals and deferred income	1,673	1,673	639	639
Other creditors	2,168	2,168	-	-
Deferred income - government capital grants	314	314	331	331
Deferred income - government revenue grants	-	-		
Amounts owed to the Education & Skills Funding Agency	8,165	8,165	1,434	1,434
Total	18,385	18,375	8,534	8,510

17 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	15,365	15,365	16,140	16,140
			-	-
Deferred income - government capital grants	9,220	9,220	11,088	11,088
Total	24,585	24,585	27,228	27,228

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	2,789	2,789	1,975	1,975
Between one and two years	800	800	774	774
Between two and five years	2,580	2,580	2,485	2,485
In five years or more	11,985	11,985	12,881	12,881
Total	18,154	18,154	18,115	18,115

The College breached the financial covenants in the loans from Barclays Bank who then agreed with the College a waiver letter for the year ended 31st July 2017. This letter allowed the College to continue to allow the loans to be split between short terms and long term liabilities. If this letter was not given, then the entire value of the loans would be classified as short term, increasing them by £15.4M.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	-	-	-	-

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

19 Provisions

	Group and College				
	Defined benefit	Restructuring	Enhanced	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	26,752	352	2,431	114	29,649
Expenditure in the period	(1,062)	(352)	(156)	-	(1,570)
Transferred from income and expenditure account	(4,842)	550	40	3	(4,249)
At 31 July 2017	**20,848**	**550**	**2,315**	**117**	**23,830**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are

The restructuring provision relates to the decisions taken by the Corporation with regard to post merger and interim structures in place for 2016/17 . With the delayed merger this provision remains in place for 2017/18.

The enhanced pension provision relates to the cost of staff who retired with enhanced pension provisions between 1995/96 and 2006/07. The value of the provision is calculated in accordance with guidance issued by the Association for Colleges.
The principal assumptions for this calculation are:

	2017	2016
Discount rate	2.30%	3.46%
Interest rate	1.30%	1.75%

20 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7	3,127	-	3,134
Overdrafts	-	-	-	-
Total	**7**	**3,127**	**-**	**3,134**

21 Capital commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	824	934

22 Lease Obligations

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

	Group and College	
	2017	**2016**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	-	-
Other		
Not later than one year	268	268
Later than one year and not later than five years	413	683
later than five years	-	-
	681	951

23 Contingent liabilities & contingent gains

There are two possible contingent liabilities associated with the aborted project on the Vauxhall site.

The possible repayment of funds advanced by the LEP has been recognised as a creditor due within one year in note 16, having been transferred from deferred capital grants. If the bid for the new project is successful, this will become part of the capital funding for the Nine Elms Skills Centre development.

As a result of the aborted project, a partner organisation is making a claim for costs incurred before the project was aborted. The quantum of the costs has yet to be determined. The College is disputing the existence of such a liability and making any further disclosure on this issue would prejudice seriously the position of the College in the dispute.

24 Events after the reporting period

The exceptional financial support provided by the ESFA in 2016/17 continued in 2017/18. The sum received to 31 July 2017 in included in Note 16 to the accounts - £5.4M. The payments of exceptional financial support are conditional and some or all of them may be converted to a loan or grant at the government's discretion in the future.

25 Defined benefit obligations

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

Total pension cost for the year		**2017 £'000**		**2016 £'000**
Teachers Pension Scheme: contributions paid		774		882
Local Government Pension Scheme:				
Contributions paid	1,062		1,270	
FRS 102 (28) charge	586		299	
Charge to the Statement of Comprehensive Income		1,648		1,569
Enhanced pension charge to Statement of Comprehensive Income		(43)		124
Total Pension Cost for Year		2,379		2,575

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

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £100,612 (2016 £109,452) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

Lambeth College
Notes to the accounts (continued)
Note 25 continued

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.

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 £774,000 (2016: £882,000)

25 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pensions Fund Authority . The total contribution made for the year ended 31 July 2017 was £1,215,539, of which employer's contributions totalled £773,832 and employees' contributions totalled £441,707. The agreed contribution rates for future years are 22.27 % for employers and range from 5.5% to 12.5% 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 2017	At 31 July 2016
Rate of increase in salaries	4.10%	3.90%
Future pensions increases	2.60%	2.10%
Discount rate for scheme liabilities	2.70%	2.50%
Inflation assumption (CPI)	2.60%	2.10%
Commutation of pensions to lump sums	50%	50%

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 2017	At 31 July 2016
	years	years
Retiring today		
Males	21.20	22.00
Females	24.00	25.20
Retiring in 20 years		
Males	23.50	24.40
Females	26.30	27.50

Lambeth College
Notes to the Accounts (continued)

25 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 2017	Fair Value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equities		23,377		16,698
LDI/Cashflow matching		-		2,836
Target return portfolio		7,910		7,892
Alternative assets		4,201		3,680
Cash		2643		1350
Total market value of assets		38,131		32,456

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

	2017	2016
	£'000	£'000
Fair value of plan assets	38,131	32,456
Present value of plan liabilities	(58,349)	(58,561)
Present value of unfunded liabilities	(630)	(647)
Net pensions (liability)/asset (Note 19)	(20,848)	(26,752)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,251	1,102
Past service cost	109	107
Total	1,360	1,209
Amounts included in investment income		
Net interest income on the defined liability	700	732
	700	732
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	4,122	469
Experience losses arising on defined benefit obligations	3,772	12
Changes in assumptions underlying the present value of plan liabilities	(992)	(7,974)
Amount recognised in Other Comprehensive Income	6,902	(7,493)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017 £'000	2016 £'000
Surplus/(deficit) in scheme at 1 August	(26,752)	(18,620)
Movement in year:		
Current service cost	(1,251)	(1,102)
Employer contributions	1,062	1,270
Past service cost	(109)	(107)
Unfunded pension payments	38	38
Net interest on the defined (liability)/asset	(700)	(700)
Actuarial gain or loss	6,902	(7,493)
Settlement and curtailments	(38)	(38)
Net defined benefit (liability)/asset at 31 July	(20,848)	(26,752)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	59,208	49,356
Current Service cost	1,251	1,102
Interest cost	1,471	1,857
Contributions by Scheme participants	265	285
Experience gains and losses on defined benefit obligations	(3,772)	(12)
Changes in financial assumptions	2,674	7,974
Change in demographic assumptions	(1,064)	-
Estimated benefits paid	(1,125)	(1,423)
Past Service cost including curtailments	109	107
Unfunded pension payments	(38)	(38)
Defined benefit obligations at end of period	58,979	59,208
Reconciliation of Assets		
Fair value of plan assets at start of period	32,456	30,768
Interest on plan assets	813	1,171
Return on plan assets	4,122	469
Other acturial gains/(losses)	618	-
Employer contributions	1,062	1,270
Contributions by Scheme participants	265	285
Estimated benefits paid	(1,163)	(1,461)
Administration expenses	(42)	(46)
Assets at end of period	38,131	32,456

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	57,885	58,979	60,094
Projected service cost	1,326	1,357	1,389
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	59,070	58,979	58,888
Projected service cost	1,357	1,357	1,357
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	60,003	58,979	57,973
Projected service cost	1,389	1,357	1,326
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	61,171	58,979	56,868
Projected service cost	1,400	1,357	1,315

26 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.

The total expenses paid to or on behalf of the Governors during the year was £152 for one governor (2015: £516; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

27 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants - hardship support	-	566
Funding body grants - childcare	-	832
24+ Bursary	892	829
	892	2,227
Disbursed to students	(805)	(1,906)
Administration costs	(22)	(95)
Balance unspent as at 31 July, included in creditors	65	226

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.