



Richmond Adult Community College

Annual Report and Financial Statements

31 July 2016

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

CONTENTS

Operating and Financial Review	3
Statement of Corporate Governance and Internal Control	17
Statement on Regularity, Propriety and Compliance	24
Statement of Responsibilities of the Members of the Corporation	25
Independent Auditor's Report to the Corporation of Richmond Adult Community College	27
Reporting accountant's assurance report on regularity to the Members of the Corporation of Richmond Adult Community College and the Secretary of State for Education acting through Skills Funding Agency	29
Statement of comprehensive income	31
Statement of changes in reserves	32
Balance Sheet as at 31 July	33
Statement of cash flows	34
Notes to the Financial Statements	35

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

1. The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 2016– 2019. 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 March 2016 the Corporation adopted the College's strategic plan for the period 1 August 2016 to 31 July 2019. The Corporation monitors the performance of the College against this plan, which is reviewed and updated each year.

The Strategic Plan 2016-19 sets out six key objectives. These are:

1. To achieve and maintain excellence in all teaching and learning activities
2. To provide an outstanding learner experience that creates a sustainable customer base for all RACC services
3. To increase learner participation by developing curriculum provision, services and progression pathways that meet the needs of learners seeking:
 - English, maths and basic vocational skills
 - Disability related support to access learning and achieve greater independence
 - Workforce and business development training and support
 - Routes to HE and higher vocational training
 - Wellbeing and personal development learning and activities
4. To develop a range of revenue generating services that complement the curriculum, college mission, meet local needs and finance bursaries
5. To establish RACC's Parkshot campus as a community hub for learning, enterprise and wellbeing
6. To create a federation of partner organisations which enhance learner experience and outcomes and help to achieve a financially sustainable future for adult learning

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 2015/16 and achievement of those objectives is addressed below.

Operating and Financial Review (continued)

Financial objectives

5. The College's financial objectives for 2015/16 budget were:

- for the annual operating deficit to be no greater than 15% of total income; the actual operating deficit was 14.7% of total income
- cash flows from operating activities to be positive; this was (£2,270k). This includes the payment of SFA Funding and Bursaries clawback for 2014/15 of £1,018k and the final account settlement for the main capital project of £755k.
- pay costs as a percentage of total income to be no greater than 77%; actual pay costs as a percentage of total income was 76.5% before FRS102 adjustments and 75% after FRS 102 adjustments.
- non funding body sources of income to be no less than 45.9% of total income; actual non funding body sources of income were 47.9%
- the minimum net current assets ratio to be no less than 1; actual net current assets ratio was 1.9
- cash days on hand to be no less than 97; actual cash days on hand was 121

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

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.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

7. The College incurred an operating deficit (deficit before other gains and losses) in the year of £876,000 (2014/15, deficit of £1,248,000 - restated).

The College has total net assets of just over £9,000,000 and cash balances of £1,939,000.

Cash balances reduced by £2.7 million primarily due to capital expenditure; SFA 2014/15 funding clawback in the year and the final account settlement with Bouygues of £755k (excluding retention).

Tangible fixed asset additions during the year amounted to £498,000 of which £425,000 was in respect of Phase II Parkshot capital project.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the funding bodies provided 53% of the College's total income – a decrease from the previous year (62% in 2014/15). Decreasing reliance on recurrent grants remains a key financial objective for the College.

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 settlement of the construction costs for the main capital project at Parkshot; the payment of the SFA Funding and Bursaries clawback for 2014/15 and the commencement of Phase II capital works there was a significant cash outflow during the year. This amounted to £2,751,000 compared to an outflow of £3,822,000 in 2014/15. Total capital expenditure in 2015/16 was £498,000. There were no capital grants received in the year.

Liquidity

10. The College had no borrowings at 31 July 2016 and is currently funded via reserves. It is intended that this will continue into the future.

Operating and Financial Review (continued)

Reserves Policy

11. The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. As at the balance sheet date, the Income and Expenditure account reserve stands at £6,211k, (2015: £8,099k). It is the Corporation's intention to increase reserves by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

12. 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. The College was able to achieve 100% of its SFA funding allocation.
13. 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 focused 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.
14. During 2015/16, provision also took place at local community venues and employer premises throughout Greater London. Income from tuition fees and other charges was £2.3 million, an increase of £432,000k compared to the previous year. The income from 24+ loans was on target (including the one off amount realised after the release of the overprovided clawback of the 24+ loans Bursary ALS and Area costs for 2014/15).

Student achievements

15. Students continue to achieve good outcomes at the College. Achievement and Retention on ACL and non-funded provision (73% of enrolments) is high, with 98% of learners retained and declaring on ILPs and self-evaluations that they had met their learning goals. 96% reported a positive impact on their confidence and self-fulfilment.

Achievement rates for the 27% of provision which was ASB-funded in 15/16 were below national rates in some SSAs, and managers have robust quality improvement plans in place.

Operating and Financial Review (continued)

Curriculum developments

16. During 2015/16 the College continued to develop its curriculum to respond to the needs of Richmond-upon-Thames and the surrounding areas. It used Community 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. There was a significant increase in the provision aimed at wellbeing, and successful completion of phase 1 of the Community Learning Mental Health Pilot Project.
17. 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 has been rated as 'Outstanding' in the 2015/16 SAR.
18. Existing provision for ESOL, including ESOL for Work, 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.
19. Additional provision was commissioned by CILS and LBRuT for Wellbeing activities, including Glass for Cancer Survivors, and the Multi-Faith Choir.
20. 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.
21. 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

22. 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 2015 to 31 July 2016, the College paid 87.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment in this period.

Operating and Financial Review (continued)

Future development

23. 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.

Following a review of the first year of operation of the Federation, the Governing Body of RACC and the Council of Hillcroft College agreed to explore the potential for a merger of the two Colleges. Both bodies at their respective meetings in December 2016 discussed a report on the feasibility of the potential merger. The Governing Body of RACC and the Council of Hillcroft College resolved to further develop plans for merger, subject to due diligence with a target date for implementation of 1 August 2017.

24. The Three Year (2016 – 2019) 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.
25. The College has projected its cash flows for the period up to July 2018 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 £13.9 million redevelopment.

Financial

The College had, at year end, £9 million of net assets (the pension liability is £4.7 million) and cash balances of £1.9 million.

People

The College employs 145 people (expressed as full time equivalents), of whom 80 are teaching staff.

Operating and Financial Review (continued)

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.

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 2016-2019. The most significant risk for the College in future years is the continuing decline in levels of funding for adult learners.

Strategic Plan 2016–2019

28. The main focus of the College's Strategic Plan 2016-19 is to provide a sustainable future for adult learning in Richmond and South West London by using RACC's expertise in the education of adults and the award winning, new and refurbished buildings on the Parkshot site to develop programmes that respond to local economic needs and to the needs of key learner groups. A mix of government funded employability, basic skills and retraining programmes and fee funded wellbeing, personal development provision and targeted fee funded training and services for Richmond's SMEs will diversify income and provide a broad and balanced curriculum that meets the wide range of local and regional learning needs.

Operating and Financial Review (continued)

The Parkshot adult learning campus serves as a creative and cultural hub with its Arts School, Theatre and gallery. The Richmond Business School curriculum is geared towards the needs of local SMEs and in 2016-19 further services such as a co-working facility will be developed to enable adult learners to progress to employment and self-employment.

The drive to achieve excellence in all areas and an Ofsted 'Outstanding' judgement will remain at the heart of all activities to ensure that learners from all backgrounds and abilities continue to achieve their potential. The development of partnerships that support the inclusion and progression of learners from disadvantaged backgrounds will remain a key focus of activity.

Financial Health

29. The College continues to have considerable reliance on government funding through the further education sector funding bodies. In 2015/16, 53% of the College's revenue (62% in 2014/15) was public funded. 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 2015/16, 47% of total income came from tuition fees and other contracts.

Increased expectations for the volume of income from 24+ loans students 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 improved slightly from 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 good financial health.

Operating and Financial Review (continued)

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 Adult Learner Loans
- By reviewing the current staffing structure on an ongoing basis in line with income
- By continuing work towards a revised business model for the College based on decreasing levels of grant funding.

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

Operating and Financial Review (continued)

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 and the GLA
- Government Offices
- 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

Operating and Financial Review (continued)

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 Disability Confident Employer standards.
- 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.
- 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.

All staff of the College and its partners are expected to demonstrate a positive attitude towards 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.

Operating and Financial Review (continued)


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;
- 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;

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 15th December 2016 and signed on its behalf by:



Louise Fluker
Chair

Key management personnel, board of governors and professional advisors

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Gabrielle Flint - Principal and CEO; Accounting officer

Shereen Sameresinghe - Deputy Principal (resigned April 2016)

Gaynor Bray - Vice Principal - Curriculum and Learner Services (Deputy Principal from May 2016)

Members of the Governing Body

A full list of Members of the Governing body is given on page 19 of these financial statements.

Sara George acted as Clerk to the Corporation throughout the period.

The College's bankers are:

HSBC Plc
South West London Commercial Centre
2nd Floor, Bank House, High Street,
Hampton Wick,
Kingston upon Thames, Surrey
KT1 4DA

Tel: 020 8250 6000

The College's Financial Statement and Regularity auditor is:

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Tel: 020 7556 1200

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

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 AoC's Code of Good Governance for English Colleges, which was adopted by the Governing Body in October 2015. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available.

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.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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 (2015/16)	Attendance record since appointment
Ms Louise Fluker (Chair of the Corporation)	22.01.09 Reappointed 15.12.11 Reappointed for one year 31.07.16	4 years (2 nd term)		Independent	Search & Governance (Chair)	6 of 6 Board meetings attended
Mr Mark Albrow	31.01.14	4 years		Independent	Quality & Standards Committee	6 of 6 Board meetings attended
Mr Richard Brewster	30.06.15	4 years		Independent	Audit Committee	5 of 6 Board meetings attended
Dr Vince Cable	31.07.15	4 years		Independent	Quality & Standards Committee	4 of 6 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)	21.07.16	Independent	Audit Committee (Chair)	3 of 6 Board meetings attended
Ms Gabrielle Flint	01.04.12	N/A	N/A	Principal & Chief Executive (ex officio)		6 of 6 Board meetings attended
Professor Andrew George	22.09.11 Reappointed 31.07.15	4 years (2 nd term)		Independent	Quality & Standards Committee (Chair)	3 of 6 Board meetings attended
Mr Gavin Hardcastle-Jones	31.03.15	4 years		Independent	Finance & Resources Committee	5 of 6 Board meetings attended
Ms Sarah Inigo-Jones	10.12.15	4 years		Student	Finance & Resources Committee	3 of 4 Board meetings attended
Ms Jane O'Shea	01.10.14	4 years		Independent	Search & Governance Committee	6 of 6 Board meetings attended

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Working Groups/Committees served (2015/16)	Attendance record since appointment
Ms Amanda Rowlatt CBE	01.08.10 Reappointed 16.07.14	4 years (2 nd term)		Independent	Audit Committee	6 of 6 Board meetings attended
Dr Michael Sevitt	28.11.08 Reappointed 11.07.12	4 years (2 nd term)	21.07.16	Independent	Search & Governance Committee Quality & Standards Committee	6 of 6 Board meetings attended
Mr David Sidonio	23.09.09 Reappointed 02.10.13	4 years (2 nd term)	03. 03.16	Independent	Finance & Resources Committee	4 of 4 Board meetings attended
Ms Lucy Southall	10.12.15	4 years		Staff	n/a	4 of 4 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 & Resources Committee (Chair)	6 of 6 Board meetings attended
Mrs Sara George was appointed Clerk on 1 August 2015.						

- It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
- The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel- related matters such as health and safety and environmental issues. The Corporation meets at least once in each term: in 2015/16 there were six Corporation meetings.
- The Corporation conducts some of its business through committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Search & Governance, Audit, Finance and Resources and Quality and Standards. 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
- 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.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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.
11. Members of the Corporation are appointed for terms of office not exceeding four years.

Search & Governance Committee

12. The Corporation has a Search & Governance Committee, consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. A vacancy for an Independent Governor existed within the Search & Governance Committee for the year 2015/16. The Corporation is responsible for ensuring that appropriate training is provided as required. 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 2016 are set out in note 7 to the financial statements.

Audit Committee

14. The Audit Committee comprises four members of the Corporation (excluding the Principal and Chair). There was one vacancy for an Independent Governor within the Audit Committee for the year 2015/16, however this was mitigated by the appointment of an independent member with audit experience who was not a governor of the College. The Committee operates in accordance with written terms of reference approved by the Corporation.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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 2016

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 2016 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 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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 2016

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 2016 meeting, the Corporation carried out the annual assessments for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

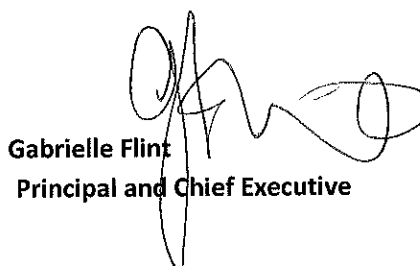
Going concern

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 15th December 2016 and signed on its behalf by:



Louise Fluker
Chair




Gabrielle Flint
Principal and Chief Executive

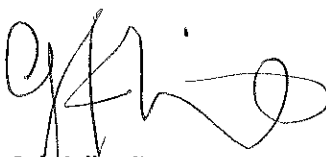
Statement on Regularity, Propriety and Compliance

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 15th December 2016 and signed on its behalf by:



Louise Fluker
Chair



Gabrielle Flint
Principal and Chief Executive

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 Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency and which give a true and fair view of the state of affairs and of the result 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 2016

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

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Louise Fluker', with a long horizontal stroke extending to the right.

Louise Fluker
Chair

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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 2016, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies and the 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), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of corporation and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 and of the College's deficit of income over expenditure for the year then ended.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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 jointly by the Skills Funding Agency and the Education Funding Agency, require us to report to you if, in our opinion:

- ◆ proper accounting records have not been kept;
- ◆ the financial statements are not in agreement with the accounting records and returns;
- ◆ all the information and explanations required for the audit were not received.

Buzzacott LLP

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

21 December 2016

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Reporting accountant's assurance report on regularity to the Members of the Corporation of Richmond Adult Community College and the Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 11 August 2016 and further to the requirements of the funding agreement with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Richmond Adult Community College during the period 1 August 2015 to 31 July 2016 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 line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Richmond Adult Community College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Richmond Adult Community College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Richmond Adult Community College and Skills Funding Agency 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 & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2015 to 31 July 2016 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 2016

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

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



Buzzacott LLP

Chartered Accountants
130 Wood Street
London
EC2V 6DL



RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Financial Statements

Statement of comprehensive income Year to 31 July 2016

	Notes	2016 £'000	2015 (as restated) £'000
Income			
Funding body grants	2	2,854	3,431
Tuition fees and education contracts	3	2,617	2,134
Other grants and contracts	4	52	10
Other income	5	408	184
Investment income	6	17	62
Total income		5,948	5,821
Expenditure			
Staff costs	7	4,460	4,634
Fundamental restructuring costs	7	55	56
Other operating expenditure	8	1,606	1,731
Depreciation	11	576	523
Interest payable	9	127	125
Total expenditure		6,824	7,069
(Deficit)/surplus before other gains and losses		(876)	(1,248)
Loss on disposal of assets	11	—	(202)
(Deficit)/Surplus before tax		(876)	(1,450)
Taxation	10	—	—
(Deficit)/surplus for the year		(876)	(1,450)
Unrealised surplus on revaluation of assets		—	—
Actuarial loss in respect of pensions schemes	20	(1,048)	(371)
Total Comprehensive Income for the year		(1,924)	(1,821)
Represented by:			
Restricted comprehensive income		—	—
Unrestricted comprehensive income		(1,924)	(1,821)
		(1,924)	(1,821)

The accompanying notes and policies form part of the financial statements

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Statement of changes in reserves Year to 31 July 2016

	Income and expend- -iture account £'000	Revalua- -tion reserve £'000	Restricted reserve £'000	Total £'000
Restated balance at 1 August 2014	9,883	1,798	1,066	12,747
Surplus/(deficit) from the income and expenditure account	(1,450)	—	—	(1,450)
Other comprehensive income	(371)	—	—	(371)
Transfers between revaluation and income and expenditure reserves	37	(37)	—	—
Total comprehensive income for the year	(1,784)	(37)	—	(1,821)
Balance at 31 July 2015	8,099	1,761	1,066	10,926
Surplus/(deficit) from the income and expenditure account	(876)	—	—	(876)
Other comprehensive income	(1,048)	—	—	(1,048)
Transfers between revaluation and income and expenditure reserves	36	(36)	—	—
Total comprehensive income for the year	(1,888)	(36)	1,066	(1,924)
Balance at 31 July 2016	6,211	1,725	1,066	9,002


The accompanying notes and policies form part of the financial statements

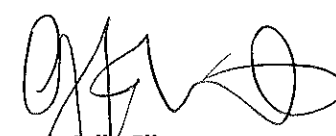
RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Balance sheet as at 31 July

	Notes	2016 £'000	2016 £'000	2015 (as restated) £'000	2015 (as restated) £'000
Fixed assets					
Tangible assets	11		17,562		17,640
Current assets					
Trade and other receivables	12	487		526	
Cash and cash equivalents	16	1,939		4,690	
		2,426		5,216	
Less: creditors - amounts falling due within one year	13		(1,428)		(3,375)
Net current assets			998		1,841
Total assets less current liabilities			18,560		19,481
Creditors - amounts falling due after more than one year	14		(4,825)		(4,944)
Provisions					
Defined benefit obligation	20		(4,733)		(3,595)
Other provisions	15		—		(16)
Total net assets			9,002		10,926
Restricted reserves			1,066		1,066
Unrestricted reserves					
Income and expenditure account			6,211		8,099
Revaluation reserve			1,725		1,761
TOTAL FUNDS			9,002		10,926

The financial statements were approved by the Corporation on 15th December 2016 and were signed on its behalf on that date by:


Louise Fluker
Chair


Gabrielle Flint
Principal

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Statement of cash flows 31 July 2016

	Notes	2016 £'000	2015 (as restated) £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(876)	(1,450)
Adjustment for non-cash items			
Depreciation		576	523
(Increase)/decrease in stocks		—	—
(Increase)/decrease in debtors		39	(83)
Increase/(decrease) in creditors due within one year		(1,947)	992
Increase/(decrease) in creditors due after one year		(119)	(302)
Increase/(decrease) in provisions		(16)	(9)
Pensions costs less contributions payable		(37)	(36)
Taxation		—	—
Adjustment for investing or financing activities			
Investment income		(17)	(62)
Interest payable		127	125
Taxation paid		—	—
Loss on sale of fixed assets		—	144
Net cash flow from operating activities		(2,270)	(158)
Cash flows from investing activities			
Proceeds from sale of fixed assets		—	—
Investment income		17	62
Payments made to acquire fixed assets		(498)	(3,726)
		(481)	(3,664)
Increase / (decrease) in cash and cash equivalents in the year		(2,751)	(3,822)
	Notes	2016 £'000	2015 (as restated) £'000
Cash and cash equivalents at the beginning of the year	16	4,690	8,512
Cash and cash equivalents at the end of the year	16	1,939	4,690

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2015 to 2016 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 23.

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

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

Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Transition to the 2015 FE HE SORP (continued)

Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

Basis of accounting

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

Going concern

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

The net current asset position was £998k at the year end.

The College is forecasting a small operating deficit for 2016/17. Notwithstanding, after careful consideration of its cashflow forecasts, the College is satisfied that it remains a going concern for the foreseeable future.

This is because the College anticipates that:

- ◆ On-going funding from the SFA will continue;
- ◆ It has significant cash reserves that can cover short term cashflow requirements as they arise;
- ◆ Robust recruitment arrangements plans to generate other income are in place;
- ◆ Strategy to further reduce the College's pay/income ratio;

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 2016

Notes to the Financial Statements (continued)

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102.

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.

Accounting for post-employment 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 20, 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 LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Land and buildings are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure 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 deemed cost.

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.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

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.

Provisions and contingent liabilities

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

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

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

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

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 22 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 2016

Notes to the Financial Statements (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Other key sources of estimation uncertainty

- **Tangible fixed assets**
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Local Government Pension Scheme**
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

2. Funding body grants

	2016 £'000	2015 £'000
Recurrent grants		
Skills Funding Agency	2,628	2,627
Education Funding Agency	90	511
Higher Education Funding Council	16	111
Specific grants		
Release of deferred capital grants (notes 13 and 14)	120	182
	2,854	3,431

3. Tuition fees

	2016 £'000	2015 £'000
Adult education fees	2,315	1,883
Fees for FE loan supported courses (24+ Loans)	265	211
Total tuition fees	2,580	2,094
Education contracts	37	40
	2,617	2,134

4. Other grants and contracts

	2016 £'000	2015 £'000
Other grants and contracts	52	10

5. Other income

	2016 £'000	2015 £'000
Other income generating activities	120	42
Rent income	98	8
Crèche income	86	47
Miscellaneous income	104	87
	408	184

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

6. Investment income

	2016	2015
	£'000	£'000
Bank interest receivable	17	62
	17	62
Net return on pension scheme (note 20)	—	—
	17	62

7. Staff costs

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

	2016	2015
	No	No
Teaching staff	80	76
Non- teaching staff	65	65
	145	141

Staff costs for the above persons:

	2016	As restated
	£'000	2015
		£'000
Wages and salaries	3,594	3,558
Social security costs	230	209
Other pension costs	599	553
Payroll sub total	4,423	4,320
Contracted out staffing services	37	314
Fundamental restructuring costs		
. Contractual	55	56
. Non contractual		—
Total staff costs	4,515	4,690

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, the Deputy Principal and the Vice Principal - Curriculum and Learner Services.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Staff costs (continued)

Key management personnel (continued)

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

	2016	As restated 2015
	No	No
The number of key management personnel including the Accounting officer was:	3	4

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
£50,001 - £60,000 p.a	—	1	—	—
£60,001 - £70,000 p.a	—	1	—	—
£70,001 - £80,000 p.a	2	1	—	—
£100,001 - £110,000 p.a	1	1	—	—
	3	4	—	—

Key management personnel emoluments are made up as follows:

	2016	As restated 2015
	£'000	£'000
Salaries	229	182
Employers National Insurance	26	19
	255	201
Pension contributions	36	26
Total contributions	291	227

The above emoluments for 2014/15 include amounts payable to the Deputy Principal for 10 months only. The post was vacant for two months during 2014/15 and agency cover was arranged.

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

Staff costs (continued)

Key management personnel (continued)

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

	2016 £'000	2015 £'000
Salaries	96	96
Employers NI	11	11
	107	107
Pension contributions	16	14
Total contributions	123	121

There was no compensation for loss of office paid to former key management personnel.

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

8. Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	623	629
Non-teaching costs	647	721
Premises costs	336	381
Total	1,606	1,731

Other operating expenses include:

	2016 £'000	2015 £'000
Auditor's remuneration		
. Financial statements audit	22	24
. Internal audit	17	16
Hire of assets under operating leases	25	11
	64	51

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

9. Interest payable

	2016	As restated
	£'000	2015
		£'000
Pension finance costs (note 20)	127	125

10. Taxation

No taxation charge arises from the activities of the College.

11. Tangible fixed assets

	Land and buildings £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 August 2015	18,526	1,293	19,819
Additions	446	52	498
Disposals	(14)	(721)	(735)
At 31 July 2016	18,958	624	19,582
Depreciation			
At 1 August 2015	1,310	869	2,179
Charge for the year	405	171	576
Elimination in respect of disposals	(14)	(721)	(735)
At 31 July 2016	1,701	319	2,020
Net book value at 31 July 2016	17,257	305	17,562
Net book value at 31 July 2015	17,216	424	17,640

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.

Governors have taken the decision to value the current valuation as deemed cost. The College does not believe that there has been any impairment to the valuation of the land and buildings since the date of the last valuation in 1994.

Land and buildings with a net book value of £14,758,000 (2015 £14,895,000) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

Notes to the Financial Statements (continued)

12. Debtors

	2016	2015
	£,000	£,000
Amounts falling due within one year		
Trade receivables	362	327
Prepayments and accrued income	125	199
	<u>487</u>	<u>526</u>

13. Creditors: amounts falling due within one year

	2016	As restated 2015
	£'000	£'000
Trade payables	768	677
Other payables	—	—
Other taxation and social security	1	1
Accruals and deferred income	539	1,526
Deferred income – government capital grants	120	120
Amounts owed to the Skills Funding Agency	—	1,051
	<u>1,428</u>	<u>3,375</u>

14. Creditors: amounts falling due after one year

	2016	As restated 2015
	£'000	£'000
Deferred income – government capital grants	4,825	4,944
	<u>4,825</u>	<u>4,944</u>

15. Other Provisions

	Group and College	
	Other	Total
	£'000	£'000
At 1 August 2015	16	16
Expenditure in the period	(16)	(16)
Additions in period	—	—
At 31 July 2016	<u>—</u>	<u>—</u>

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

The Other provisions relate to the Holiday accrual provision. Further details are given in Note 23.

Notes to the Financial Statements (continued)

16. Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	4,690	(2,751)	—	1,939
Overdrafts	—	—	—	—
	<u>4,690</u>	<u>(2,751)</u>	<u>—</u>	<u>1,939</u>

17. Capital and other commitments

	2016 Total £'000	2015 Total £'000
Commitments contracted for at 31 July	<u>75</u>	<u>1,019</u>
Authorised but not contracted as 31 July	<u>—</u>	<u>750</u>

18. Lease Obligations

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

	2016 Total £'000	2015 Total £'000
Other		
Not later than one year	2	—
Later than one year and not later than five years	129	104
Later than five years	—	—
	<u>131</u>	<u>104</u>

19. Events after the reporting period

Following a review of the first year of operation of the federation arrangement with Hillcroft College, the Governing Body of RACC and the Council of Hillcroft College agreed to explore the potential for a merger of the two Colleges. A report on the feasibility of the potential merger will be discussed by both bodies at their respective meetings in December 2016. If, in December, both bodies agree to proceed with merger plans then a target date for implementation will be 1 August 2017.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

20. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Richmond Upon Thames. Both are defined-benefit schemes.

	2016 Total £'000	2016 Total £'000	2015 Total £'000	2015 Total £'000
Teachers' Pension Scheme contributions paid		291		271
Local Government Pension Scheme:				
. Contributions paid	345		318	
. FRS 102 (28) credit	<u>(37)</u>		<u>(36)</u>	
Charge to the Statement of Comprehensive Income		308		282
Enhanced pension charge to Statement of Comprehensive Income		<u>—</u>		<u>—</u>
Total pension cost for year within staff costs		599		553

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.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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.

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 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 was implemented in September 2015.

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

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

Scheme Changes

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

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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.

Defined benefit obligations (continued)

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

The pension costs paid to TPS in the year amounted to £291,000 (2015: £271,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Richmond Borough of Richmond-upon-Thames Local Authority. The total contributions made for the year ended 31 July 2016 were £423,000, of which employer's contributions totalled £345,000 and employees' contributions totalled £78,000. The agreed contribution rates for future years are 19.1% for employers plus a monetary amount of £104,000 and range from 5.5% to 8.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.10%	3.50%
Future pensions increases	2.20%	2.60%
Discount rate for scheme liabilities	2.60%	3.60%
Inflation assumption (CPI)	2.20%	2.50%
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 2016	At 31 July 2015
Retiring today		
Males	22.20	22.20

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Females	24.40	24.40
Retiring in 20 years		
Males	24.30	24.30
Females	26.90	26.90

Defined benefit obligations (continued)

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

	Long term rate of return expected at 31 July 2016 %*	Value at 31 July 2016 £'000	Long term rate of return expected at 31 July 2015 %*	Value at 31 July 2015 £'000
Equity instruments	2.60%	5,511	6.60%	4,725
Gilts	2.60%	569	n/a	n/a
Bonds	2.60%	2,094	3.90%	1,385
Property	2.60%	884	4.70%	815
Cash	2.60%	93	3.60%	1,222
Total fair value of plan assets		9,151		8,147
Weighted average expected long term rate of return	2.60%		3.60%	
Actual return on plan assets		805		606

Principal Actuarial Assumptions

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

	2016 Total £'000	2015 Total £'000
Fair value of plan assets	9,151	8,147
Present value of plan liabilities	(13,884)	(11,742)
Net pensions (liability) / asset	(4,733)	(3,595)

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Defined benefit obligations (continued)

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

	2016 Total £'000	2015 Total £'000
Amounts included in staff cost		
Current service cost	308	282
Past service cost	—	—
Total	308	282
Amounts included in Interest and Other Finance costs	(123)	(125)
Pension finance costs	(4)	—
	(127)	(125)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	508	308
Experience losses arising on defined benefit obligations	—	110
Changes in assumptions underlying the present value of plan liabilities	(1,556)	(789)
Amount recognised in Other Comprehensive Income	(1,048)	(371)

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Defined benefit obligations (continued)

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

	2016 Total £'000	2015 Total £'000
Net defined benefit (liability) / asset in scheme at 1 August 2015	(3,595)	(3,135)
Movement in year:		
Current service cost	(308)	(282)
Employer contributions	345	318
Past service cost	—	—
Net interest on the defined (liability) / asset	(123)	(125)
Administration expenses	(4)	—
Actuarial gain or loss	(1,048)	(371)
Net defined benefit (liability) / asset at 31 July 2016	(4,733)	(3,595)

Asset and Liability Reconciliation

	2016 Total £'000	2015 Total £'000
Defined benefit obligations at start of period	11,742	10,507
Current service cost	308	282
Interest cost	420	423
Contributions by Scheme participants	78	72
Experience gains and losses on defined benefit obligations	—	(110)
Changes in financial assumptions	1,556	789
Estimated benefits paid	(220)	(221)
Past service costs	—	—
Curtailments and settlements	—	—
Defined benefit obligations at end of period	13,884	11,742

Changes in fair value of plan assets

	2016 Total £'000	2015 Total £'000
Fair value of plan assets at start of period	8,147	7,372
Interest on plan assets	297	298
Return on plan assets	508	308
Employer contributions	345	318

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Administration expenses	(4)	—
Contributions by Scheme participants	78	72
Estimated benefits paid	(220)	(221)
Fair value of plan assets at end of period	9,151	8,147

Notes to the Financial Statements (continued)

21. Related party transactions

Owing to the nature of the College's operations and the composition of the board of the 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 the 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. Transactions with the SFA are detailed in note 2.

The total expenses paid to or on behalf of the Governors during the year was £260 (2015: £654). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors meetings or charity events in their official capacity.

Other than as disclosed in note 7, no Governor received any remuneration or waived payments from the College diaries during the year (2015: £nil).

The College will disclose all related party transactions in accordance with the College's financial regulations. There were none in 2015/16 (2014/15: none).

22. Amounts disbursed as agent

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Learner Support Funds		
Funding body grants – hardship support	81	52
Funding body grants – childcare	incl. above	65
Other Funding bodies grants	41	186
Less: Disbursed to students	(116)	(81)
Less: Administration fee	(6)	(4)
Underspend/(Overspend) for the year	—	218
Net underspend/(overspend) for the year	—	218
Credited/(Charged) in the College's financial statements	103	55

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

23. Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1 August 2015 £'000	1 August 2014 £'000
Financial Position			
Total reserves under previous SORP		16,006	18,018
Employee leave accrual	(a)	(16)	(25)
Changes to measurement of net finance cost on defined benefit plans	(b)	—	—
Disclosure of government capital grants as deferred income		(5,064)	(5,246)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(5,080)	(5,271)
Total reserves under 2015 FE HE SORP		10,926	12,747

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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

	Note	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Financial performance			
Deficit for the year after tax under previous SORP		(1,341)	(454)
Movement of employee leave accrual	(a)	9	(25)
Pensions provision – actuarial loss	(c)	(371)	—
Changes to measurement of net finance cost on defined benefit plans	(b)	(118)	—
Total effect of transition to FRS 102 and 2015 FE HE SORP		(480)	(25)
Total comprehensive income for the year under 2015 FE HE SORP		(1,821)	(479)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year currently runs to 31st July each year for both teaching and non-teaching staff meaning that, at the reporting date, there was no material number of days unused leave left to carry forward. The annual leave year previously run to 31 March each year for non-teaching staff and 31st July for teaching staff. The cost of any unused entitlement was therefore recognised in the period in which the employee's services were received. An accrual of £25,000 was recognised at 1 August 2014, which reduced to £16,000 at 31 August 2015. Following a re-measurement exercise in 2015/16 and as a result of aligning the annual leave year for all staff to the College's financial year, the provision has been released in full to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

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

RICHMOND ADULT COMMUNITY COLLEGE
Financial Statements for the Year Ended 31 July 2016

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

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

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