

RICHMOND ADULT COMMUNITY COLLEGE

**Report and Financial Statements
For the year ended 31 July 2015**

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

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RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

The Corporation was incorporated as Richmond Adult & Community College on 1 August 1996 and operates under the trading names of Richmond Adult Community College (RACC) and Richmond Business School (RBS)

Mission

2. Governors reviewed the College's mission at the time of preparing the Three Year Strategic Plan 2012 – 2015. It was concluded that the mission continues to uphold the College's aims. The mission is:

"To enable adults to unlock their talent and fulfil their potential through learning, skills and enterprise."

Public Benefit

3. Richmond Adult Community College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013 is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed in the Statement of Corporate Governance and Internal Control.

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:

- Teaching and learning excellence
- Widening participation and tackling social exclusion
- Developing in learners the skills, knowledge and qualifications necessary for employment
- Continuing to stimulate and challenge learners
- Providing links to employers, industry and commerce

Operating and Financial Review (continued)

Implementation of Strategic Plan

4. In July 2012 the Corporation adopted the College's strategic plan for the period 1 August 2012 to 31 July 2015. The Corporation monitors the performance of the College against this plan, which is reviewed and updated each year.

The Strategic Plan 2012-15 sets out eight key objectives. These are:

1. **Teaching and Learning Excellence:** The College was re-inspected by Ofsted in May 2015. Ofsted judged RACC to be a 'Good' provider. Qualification success rates in 2013/14 were in the top 17% nationally and have increased to 89.6% in 2014/2015. Learner satisfaction and retention levels in non-Government priority provision remained high at 95%.
2. **Create an Adult Learning Campus at Parkshot:** Using the proceeds from the sale of the Clifden site together with Skills Funding Agency grant funding, the College has now completed the development of purpose built accessible community facilities in Richmond-upon-Thames and specialist Art and Design and Performing Arts accommodation. The new campus supports exceptional teaching and learning and enables curriculum specialist activities. It also provides an attractive and accessible hub and venue for a growing programme of community and commercial activities.
3. **Develop a Marketing Strategy that enables Learner and Community Engagement:** A review of the Marketing team has strengthened the College's capacity to engage with learners, the community and other stakeholders. The effective promotion of College courses and activities continues to ensure that learner needs are at the heart of College delivery.
4. **Development of Curriculum and Progression Pathways:**
New curriculum and provision has been developed to meet the full range of local learning needs. This has seen a shift towards courses that promote health and wellbeing, engage disadvantaged groups and offer skills development to SMEs and microbusinesses in order to meet the needs of our community.
5. **Generation of Income and Fundraising Activities to Finance Student Bursaries:** Work with partners has been successful in raising funds to provide for students bursaries. This raises awareness, and has also generated additional income. In 2014/2015 the College was successful in raising over £50k from donations that have been used for student bursaries and to provide facilities for the new Queen Charlotte Hall.

Operating and Financial Review (continued)

6. **Development of Organisational Efficiency and Culture:** Organisational efficiency is the product of an appropriate academic structure that was implemented as planned during 2014/15 in line with the move to one site. The success of the new structure is evidenced by the successful Ofsted inspection in May 2015. There has been considerable investment in both the built environment and in our staff.
7. **Increase Learner Numbers:** During the 2014/2015 academic year performance in terms of learner numbers was affected by the late completion of the new build capital project which led to courses being postponed particularly during the historically busiest period of the year, the autumn term. The College enrolled 7,810 learners compared to 8,714 in 2013/2014. During the period of the strategic plan, significant year on year decreases in government funding for adults have also had an impact on learner numbers.
8. **Create a Financially Stable Future for the College:** The balance sheet is currently strong with some cash reserves, however achievement of the SFA allocation together with effective control of the cost base is required going forward to protect the College financially.

Achievement against all objectives has been progressed according to the College's Strategy Implementation Plan and governors have been updated regularly on this progress.

The College's specific financial objectives for 2014/15 and achievement of those objectives is addressed below.

Financial objectives

5. The College's financial objectives for 2014/15 budget were:
 - for the annual operating deficit to be no greater than 13% of total income; the actual operating deficit was 19% of total income
 - cash flows from operating activities to be positive; this was (£158,000)
 - pay costs as a percentage of total income to be no greater than 78%; actual pay costs as a percentage of total income was 80% (due to lower than budgeted income), despite savings of over £500k being made in year
 - non funding body sources of income to be no less than 37.5% of total income; actual non funding body sources of income was 38%
 - the minimum net current assets ratio to be no less than 1; actual net current assets ratio was 1.6
 - cash days on hand to be no less than 130; actual cash days on hand was 294

A series of performance indicators have been agreed to monitor the successful implementation of the College's strategic objectives.

Operating and Financial Review (continued)

Performance indicators

6. FE Choices (formerly the “Framework for Excellence”) has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly “learner views”)
- Satisfaction survey (formerly “employer views”)

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The current rating of Satisfactory is in line with the Strategic Plan.

FINANCIAL POSITION

Financial results

7. The College incurred an operating deficit in the year of £1,139,000 (2013/14, deficit of £450,000). The reason for the increased deficit was significantly reduced income against budget, which the College was unable to offset in full by reduced costs.

The College has total funds of just over £16,000,000 and cash balances of £4,690,000. Circa £530,000 of the cash balances will be required over the next 12 months to complete the Phase 2 of the Capital Project.

Cash balances reduced by £4 million primarily due to capital expenditure in the year.

Tangible fixed asset additions during the year amounted to £3,726,000 of which £3,385,000 was in respect of project construction at Parkshot.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 62% of the College’s total income – a small decrease from the previous year (64% in 2013/14). Decreasing reliance on recurrent grants remains a key financial objective for the College.

Operating and Financial Review (continued)

Treasury policies and objectives

8. 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 Principal. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

9. Due to the construction at Parkshot there was a significant cash outflow during the year. This amounted to £3,822,000 compared to an outflow of £4,815,000 in 2013/14. Total capital expenditure in 2014/15 was £3,726,000. There were no capital grants received in the year.

Liquidity

10. The College had no borrowings at 31 July 2015 and is currently funded via reserves. It is intended that this will continue into the future.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

11. The emphasis during the year continued to be maintaining student numbers and also the level of learner activity, while at the same time delivering a high quality, responsive and effective local service. This was successfully achieved despite a more difficult funding regime and continued pressure on fee income due to lower disposable incomes both compounded by the additional pressures of operating Parkshot during significant building activity. As a result the College was unable to achieve 100% of its SFA funding allocation.

The College continued to attract students by providing a wide range of programmes that included Adult Skills Budget provision, Adult Safeguarded Learning (ASL), Higher Education Funding Council for England (HEFCE) courses, bespoke training for employers and specifically focussed courses for the unemployed. Additional grant funding from the Skills Funding Agency was obtained to provide informal learning for adults with mild to moderate mental health problems.

Operating and Financial Review (continued)

12. Recruitment of 16-18 learners was significantly lower than budget, achieving 18% of the EFA allocation. Review of the College's part time provision for young people aged 16-19 years following the introduction of Study Programmes saw learner numbers fall from 301 to 17. The College will continue to offer a very small funded provision for younger learners whose needs cannot be met within mainstream settings. Younger learners seeking part time enrichment opportunities on non-qualification courses will be required to pay fees.
13. During 2014/15, as a result of late completion of the capital project, delivery continued over two sites in the autumn term, moving to one site, Parkshot from January 2015. Provision also took place at local community venues and employer premises throughout Greater London. Despite inevitable disruption caused by the building works at Parkshot, income from tuition fees and other charges was £1.8 million, a reduction of only £200k compared to the previous year. However, income from 24+ loans did not meet its target increase on the previous year and was maintained at 2013/2014 levels.

Student achievements

14. Students continue to achieve good outcomes at the College, and this was recognised in the Ofsted inspection of May 2015. Success rates for accredited courses rose again in 2014/15 to 89% from 87% in 2013/14 and are expected to be above the national rate when it is published. Achievement rates are also expected to continue to be above provider group and national rates. Adult Safeguarded Learning outcomes remain strong at 94%.

Curriculum developments

15. During 2014/15 the College continued to develop its curriculum to respond to the needs of Richmond-upon-Thames and the surrounding areas. It used Adult Safeguarded Learning funds, directed at personal, community and development learning to deliver provision for hard to reach groups and provide the first steps towards accredited training.
16. The outreach programme used partnerships with the voluntary sector and the London Borough of Richmond-upon-Thames to reach priority learners, older people, people who have a disability, people from minority ethnic groups and the residents of the five wards of relative disadvantage in the borough. This work was rated as 'Outstanding' by Ofsted in May 2015.
17. Existing provision for ESOL and basic literacy was extended to more children's centres and community groups. Work within a number of care homes and centres continued, including art, exercise and therapy classes. A small amount of provision for clients of a homeless charity was delivered.
18. Funded Basic IT programmes continue to be popular for local outreach centres. The College offers free tasters in the community by taking mobile equipment into centres with no IT facilities. This is used to engage learners in order to provide progression opportunities.

Operating and Financial Review (continued)

19. The College also continues to develop its SFA funded, qualification programmes in line with Government priorities and funding regulations. These courses are designed to meet the needs of people with learning difficulties and disabilities, adults lacking qualifications and the essential skills of Literacy and Numeracy required to enter the workforce, and for people wishing to progress to higher education.
20. Curriculum development work resulted in the creation of new programmes of short, leisure and wellbeing, non-funded provision for learners whose needs do not match Government funding priorities and which will be financed in full by fees.

Payment performance

21. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force in 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid 96 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment in this period.

Future developments

22. The sector as a whole (and therefore the College) has experienced, and is continuing to experience, reduced funding levels which has resulted in reduced learner numbers in the sector. Consequently the cost base of the College has been reviewed, in particular the infrastructure and other costs of running two sites. The Clifden site was sold in autumn 2012 with a leaseback arrangement until autumn 2014 for the main part of the site. The proceeds have been invested to develop the College's Parkshot campus. The College has been successful in bid applications for further capital grant funding from the Skills Funding Agency which have contributed to the capital project. The new build is now completed and has been in full use by the College from January 2015.
23. Phase 2 of the capital project will progress during 2015/2016, following delays to completion of phase 1 i.e. the new build of the Art School and Queen Charlotte Hall. Work to provide an improved learning resources centre, an accessible training kitchen and enhanced toilet/shower facilities for disabled learners will commence in autumn 2015 and is planned to be completed by summer 2016.
24. The College has been working in partnership with Hillcroft College, to form an adult learning federation to sustain and improve learning, training and careers development for adults at a time when public funding for adult learning is reducing. The Federation creates an opportunity for both organisations to grow their curriculum and resources within the current challenging financial framework in order to become more resilient to future change. The colleges have been working together for over a year with the formal Federation agreement being signed in August 2015, with formal approval from the Skills Funding Agency.

Operating and Financial Review (continued)

25. The Three Year (2012 – 2015) Strategy not only incorporates the ongoing changes to funding and eligibility but also emphasises a marketing strategy driven by learner and community engagement. It describes how the curriculum offer will continue to evolve to ensure that courses delivered from the enlarged and upgraded Parkshot campus engage and challenge the various learner groups and provide the appropriate links to industry. The Strategy also incorporates new income generating and fundraising activities. A revised Strategy is in development and will be in place by January 2016. The outcome of the Comprehensive Spending Review in November 2015 will have a significant impact on the College's Strategy and approach over the next three year period.

The financial forecast submitted to the Skills Funding Agency in July 2015 incorporates assumptions regarding the outcomes and future potential funding cuts for adult learners.

The College has projected its cash flows for the period up to July 2017 and will have the resources to continue to operate efficiently and effectively in that time period. Accordingly the College continues to adopt the going concern basis for the preparation of its financial statements.

RESOURCES:

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

Tangible resources include the strategically placed Parkshot site in Richmond-upon-Thames, which has recently completed a £13 million redevelopment.

Financial

The College had, at year end, £16 million of net assets (the pension liability is £3.6 million) and cash balances of £4.6 million.

People

The College employs 141 people (expressed as full time equivalents), of whom 76 are teaching staff.

Reputation

The College has a good reputation locally, regionally and nationally. Maintaining this quality brand is essential for the College's ongoing success for attracting students and for fostering external relationships.

Operating and Financial Review (continued)

RISKS:

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

Based on the strategic plan, the risk register includes the key risks to which the College is exposed. Mitigating actions, systems and procedures, including specific preventable actions are clearly identified in order to manage and where possible lessen any potential impact on the College.

The risk register is maintained at the College level, reviewed termly by the Audit Committee and monitored by the Governing Body. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system as outlined in the College's Risk Management Strategy.

The principal risk factors that may affect the College are in the first instance contained in the Strategic Plan 2012-2015. The most significant risk for the College in future years is the continuing decline in levels of funding for adult learners.

Strategic Plan 2012–2015

28. The main focus of the College's Strategic Plan 2012-15 is the transition of the College from a two-site operation to a single site hub of adult learning excellence. The vision contained in the plan is that by 2015 Richmond Adult Community College not only will be an outstanding provider of adult learning in all its forms but also a valuable resource for the whole community of Richmond-upon-Thames and the surrounding areas. The new premises are also designed to attract commercial users.

Proceeds from the sale of the Clifden (Twickenham) site together with capital grants received from the Skills Funding Agency have been allocated to the development of the Parkshot (Richmond) site to provide updated accommodation for teaching and learning and community and commercial activities alike. At the same time the College is developing its curriculum offer of both funded and non-funded programmes, and, has upgraded its classroom delivery facilities.

Through its partnership working and its involvement with the community, the College is able to meet local learning needs and responds through the delivery of appropriate qualifications and a range of informal leisure services and activities.

The Parkshot Adult Learning campus provides a creative and cultural hub for Richmond. It houses first class, specialist teaching and learning environments and communities. Facilities such as a theatre, cafe, gallery, shop and meeting rooms enables informal learning opportunities and generates income to fund bursaries and ensure that learning is accessible to all.

Operating and Financial Review (continued)

Financial Health

29. The College continues to have considerable reliance on government funding through the further education sector funding bodies. In 2014/15, 62% of the College's revenue (64% in 2013/14) was public funded. However, the volume of government funding is expected to decline more rapidly in future years following the Comprehensive Spending Review in November 2015. The eligibility of qualifications for funding continues to change year on year, sometimes with very little notice and courses that are advertised in June can become unfunded by the time of their start date in September. The College has been successful in increasing its tuition fee income from non-government funded courses. In 2014/15, 37% of total income came from tuition fees and other contracts.

Increased expectations for the volume of income from 24+ student loans is an additional challenge and requires a specific approach to curriculum planning to maximise the loan funding available for the College. The performance in terms of achieving income from 24+ loans in this financial year reached the level of the previous year. Action has been taken to ensure that enrolment processes provide increased levels of support to learners applying for 24+ loans in order to develop this income stream.

Accordingly maintaining combined income levels of grant funding and fee generation, controlling both operating and capital project costs and reducing the deficit will continue to be key to maintaining a forecast satisfactory financial health.

The risk of not achieving this objective will be mitigated in a number of ways:

- By maintaining and/or increasing learner numbers
- By maximising funding utilisation through meticulous curriculum planning and monitoring
- By ensuring the College is rigorous in delivering high quality education and training
- By maximising tuition fee income mindful that fee increases may adversely affect demand, and promoting 24+ student loans
- By reviewing the current staffing structure on an ongoing basis in line with income
- By ensuring the capital project to develop the Parkshot site proceeds on time and on budget and delivers high quality learning resource
- By continuing work towards a revised business model for the College based on decreasing levels of grant funding.

Operating and Financial Review (continued)

Recruitment of Learners

30. Failure to recruit target learner numbers on both funded and non-funded programmes could lead to the inability to use grant funding and a decrease in fee income, resulting in a continuing operating deficit position and reduced reserves.

This risk will be mitigated in a number of ways:

- By ensuring an effective marketing and publicity strategy including social media
- By maintaining excellent teaching and learning and learner success rates
- By achieving recruitment targets set for all curriculum areas and income streams
- By enabling learner progression.

Learner Engagement

31. The College has developed a curriculum strategy that will ensure the course offer continues to meet both learner and community needs and enables learners from all backgrounds to progress towards their individual goals. The curriculum offer will need to be communicated effectively in order to meet learner targets.

The risk of not achieving this objective will be mitigated in a number of ways:

- By ongoing review of the Marketing Strategy of the College and how we recruit our learners
- By embedding an ongoing communications programme for staff, learner voice and other stakeholders
- By improving learner success rates and teaching quality
- By engaging with learners to facilitate learner progression and course development

STAKEHOLDER RELATIONSHIPS:

32. In line with other colleges and with universities, Richmond Adult Community College has many stakeholders. These include:

- Learners
- Funding bodies
- Staff
- Local employers
- Local charities
- Local authorities
- Government Offices

Operating and Financial Review (continued)

- The local community
- Other FE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them by face to face meetings, by email and letter contact, by staff newsletters, by press releases and through the College website.

Equal opportunities and employment of disabled persons

33. The College (RACC) is committed to providing a positive and supportive working and learning environment for all staff and students, consistent with an ethos of respect and tolerance. To this end the College aims to promote best practice in the advancement of equal opportunities and carry out its functions in such a way as to eliminate unlawful discrimination, promote equality, embrace diversity and tackle any persistent and long-standing issues of disadvantage.

RACC is committed to eliminating discrimination and advancing equality on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation (the protected characteristics as laid down by the Equality Act 2010) and to foster good relations between different groups.

The staff of the College and its partners will endeavour to promote equality of opportunity and will always challenge prejudice and inequality. Equality and Diversity underpins College Leadership and is devolved and embedded in the curriculum, quality, facilities, marketing, publicity and the employment experience.

The College complies with its public duty under the Equality Act 2010 by having due regard when carrying out our functions, specifically the College has:

- considered access to the College's resources by giving assistance to applicants, staff and learners with learning disabilities or difficulties, making the appropriate reasonable adjustments where necessary.
- maintained its disability symbol employer status year on year through demonstrating its commitment to the principles and objectives of the Positive about Disabled People standard.
- implemented an updated Equality and Diversity training programme. Information and refresher training is carried out on an ongoing basis.
- included improved access as an integral part of the accommodation planning in developing the new build on the Parkshot site.

Operating and Financial Review (continued)

- allocated specific resource to providing information, guidance and a range of support where necessary to learners with learning difficulties and/or disabilities in the form of the Assisted Learning Support Coordinator. There are also a number of learning support assistants who provide a range of support for learning.
- provided a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
- provided a list of specialist equipment, such as radio aids, which the College makes available for use by learners and a range of assistive technology is available in the learning centre.
- highlighted its commitment to Equality and Diversity through staff and learner policies and information such as the Equality and Diversity policy and action plan. Specific reference to our commitment is made explicit in the staff and learner handbooks.
- offered specialist programmes in College prospectuses.
- provided access to counselling and welfare services which are outlined in the College Learner Guide, which is issued to learners together with the Complaints and Disciplinary Procedure leaflets at induction.

All staff of the College and its partners are expected to value and celebrate diversity.

Environmental Sustainability

Richmond Adult Community College acknowledges the importance of being responsible, sustainable and ethical in order to meet the needs of the present, and leave a better environment for future generations. The College recognises the need to reduce pollution and conserve energy, water and other natural resources and the urgent need to conserve the limited stock of fossil fuels.

It is therefore the intention of the College to minimise the usage, the disposal and consumption of resources commensurate with the need to provide the necessary utilities and well-being for all students, staff, visitors and other stakeholders and to ensure their health and safety.

Through this Strategy Richmond Adult Community College aims to:

- comply with all applicable legal requirements and other requirements to which the College subscribes;
- put in place appropriate controls to prevent pollution;
- reduce the College's carbon dioxide emissions through the delivery of a Carbon Management Plan;
- encourage the adoption of sustainable travel practices by staff, students and visitors travelling to and from College campuses;

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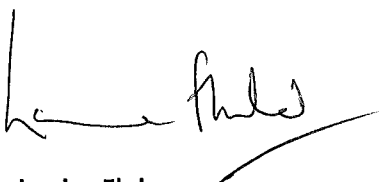
Operating and Financial Review (continued)

- reduce the environmental impact of the College through conservation of its material resources;
- put in place measures to promote reduction, re-use and recycling of waste;
- ensure new building developments take into account sustainable construction principles;
- take positive action to promote biodiversity on any site that the College owns or manages;
- engage with the wider community to promote environmental best practice and seek collaborative opportunities in order to facilitate developments in this area;
- ensure that the Environmental Sustainability Policy is communicated to all students and individuals working for or on behalf of the College and to provide training and awareness for staff and students where appropriate;
- consider sustainability in the procurement of goods and services;
- provide information regarding the College's environmental performance to staff, students, visitors and all other interested parties;
- ensure that the Environmental Sustainability Policy is reviewed annually, documented, implemented and maintained to ensure continual improvement in environmental performance.

Disclosure of information to auditors

34. 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 10th December 2015 and signed on its behalf by:



Louise Fluker
Chair

RICHMOND ADULT COMMUNITY COLLEGE
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Professional advisers

The College's bankers are:

HSBC Plc
Twickenham Branch
2 London Road
Twickenham
TW1 3RY
Tel: 020 8250 6000

**The College's Financial Statement
and Regularity auditor is:**

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London, NW1 2EP
Tel: 020 7383 5100

The College's internal auditor is:

RSM Risk Assurance Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP
Tel: 01908 687800

The College's solicitors are:

Eversheds Solicitors
Senator House
85 Queen Victoria St
London
EC2V 4JL
Tel: 020 7919 4500

RICHMOND ADULT COMMUNITY COLLEGE
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Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the English Colleges’ Foundation Code of Governance issued by the Association of Colleges in December 2011 (“the Foundation Code”) that we consider to be relevant to the further education sector.

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.

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Financial Statements for the Year Ended 31 July 2015

The Corporation

1. 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	Working Groups/Committees served (2014/15)	Attendance record since appointment
Ms Louise Fluker (Chair of the Corporation)	22.01.09 Reappointed 15.12.11	4 years (2 nd term)		Independent	Search & Governance (Chair) Capital Project Steering Group	9 of 9 Board meetings attended
Dr Tim Woolmer (Vice Chair of the Corporation)	02.07.08 Reappointed 11.07.12	4 years (2 nd term)	31. 07.15	Independent	Search & Governance	7 of 8 Board meetings attended
Mr Mark Albrow	31.01.14	4 years		Independent		9 of 9 Board meetings attended
Mr Richard Brewster	30.06.15	4 years		Independent	Audit	2 of 3 Board meetings attended
Dr Vince Cable	31.07.15	4 years		Independent	Quality & Standards Committee	1 of 1 Board meetings attended
Mr Kevin Finnigan	02.07.08 Reappointed 13.07.11 Reappointed for one year 31.07.15	4 years (2 nd term)		Independent	Quality & Standards Working Group	7 of 9 Board meetings attended
Ms Gabrielle Flint	01.04.12	N/A	N/A	Principal & Chief Executive (ex officio)	Search & Governance Capital Project Steering Group Quality & Standards Working Group Finance Working	9 of 9 Board meetings attended
Professor Andrew George	22.09.11 Reappointed 31.07.15	4 years		Independent	Quality & Standards Working Group (Chair)	9 of 9 Board meetings attended
Mr Gavin Hardcastle-Jones	31.03.15	4 years		Independent	Finance Working Group	3 of 4 Board meetings attended

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	Date of Appointment	Term of office	Date of resignation	Status of appointment	Working Groups/Committees served (2014/15)	Attendance record since appointment
Ms Gabriela Koczian	Elected 27.03.14	1 year	31.07.15	Staff		5 of 9 Board meetings attended
Ms Jane O'Shea	01.10.14	4 years		Independent	Search & Governance	8 of 8 Board meetings attended
Ms Amanda Rowlatt CBE	01.08.10 Reappointed 16.07.14	4 years (2 nd term)		Independent	Audit (Chair)	9 of 9 Board meetings attended
Dr Michael Sevitt	28.11.08 Reappointed 11.07.12	4 years (2 nd term)		Independent	Search & Governance Audit	9 of 9 Board meetings attended
Mr David Sidonio	23.09.09 Reappointed 02.10.13	4 years (2 nd term)		Independent	Audit Capital Project Steering Group (Chair)	8 of 9 Board meetings attended
Mr William Symington	Elected 28.03.13 (Reappointed Independent 31.07.15)	2 years (4 years from 31.07.15)		Student (Independent from 31.07.15)	Finance Working Group (Chair)	4 of 9 Board meetings attended
Mrs Jill Rosser was appointed on 27 th March 2014. Mrs Rosser resigned in February 2015. Mrs Sara George was appointed interim Clerk from February 2015 to 1 August 2015. Mrs George was appointed Clerk on 1 August 2015.						

2. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
3. 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 at least once in each term: in 2014/15 there were eight Corporation meetings.
4. The Corporation conducts some of its business through committees and working groups. Each committee and working group has terms of reference, which have been approved by the Corporation. These committees are Search & Governance and Audit and the working groups are Finance and Capital Project. For 2014/15 the SAR Working Group became part of the Quality & Standards Working Group. Minutes of all meetings, except those deemed to be confidential by the Corporation, are available once approved from the clerk to the Corporation at:

Richmond Adult Community College
Parkshot, Richmond, TW9 2RE

RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

5. 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.
6. 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.
7. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.
8. 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.
9. There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Appointments to the Corporation

10. Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. A vacancy for an Independent Governor existed within the Search & Governance Committee for the year 2014/15. The Corporation is responsible for ensuring that appropriate training is provided as required.
11. Members of the Corporation are appointed for terms of office not exceeding four years.

Search & Governance Committee

12. Throughout the year ending 31 July 2015 the College's Search & Governance Committee comprised five members of the Corporation. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.
13. Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

Audit Committee

14. The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair). There were vacancies for two Independent Governors within the Audit Committee for the year 2014/15. The Committee operates in accordance with written terms of reference approved by the Corporation.
15. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.
16. Systems of internal control, risk management controls and governance processes are monitored in accordance with an agreed internal audit plan and reported to management and the Audit Committee.
17. Management is responsible for the implementation of agreed audit and internal audit recommendations and undertakes periodic follow-up reviews to ensure such recommendations have been implemented.
18. The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal control

Scope of responsibility

19. 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.
20. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Richmond Adult and Community College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

The purpose of the system of internal control

21. 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 Richmond Adult Community College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

22. 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 2015 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

23. The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:
 - comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
 - regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
 - setting targets to measure financial and other performance
 - clearly defined capital investment control guidelines
 - the adoption of formal project management disciplines, where appropriate.
24. Richmond Adult Community College uses external assurance providers to carry out internal audit services, which provides the College Corporation with a degree of assurance that it has systems in place to meet its continuing obligations. The annual internal audit plan is informed by an analysis of the risks to which the College is exposed. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. The governing body receives regular reports on internal audit activity in the College. The reports include independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

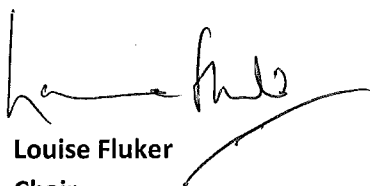
Review of effectiveness

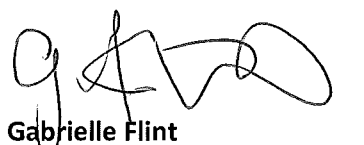
25. As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:
- the work of the internal auditors
 - the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
 - comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.
26. The Principal 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.
27. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessments for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

Going concern

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

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:


Louise Fluker
Chair

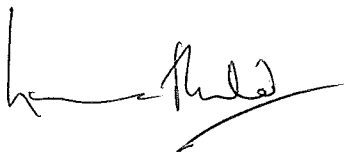

Gabrielle Flint
Principal and Chief Executive

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015


Statement on Regularity, Propriety and Compliance

1. The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the funding agreement.
2. We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's funding agreement.
3. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:



Louise Fluker
Chair



Gabrielle Flint
Principal and Chief Executive

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Statement of Responsibilities of the Members of the Corporation

1. The members of the Corporation are required to present audited financial statements for each financial year.
2. Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency. In accordance with those terms and conditions, the Corporation must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the College for that year.
3. 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.
4. The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.
5. 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.
6. 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.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

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

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:



Louise Fluker
Chair

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

**Independent Auditor's Report to the Corporation of Richmond Adult
Community College**

We have audited the financial statements of Richmond Adult & Community College for the year ended 31 July 2015 which comprise the income and expenditure account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 25, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

17 DECEMBER 2015

RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

Reporting accountant's assurance report on regularity

To the corporation of Richmond Adult & Community College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letters dated 25 September 2015 and further to the requirements of the financial memorandum with Skills Funding Agency and the funding agreement with Education 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 Richmond Adult & Community College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in August 2015. In accordance 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 Skills Funding Agency and Education Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Richmond Adult & Community College and the reporting accountant

The corporation of Richmond Adult & Community College is responsible, under the requirements of the Further and 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 are imposed by law and professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

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

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

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

The work undertaken to draw our conclusion includes:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items
- review of completed and signed self-assessment questionnaire (SAQ);
- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within the SAQ

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

17 DECEMBER 2015

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Income and Expenditure Account
For the year ended 31 July 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
INCOME					
Funding body grants	2		3,431		4,616
Tuition fees and education contracts	3		2,134		2,174
Research grants and contracts	4		10		4
Other income			184		245
Endowment and investment income	5		62		168
Total income			5,821		7,207
EXPENDITURE					
Staff costs	6	4,643		5,261	
Exceptional restructuring costs	6	56		15	
Other operating expenses	8	1,731		2,048	
Depreciation	12	523		325	
Interest and other finance costs	9	7		8	
Total expenditure			6,960		7,657
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax					
			(1,139)		(450)
Loss on disposal of assets	12, 23		(143)		(4)
Cancellation of Project Costs	23		(59)		-
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax			(1,341)		(454)
Taxation	10		-		-
Deficit on continuing operations after depreciation of assets at valuation and tax	18		(1,341)		(454)
Deficit for the year retained within general reserves			(1,341)		(454)

The income and expenditure account is in respect of continuing activities
The accompanying notes and policies form part of the financial statements

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Note of Historical Cost Surpluses and Deficits

	Notes	2015 £'000	2014 £'000
Deficit on continuing operations before taxation		(1,341)	(454)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	16	37	37
		<hr/>	<hr/>
Historical cost surplus for the year before taxation		<u>(1,304)</u>	<u>(417)</u>
Historical cost surplus for the year after taxation		<u>(1,304)</u>	<u>(417)</u>

Statement of Total Recognised Gains and Losses

	Notes	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(1,341)	(454)
Actuarial loss in respect of pension scheme	24	(489)	(1,177)
		<hr/>	<hr/>
Total recognised losses since last report		<u>(1,830)</u>	<u>(1,631)</u>
Reconciliation			
Opening reserves and endowments		12,772	14,403
Total recognised losses for the year		(1,830)	(1,631)
		<hr/>	<hr/>
Closing reserves and endowments		<u>10,942</u>	<u>12,772</u>

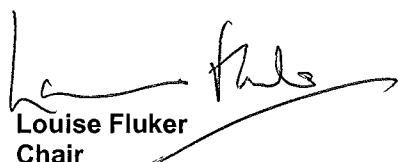
The accompanying notes and policies form part of the financial statements

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Balance sheet as at 31 July

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	12	17,640	14,581
Total fixed assets		17,640	14,581
Current assets			
Debtors	13	526	443
Cash at bank and in hand		4,690	8,512
Total current assets		5,216	8,955
Less: Creditors – amounts falling due within one year	14	(3,255)	(2,383)
Net current assets		1,961	6,572
Total assets less current liabilities		19,601	21,153
Net assets excluding pension liability		19,601	21,153
Net pension liability	24	(3,595)	(3,135)
NET ASSETS INCLUDING PENSION LIABILITY		16,006	18,018
Deferred capital grants	15	5,064	5,246
Reserves			
Income and expenditure account excluding pension reserve	18	11,710	13,043
Pension reserve	24	(3,595)	(3,135)
Income and expenditure account including pension reserve	18	8,115	9,908
Revaluation reserve	16	1,761	1,798
Restricted reserve	17	1,066	1,066
Total reserves		10,942	12,772
TOTAL FUNDS		16,006	18,018

The financial statements were approved by the Corporation on 10th December 2015 and were signed on its behalf on that date by:


Louise Fluker
Chair


Gabrielle Flint
Principal

The accompanying notes and policies form part of the financial statements

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Cash Flow Statement

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	19	(158)	298
Returns on investments and servicing of finance	20	62	168
Capital expenditure and financial investment	21	(3,726)	(5,281)
		<hr/>	<hr/>
Decrease in cash in the year	22	(3,822)	(4,815)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(3,822)	(4,815)
		<hr/>	<hr/>
Movement in net funds in the year		(3,822)	(4,815)
Net funds at 1 August		8,512	13,327
		<hr/>	<hr/>
Net funds at 31 July		4,690	8,512
		<hr/>	<hr/>

The accompanying notes and policies form part of the financial statements

RICHMOND ADULT COMMUNITY COLLEGE

Financial Statements for the Year Ended 31 July 2015

Richmond Adult & Community College

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly in March 2015 by the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) in their document 'Accounts Direction for 2014 to 2015 Financial Statements'.

Basis of accounting

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

Going concern

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

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of October following the year end. Adult Skills grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

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, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit 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 current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. 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.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account 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 20 and 50 years. Depreciation of adaptations and improvements would normally be either 3, 5 or 10 years but in case of major adaptations could be extended to the remaining estimated life of the building up to 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.

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

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

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

Subsequent expenditure on existing fixed assets

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

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

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 inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life, which could be 3 to 10 years.

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Taxation

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

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary Learner 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 39 except for: the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant; and the income from Tuition Fees and income for Childcare support provided by the College's Crèche.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

2 Funding council grants

	2015	2014
	£'000	£'000
SFA recurrent grant	2,627	3,985
EFA recurrent grant	511	542
HEFCE Recurrent grant	111	46
SFA non recurrent grants	-	5
Releases of deferred capital grants (note 15)	182	38
	<hr/>	<hr/>
Total	3,431	4,616
	<hr/> <hr/>	<hr/> <hr/>

3 Tuition fees and education contracts

	2015	2014
	£'000	£'000
Tuition fees	2,094	2,124
Education contracts	40	50
	<hr/>	<hr/>
Total	2,134	2,174
	<hr/> <hr/>	<hr/> <hr/>

4 Research grants and contracts

	2015	2014
	£'000	£'000
Other grants and contracts	10	4
	<hr/>	<hr/>

5 Investment income

	2015	2014
	£'000	£'000
Other interest receivable	62	168
	<hr/>	<hr/>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

6 Staff costs

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

	2015	2014
	No.	No.
Teaching staff	76	97
Non teaching staff	65	74
	<u>141</u>	<u>171</u>

Staff costs for the above persons

	2015	2014
	£'000	£'000
Wages and salaries	3,567	4,199
Social security costs	209	262
Other pension costs (including FRS 17 adjustments of £36,000 – 2014 £46,000)	553	600
	<u>4,329</u>	<u>5,061</u>
Payroll sub total	4,329	5,061
Contracted out staffing services	314	200
	<u>4,643</u>	<u>5,261</u>
Exceptional restructuring costs	56	15
	<u>4,699</u>	<u>5,276</u>

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	
	2015	2014	2015	2014
	No.	No.	No.	No.
£60,000 to £70,000	-	-	1	1
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	1	1	-	-
	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

7 Senior post-holders' emoluments

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

	2015	2014
	No.	No.
The number of senior post-holders including the Principal was:	2.5	2.5
	<hr/> <hr/>	<hr/> <hr/>
Senior post-holders' emoluments are made up as follows:		
	2015	2014
	£'000	£'000
Salaries	179	201
Pension contributions	26	35
	<hr/>	<hr/>
Total emoluments	205	236
	<hr/> <hr/>	<hr/> <hr/>

The above emoluments include amounts payable to the Deputy Principal for 10 months only. The post was vacant for two months during the year and agency cover was arranged.

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

	2015	2014
	£'000	£'000
Salaries	96	96
Pension contributions	14	14

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

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

8 Other operating expenses

	2015	2014
	£'000	£'000
Teaching costs	629	718
Non teaching costs	721	845
Premises costs	381	485
	<u>1,731</u>	<u>2,048</u>

Other operating expenses include:

	2015	2014
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	24	25
Internal audit	16	16
Hire of other assets – operating leases	11	24
	<u>11</u>	<u>24</u>

9 Interest payable

	2015	2014
	£'000	£'000
Pension finance costs (note 24)	7	8
	<u>7</u>	<u>8</u>

10 Taxation

No taxation charge arises from the activities of the College.

11 Deficit on continuing operations for the period

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

	2015	2014
	£'000	£'000
College's deficit for the period	(1,139)	(450)
	<u>(1,139)</u>	<u>(450)</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

12 Tangible fixed assets

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2014	15,223	1,166	16,389
Additions	3,460	266	3,726
Disposals	(157)	(139)	(296)
At 31 July 2015	18,526	1,293	19,819
Depreciation			
At 1 August 2014	1,044	764	1,808
Charge for the year	280	243	523
Elimination in respect of disposals	(14)	(138)	(152)
At 31 July 2015	1,310	869	2,179
Net book value at 31 July 2015	17,216	424	17,640
Net book value at 31 July 2014	14,179	402	14,581

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £14,895,000 (2014 £11,704,000) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

13 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	327	205
Prepayments and accrued income	199	238
Total	<u><u>526</u></u>	<u><u>443</u></u>

14 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Payments received in advance	594	462
Trade creditors	83	72
Other taxation and social security	1	1
Accruals	1,526	1,611
Amounts owed to the Skills Funding Agency	1,051	237
Total	<u><u>3,255</u></u>	<u><u>2,383</u></u>

15 Deferred capital grants

	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2014	5,152	94	5,246
Released to income and expenditure account	(166)	(16)	(182)
At 31 July 2015	<u><u>4,986</u></u>	<u><u>78</u></u>	<u><u>5,064</u></u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

16 Revaluation reserve

	2015 £'000	2014 £'000
At 1 August	1,798	1,835
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(37)	(37)
	<hr/>	<hr/>
At 31 July	<u>1,761</u>	<u>1,798</u>

17 Restricted reserve

	2015 £'000	2014 £'000
Restricted reserve		
At 1 August and 31 July	<hr/> <u>1,066</u>	<hr/> <u>1,066</u>

18 Movement on general reserves

	2015 £'000	2014 £'000
Income and expenditure account reserve		
At 1 August	9,908	11,502
Deficit retained for the year	(1,341)	(454)
Transfer from revaluation reserve	37	37
Actuarial loss in respect of pension scheme	(489)	(1,177)
	<hr/>	<hr/>
At 31 July	<u>8,115</u>	<u>9,908</u>
Balance represented by:		
Pension reserve	(3,595)	(3,135)
Income and expenditure account reserve excluding pension reserve	11,710	13,043
	<hr/>	<hr/>
At 31 July	<u>8,115</u>	<u>9,908</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

19 Reconciliation of consolidated operating deficit to net cash (outflow)/ inflow from operating activities

	2015	2014
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation	(1,341)	(454)
Depreciation (notes 1 and 12)	523	325
Deferred capital grants released to income (note 15)	(182)	(38)
Loss on disposal of tangible fixed assets	143	4
Interest payable (note 9)	7	8
Interest receivable (note 5)	(62)	(168)
FRS 17 pension cost less contributions payable (notes 6 and 24)	(36)	(46)
(Increase)/decrease in debtors	(82)	152
Increase/(decrease) in creditors	872	515
	<hr/>	<hr/>
Net cash (outflow)/ inflow from operating activities	<u>(158)</u>	<u>298</u>

20 Returns on investments and servicing of finance

	2015	2014
	£'000	£'000
Other interest received	62	168
	<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance	<u>62</u>	<u>168</u>

21 Capital expenditure and financial investment

	2015	2014
	£'000	£'000
Purchase of tangible fixed assets	(3,726)	(6,788)
Deferred capital grants received	-	1,507
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	<u>(3,726)</u>	<u>(5,281)</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

22 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	At 31 July 2015 £'000
Cash in hand and at bank	8,512	(3,822)	4,690
Total	<u>8,512</u>	<u>(3,822)</u>	<u>4,690</u>

23 Cash flow relating to exceptional items

The Income and Expenditure Account includes an exceptional item for the Cancellation of Project costs in total of £59,000. The project is related to Stage II of the College's capital project and it is planned to go ahead in 2015/16 with a revised budget. In relation to the cancellation of the original project £143,000 capitalised expenditure was also written off as Loss on disposal of assets in the Income and Expenditure Account.

24 Pension and similar obligations

The College's employees belong to two principal pension schemes: 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 Hymans Robertson LLP. Both are defined-benefit schemes.

Total pension cost for the year	2015 £'000	2014 £'000
Teachers Pension Scheme: contributions paid	271	271
Local Government Pension Scheme:		
Contributions paid	318	324
FRS 17 charge	<u>(36)</u>	<u>(46)</u>
Charge to the Income and Expenditure Account (staff costs)	282	278
Total Pension Cost for Year	<u>553</u>	<u>549</u>

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

Contributions amounting to £1,000 (2014: £1,000) were payable to the scheme and are included in creditors.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations (continued)

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations (continued)

Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £271,000 (2014: £271,000)

FRS 17

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Borough of Richmond upon Thames Local Authority. The total contribution made for the year ended 31 July 2015 was £390,000, of which employer's contributions totalled £318,000 and employees' contributions totalled £72,000. The agreed contribution rates for future years are 19.1 per cent for employers plus a monetary amount of £100,000 and range from 5.5% to 7.5% cent for employees.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations (continued)

FRS 17

Principal Actuarial Assumptions

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

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.50%	3.50%
Rate of increase for pensions in payment / inflation	2.60%	2.70%
Discount rate for scheme liabilities	3.60%	4.00%
Inflation assumption (CPI)	2.50%	2.80%
Commutation of pensions to lump sums	25%	25%

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.20	22.20
Females	24.40	24.40
<i>Retiring in 20 years</i>		
Males	24.30	24.30
Females	26.90	26.90

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected for the year ended 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected for the year ended 31 July 2014	Value at 31 July 2014 £'000
Equities	6.6%	4,725	6.4%	4,276
Bonds	3.9%	1,385	4.1%	2,285
Property	4.7%	815	4.6%	737
Cash	3.6%	1,222	3.4%	74
Total market value of assets		8,147		7,372
Present value of scheme liabilities				
- Funded		(11,742)		(10,507)
Deficit in the scheme		(3,595)		(3,135)

Analysis of the amount charged to income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	282	278
Total operating charge	282	278

Analysis of pension finance costs

	2015 £'000	2014 £'000
Expected return on pension scheme assets	416	426
Interest on pension liabilities	(423)	(434)
Pension finance costs	(7)	(8)

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations (continued)

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

	2015	2014
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	190	(614)
Actuarial losses on scheme liabilities	(679)	(563)
Actuarial loss recognised in STRGL	<u>(489)</u>	<u>(1,177)</u>

Movement in deficit during year

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	(3,135)	(1,996)
Movement in year:		
Employer service cost (net of employee contributions)	(282)	(278)
Employer contributions	318	324
Net interest on assets	(7)	(8)
Actuarial loss	(489)	(1,177)
Deficit in scheme at 31 July	<u>(3,595)</u>	<u>(3,135)</u>

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000

Reconciliation of Liabilities

Liabilities at start of period	10,507	9,383
Service cost	282	278
Interest cost	423	434
Employee contributions	72	91
Actuarial loss	679	563
Benefits paid	(221)	(242)
Liabilities at end of period	<u>11,742</u>	<u>10,507</u>

Reconciliation of Assets

Assets at start of period	7,372	7,387
Expected return on assets	416	426
Actuarial gain/(loss)	190	(614)
Employer contributions	318	324
Employee contributions	72	91
Benefits paid	(221)	(242)
Assets at end of period	<u>8,147</u>	<u>7,372</u>

The estimated value of employer contributions for the year ended 31st July 2016 is £305,000.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £100,000 in 2015; £103,000 in 2016 and £106,000 in 2017 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	190	(614)	732	(205)	(258)
Experience gains and losses on scheme liabilities:					
Amount £'000	110	375	-	(130)	81
Total amount recognised in STRGL:					
Amount £'000	(489)	(1,177)	969	(1,334)	200

25 Post-balance sheet events

The College has entered into a Federation agreement with Hillcroft College on 1 August 2015, with the Principal of RACC being appointed as the Federation Principal.

26 Capital commitments

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	<u>1,019</u>	<u>1,010</u>
Authorised but not contracted at 31 July	<u>750</u>	<u>3,239</u>

27 Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	2015 £'000	2014 £'000
Other:		
Expiring within two and five years inclusive	<u>104</u>	<u>7</u>
	<u>104</u>	<u>7</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

28 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 £654; 1 governor (2014: £186; 1 governor). 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 (2014: None).

Transactions with the funding bodies and HEFCE are detailed in notes 2, 14 and 21.

29 Amounts disbursed as agent

Learner support funds

	2015	2014
	£'000	£'000
Funding body grants – hardship support	52	70
Funding body grants – childcare	65	86
Other Funding bodies grants	186	160
	<u>303</u>	<u>316</u>
Disbursed to students	(26)	(69)
Administration costs	(4)	(7)
Amount consolidated in financial statements	(55)	(74)
Balance unspent as at 31 July, included in creditors	<u><u>218</u></u>	<u><u>166</u></u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to income from Tuition Fees out of the Hardship support and income from Childcare support provided by the College's Crèche.