Richmond upon Thames College

Building Futures ◆ Achieving Ambitions

Report and Financial Statements for the year ended 31 July 2016

RICHMOND UPON THAMES COLLEGE

Report and Financial Statements
for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Robin Ghurbhurun - Principal and CEO; Accounting Officer, Nanda Ratnavel - Deputy Principal,
John O'Shea - Vice Principal, & Alison de Lord - Director of HR & OB

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

Clare Thornes acted as Clerk to the Corporation throughout the period.

Professional Advisers
Financial statement auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:
RSM UK
66 Chiltern Street
London
W1U 4JT

Bankers:
National Westminster Bank plc
25 King Street
Twickenham
Middlesex, TW1 3SU

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

Solicitors:
Eversheds
Senator House
85 Queen Street
London
EC4V 4JL

RICHMOND UPON THAMES COLLEGE

Report and Financial Statements
for the year ended 31 July 2016

CONTENTS **PAGES**

Richmond upon Thames College

Strategic Report

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

Nature, Objectives and Strategies

Legal Status

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

Mission

Governors reviewed the College's mission during 2015/16 and in November 2015 adopted a revised Purpose and Vision statement as follows:

Purpose: To drive aspiration, ambition and achievement

Vision: A college that enhances careers and life chances with inspired provision and a commitment to our community values of mutual respect, honesty, integrity and personal accountability.

Public Benefit

Richmond upon Thames College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The delivery of public benefit is covered throughout the Strategic Report.

Implementation of Strategic Plan

Richmond upon Thames College (RuTC) is rapidly evolving through a significant transition in its history, driven by a strong commitment to its Strategic Plan, Richmond 2020, launched in Autumn 2015. The strategy seeks to establish RuTC as a regional hub of academic, professional, technical and vocational excellence. Following a historic period of financial and quality underperformance, the Strategic Plan places emphasis on swift improvements in these two key critical areas to maintain confidence in provision and future sustainability.

By 2020, Richmond upon Thames College will deliver:

- Academic, professional and technical learning for 14 – 18-year-olds
- Access to Higher Education
- Sub-degree and Higher Education
- Traineeships and Apprenticeships
- Professional and technical education and training for adults seeking employment
- Workforce development for employers
- Learning for personal development and leisure

By 2020, the strategy aims for Richmond upon Thames College to achieve:

- 90th percentile success rates
- Turnover at £20 million +
- Ofsted outstanding
- Destination of choice for staff and students

The College continues to make good progress with improvements on its key areas for development since the Ofsted Inspection in 2015.

Current overall performance for student outcomes has increased year on year since 2014 in particular 16-18 Vocational programmes (80% of provision), Apprenticeships, Adults, HE and GCSE English and maths. Nine out of twelve vocational sector areas are in-line or in some cases significantly above the national achievement rates with GCSE English and maths performance significantly above.

Governors and the Executive have a clear expectation that greater efficiencies in delivery of the business are required, including rationalisation of unsustainable provision whilst seeking to maximise opportunities for provision focussed on meeting the demands of the local economy. This relentless focus on delivery costs has delivered a year on year improvement in reducing the College's financial deficit with an anticipated surplus forecast for 2016/17. It is anticipated this position will be further improved through curriculum rationalisation within the College's academic provision for the start of 2017/18.

The curriculum offer continues to evolve with clear progression pathways from Level 1 to Level 4 and 5 across a number of sector skills areas. The continued development and growth of vocational and professional provision will be further enhanced by the considerable investment in a new College campus (£80M) which will include specialist delivery in the following high priority areas; Advanced Engineering, Low Carbon Automotive, Renewable Construction, Applied Science, Sports Fitness/Science, Performing Arts, Digital and Creative Media and Hospitality and Leisure.

The College will continue to deliver curriculum provision where it is consistently good alongside new specialist areas of provision within a rationalised more efficiently maintained estate from 2018/19.

The College's stakeholder engagement is excellent with strong support for its on-going improvements with a key emphasis on maintaining a regional student recruitment pattern serving London whilst being recognised for improving performance locally. This support is demonstrated by endorsement from the local authority, local Member of Parliament, local and national employers, local schools (increase in 14-16 provision at College), local universities, newly appointed governing body members from industry and government, the GLA and LEP.

The College has refreshed its Governance with six new appointments (Autumn 2016) to reflect the realignment of College services to seize the commercial and industry facing opportunities outlined within the strategy alongside added strength in risk and audit scrutiny associated with the strategic challenges.

Strengths in 2015/16

- Good and much improved outcomes for level 3 vocational students and for those on Award programmes of study
- Good outcomes for adult students and very good outcomes for students with high needs
- Good and some very good outcomes on 16-18 programmes of study in music, hospitality, travel and tourism, engineering, construction and sport
- High quality professional development has secured improvements in teaching, learning and assessment in a number of areas including technology, engineering, construction, hospitality, travel and tourism and sport
- Strong strategic priority given to improve our students' level of English and maths skills has led to significantly improved English GCSE high grades
- Very good progression of our students to further or higher education which is significantly above the FE college average
- Excellent employer feedback from employers regarding apprenticeship provision, which is well above the satisfaction score for FE colleges and private training providers
- Excellent support for our students with special educational needs ensures they are well prepared to become more independent and progress into further education or work
- Very good support and promotion of all aspects of student support behaviour and welfare

Priorities for 2016/17

- Quality improvement focus on AS and A level student retention and high grades
- Improve the value we add to our students from their starting points across all programmes of study
- Strong fiscal management securing forecast budget and achieveing satisfactory financial health
- Implementation of the Campus redevelopment scheme against programme schedule

The College's Corporate Objectives for 2016/17 will be to:

- meet our recruitment and financial targets
- secure student achievement rates to place us in the top 40% of GFE Colleges
- ensure a customer first culture, respecting and valuing our differences and the things we have in common, to strengthen inclusion
- invest in our staff to prepare for the challenges and opportunities facing the sector
- protect the stakeholder experience during a period of campus transition.

Performance indicators

Measure	2015/16 target	2015/16 Performance
Adult Single Budget	£1,182,535	£1,216,959
Apprenticeships (all ages)	£505,000	£474,000
HE tuition fee income	£205,000	£171,286
Surplus/(Deficit) before restructure costs	£529,000	£686,830
Staffing costs as a % of income	73%	73%
Cash days in hand (excl. advance and exceptional costs)	-10.6 days	1.37 days
Non grant-funded income as % of total income	12%	7%
Current ratio (excl. advance)	>0.02	0.18

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The College is assessed by the Skills Funding Agency as having an "Inadequate" financial health grading. During 2015/16, the College was placed under financial intervention by the Joint Intervention team and has seen improvement to the underlying financial position. In 2016/17, the College is forecasting a score of "satisfactory" and is on target to maintain this grade.

Financial Results

The Group generated a deficit before other gains and losses in the year of £2,206k (2014/15, £562k), with total comprehensive income of (£5,098k), (2014/15 - (£1,598k)). The total comprehensive income in 2015/16 is stated after accounting for accelerated depreciation, £1,809k arising from demolition of heritage buildings.

The Group has accumulated reserves of £1,375k and cash and short term investment balances of £615k. The Group recognises negative reserves due to the demolition of existing buildings and recognises that reserves position will not improve until 2017/18 when the new build is in progress.

Tangible fixed asset additions during the year amounted to £751k. This was split between land and buildings acquired of £271k and equipment purchased of £480k.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 87% of the Group's total income.

The College has a subsidiary company, RUTC Trading Services Limited. The principal activity of RUTC Trading Services Limited is carrying out commercial activities ancillary to the operations of Richmond upon Thames College, the parent organisation. The activities result from the provision of education and by making available the facilities of Richmond upon Thames College. Any surplus generated by the subsidiary is transferred to the College under gift aid. In the current year, the surplus generated was £152k.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place which is reviewed annually. Currently short term borrowing for temporary revenue purposes is authorised by the Deputy Principal and the Head of Finance. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the Skills Funding Agency/EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the SFA. The College used an overdraft facility of £750,000 from February - April 2016 and will require the same level of overdraft between November - April in 2017.

Cash Flows & Liquidity

At £942k, the operating cash flow from operating activities was adequate. However, due to ongoing redevelopment project, the cash advanced from the sale of land, £2,875k was not adequate to meet the cost of demolition and decant work hence a decrease of £2,755k in cash during the year.

Reserves Policy

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. The College currently holds £141k (2015: £141k) of restricted reserves. As at the balance sheet date, unrestricted reserves stand at £1,234k (2015: £6,332k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Current and Future Development and Performance

Student numbers

In the year 2015/16 the College enrolled and retained 2,349 (excl. Apprenticeships, Sub-Contracted and HE) 16-18-year-old students and 60 adult students. The number of vocational programmes has continued to increase, with these qualifications representing 67% of the College offer. Academic (A level) representing 33% across the 16-18 age group. The funding generated by these students was £14,509k inclusive of High Needs element 2.

The Adult Single Budget is no longer expressed in terms of learner numbers but focuses primarily on the funding value. Total income for 2015/16 was £1,579,959 this was £125,535 less than the final allocation £1,705,495 for the 2015/2016 academic year as per the funding claim reconciliation statement.

Student achievements

- Vocational qualification achievement rates (67% of our provision) with the exception of the Diploma qualifications have all improved. There are still results outstanding across the Diploma qualifications
- Vocational Award and Certificate qualifications have improved in comparison to 2014/15 and the Award is above national average across both age groups
- There have been significant improvements at level 3, across the 16-18 age group, a 5.2% increase
- The percentage of high grades on vocational programmes has increased by at least 3%
- Maths and English GCSE are improving, GCSE English grades A*-C most significantly with 65% of students achieving a grade A*-C

- The International Baccalaureate qualification achieved an overall achievement rate of 96.6%, this is 20% above the national average
- AS and A2 levels have declined despite 30 subjects achieving a 100% pass. This is in the main due to science, maths and computing courses

Curriculum developments

To enable all learners to progress to their highest level of study is at the heart of the College's strategic plan, and responds to GLA economics forecast for rapidly increasing demand for higher vocational skills. The college curriculum review continues to both rationalise and re-align its offer to 16-18 year olds and adults to provide:

- high quality priority vocational and academic specialisms to ensure learners have the skills and employment opportunities to meet demand and gain sustainable jobs.
- new specialist facilities which will both meet industry standards and embed a new college ethos for higher technical skills.
- from an existing high base of Level 3 provision a significant increase in the volume of level 3 enrolments for the new vocational specialisms as a proportion of the overall intake and, therefore, greater progression into level 4 and higher skill employment opportunities.
- an increase of its overall market share of L3 and L4 enrolments as a percentage of all learners in new vocational settings from an existing high base of over 80% (16-18) and 26% (19+).
- a more distinctive A level pathway will result in a reduced traditional A level cohort situated within a new state of the art sixth form centre. This reduction in A level provision will be replaced by growth in higher level and distinctive vocational provision.
- a curriculum model that will embrace the opportunities presented through the Post-16 Skills Plan and reform of technical education. All A-level study programmes will require a work related element and academic sixth-form learners will be integrated within the whole campus approach to vocational excellence.
- increased partnerships with HEI's as 'validating partners' to allow the College to offer new industry led higher qualifications at Level 4 and 5, and this will be consistent with the Government review of higher education and the recommendation for greater HE in FE.
- a culture of parity of esteem will be demonstrated by the high specification facilities and employer led teaching methodologies to stimulate the necessary growth for technical level and higher-level apprenticeship standards with well-planned progression pathways into employment with onward skills developments and opportunities.
- an increased offer for work experience, internships and apprenticeships at both 16-18 and 19+; capacity for local employer engagement will grow through access to the new facilities, delivery of business sector seminars and SME services.
- An opportunity to build upon its current growth in apprenticeship provision judged as 'Good' by Ofsted which includes exploration of collaborative apprenticeship models with other providers in particular the local adult community college and its Business School. The most recently published FE Choices (2016) survey of Employer satisfaction highlights 85% of Employers are satisfied with the College's provision. (10% higher than the National Average)
- an opportunity to flip students (16-18) from Year 1 main study programmes to Apprenticeship pathways where appropriate including January starts and transition points for non-College students within the local area.
- a restructured Business Development team to maximize engagement and the opportunity with Apprenticeship Levy paying employers in preparation for the 2017 transition in funding. The focus is on recruitment, upskilling of existing staff, creation of feeder 'Traineeship' programmes and higher learning.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of the goods or services or the date on which the invoice was received. The target set by the Treasury for payment of suppliers within 30 days is 95%. During the accounting period 1 August 2015 to 31 July 2016, the College paid 71% of supplier invoices by volume and 79% by value within 30 days.

Future prospects

With planning permission and capital funding secured, construction commences in December 2016 delivering a rationalised College estate with more effective use of specialist industry led facilities (2018-2019), a new 11-16 free school (2017), an SEN school (2017) and a major employer hub for the digital and creative sector (2019). Through joint curriculum planning and delivery with the Schools the expectation is that students will feed into the College from 2023 at Year 12. The campus redevelopment has thus far secured significant employer endorsement including co-location of resources, curriculum investment and design, occupational expertise, sponsorship and emerging commercial educational operating models for maximising future revenue.

The College's stakeholder engagement is excellent with strong support for its on-going improvements with a key emphasis on maintaining a regional student recruitment pattern serving London whilst being recognised for improving performance locally. This support is demonstrated by endorsement from the local authority, local Member of Parliament, local and national employers, local schools (increase in 14-16 provision at College), local universities, newly appointed governing body members from industry and government, the GLA and LEP.

The College has refreshed its Governance with six new appointments (Autumn 2016) to reflect the realignment of College services to seize the commercial and industry facing opportunities outlined within the strategy alongside added strength in risk and audit scrutiny associated with the strategic challenges.

The College is committed to working alongside providers to secure delivery efficiencies, investment opportunities and a responsive curriculum during and beyond the area review process whilst minimising risk to its strategic delivery ambitions.

The financial health of the College is on target to be Good in 2017/18 and Outstanding in 2019/20. In line with student recruitment performance to date the College has reassessed against its current baseline the forecast grant funding growth assumptions and associated costs to deliver stronger liquidity and sustainable surpluses for continued investment.

The Area Review of London South Colleges will recommend that Richmond upon Thames College is to remain as a stand-alone further education college, with a recommendation to review that position summer 2017 with the Department for Education, taking account of the College's July 2017 financial plan, and to pursue options for further collaboration, up to and including a merger, should it be clear, by that time at the latest, that such action is required to secure the viability of local provision.

In addition, Richmond upon Thames College is to explore with Richmond Adult Community College the development of a business development unit. The new business development entity will co-locate services, delivery and administration staff under one brand to maximise opportunities and revenue through: Apprenticeship training; professional and employer based mandatory training programmes; access to learning loans provision and progression to Higher Education; corporate team building programmes; SEN placement and internship programmes; and career transition and response to redundancy programmes.

Events after the end of the reporting period

No significant events have occurred post balance sheet.

RESOURCES

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

Tangible resources include the College's 22 acre site and the estate contained therein.

Financial

The College has £1.17m million of net assets (including £13.08m million pension liability).

People

At the end of 2015/16 the College employed 322 people (expressed as full time equivalents) of whom 166 are teaching staff. The average number of people employed for the year 2015/16 is 303 (expressed as full time equivalents) of whom 148 are teaching staff.

Reputation

The College is currently a major provider of education for 16 - 19 year olds in the Borough. Its good reputation allows it to also attract significant and increasing numbers from neighbouring and other London boroughs.

Principal risks and uncertainties

The College continues to embed systems of internal control, including financial, operational and risk management designed to protect the College's assets and reputation.

The College Management Team regularly undertakes a comprehensive review of the risks to which the College is exposed. Members identify systems and procedures, including specific actions to mitigate risks to the College and internal controls are then implemented. Subsequent appraisals review the effectiveness and progress of risk mitigation actions.

The College risk register is updated termly by the College Management Team and reviewed at each Audit Committee meeting. Risks that fall within the remit of each Committee are discussed at meetings of the Finance and Resources and the Curriculum, Quality and Standards Committees.

Listed below are the principal risks identified as likely to affect the College and the mitigating actions being undertaken to address them.

- **Failure to prevent a decrease in 16 – 18 student numbers leading to a reduction in income**
  Richmond upon Thames Borough's plans for sixth forms in all borough secondary schools was realised in September 2014. The enrolments for 2015/16 and 2016/17 reflects this and the plans for 2017/18 and beyond has taken this into account, however, reaching target enrolment numbers is increasingly challenging.

- **Failure to prevent declining success rates**
  Declining success rates adversely affect the College's reputation and therefore its ability to attract students and funding. Steps are now in place to ensure improved student success.

- **Failure to improve on the "Requires Improvement" Ofsted grade**
  This too will adversely affect the College's reputation and therefore its ability to attract

students and funding. Improvements have been made with the intention that the College maintains as a minimum a 'Requires Improvement' grade rapidly moving to 'Good'.

- **Failure to achieve the College budget**
  The College has a high staff cost to income ratio. With income reductions, this continues to remain high despite cost reductions. The College continues to work to bring its staff costs to a level in line with sector averages.

- **Failure to sustain positive cash balances**
  The challenges of operating within a reducing income envelope are that if costs are not sufficiently contained, the operating position will cause the College to rely on bank overdrafts. The College obtained agreement to overdraft facilities during part of the year from its bankers but is predicting that it will retain a positive balance during 2016/17 and is working on income generation and cost reduction in future years to sustain this position.

- **Deteriorating infrastructure**
  Lack of available cash or holding back waiting for the redevelopment to be completed may delay ongoing maintenance leading to deterioration of the estate and business critical infrastructure. This may cause health and safety concerns or create an environment that leads to difficulties in recruiting students and an inability to deliver a contemporary curriculum.

The College is undertaking the following mitigating actions to address these areas of risks:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies
- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Appropriate maintenance plans in place to address compliance and best practice. Planned preventative maintenance plan is in place and work regularly carried out. Decant, demolishment and design work is on plan.

Stakeholder Relationships

The College strategy, Richmond 2020, includes a focus on Stakeholders as a theme with clear objectives and performance indicators articulated over its lifetime.

In line with other Colleges and with universities, Richmond upon Thames College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- HE institutions

The College recognises the importance of these relationships and engages in regular communication through stakeholder forums including community and employer based.

Equal Opportunities and Employment of Disabled Persons

The College is committed to ensuring equality for all who learn and work here. We respect and positively value differences. The College's Equal Opportunities Policy is published on the College's Internet Site and the Single Equality Scheme is available on the College website. The policy will be resourced, implemented and monitored on a planned basis.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

In 2016 the College launched a refreshed Equality and Diversity Action plan which focusses on Access, Treatment and Service.

Disability Statement

The Corporation first approved a revised Disability Statement at its meeting in March 2006. This was updated in January 2010 and most recently in October 2012. The Statement seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 and in particular makes the following commitments:

a) To update its disability statement annually.

b) To conduct a preliminary information interview for students with learning support needs, at which their needs are assessed. It is also possible prior to this to seek advice at an early stage in the enrolment procedure to discuss suitable courses.

c) To provide a range of education facilities and support. There are discrete courses for students with learning difficulties and/or disabilities with specialist teachers and in class support. There is additional support for students requiring personal care, 1:1 support and students with physical and visual impairments. Speech and language therapy, occupational therapy and ASD support is also available.

d) That a team, including dyslexia specialists, is available to provide support to students with a wide range of additional support needs. Help may be in the classroom, workshops or in 1:1 sessions.

e) To make special exam arrangements. Once the need is known then arrangements can be made for an educational psychologist or medical practitioner to provide the necessary supporting documentation for the exam board.

f) To provide other support. A team of First Aiders provides back up and responds to routine First Aid calls. Student Services can offer the support of counsellors and advice on benefits and financial help. The College also has links with a range of local organisations and voluntary bodies which can provide support.

g) Provision of car parking facilities for students with disabilities at the front of the College by the Reception entrance and disabled toilet facilities.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:

B Gilgallon - Chair   Date

Members of the Corporation

The members who served the Corporation during 2015/16 and up to the date the financial statements were approved are:

Governor	Date of appointment	Date of resign'n/End of term of office	Status of appointment	Committees served	Attendance at Corporation Board meetings
Cathy Bird	February 2012		Independent	GSR, F&R, CQS, SL	5/5
Tajay Bryan	March 2015	February 2016	Student	CQS, SL	1/3
Gergana Duff	December 2011		Independent	F&R	4/5
L-J Ease Reynolds	July 2015		Independent	A	4/5
Robin Ghurbhurun	August 2014		Chief Executive/ Principal	F&R, CQS, SL	4/5
Barbara Gilgallon	October 2010		Independent	CQS, GSR	5/5
Darren Keenan	March 2015	February 2016	Student	SL, CQS	1/3
Paul Leonard	October 2010		Independent	SL, GSR	4/5
Peter Llewellyn	March 2012		Independent	F&R, GSR	4/5
Michael Morley	July 2015		Independent	A	4/5
Sally Newton	September 2014		Co-opted	CQS	5/5
Rob Pope	July 2014		Independent	SL, CQS, A	5/5
Ezra Smith	March 2016		Student	CQS,SL	1/1
Rebecca Veazey	September 2012	September 2015	Independent	F&R	4/5
Daniel Volovsek	July 2015		Staff	F&R, SL	4/5
Lucy Watson	October 2014		Independent	A	4/5
Gareth Watts	December 2011	December 2015	Staff	A, CQS	5/5
Shannon White - Reeves	March 2016		Student	CQS, SL	0/1

A = Audit
GSR = Governance Search and Remuneration
CQS = Curriculum, Quality and Standard
F&R = Finance and Resources
SL = Student Liaison

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and

iii. 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. In carrying out its responsibilities, the Board takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it adopted in March 2012.

This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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

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

The Corporation

The members who served the Corporation during the year were as set out on page 15. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Search, Governance, Finance and Resources, Remuneration, Curriculum, Quality and Standards, Employment, and Student Liaison. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.rutc.ac.uk or from the Clerk to the Corporation at:

Richmond upon Thames College
Egerton Road
Twickenham
Middlesex TW2 7SJ

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

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

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

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

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Corporate Performance

Governors conduct an annual review of their performance and are asked to assess themselves against certain criteria and after completing the review Governors are invited to attend a review meeting with the Chair and Vice Chair of the Corporation to review their performance.

Remuneration Committee

Throughout the year ended 31 July 2016, the College's Remuneration committee comprised of four Governors. The Committee's responsibilities are to make recommendations to the Corporation on the objectives, remuneration and benefits of the Principal and other senior postholders and the Clerk to the Corporation.

Details of key management personnel remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Principal). The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/Financial Agreement between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, and economically. The system of internal control has been in place in Richmond upon Thames College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

The system of internal financial 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

Richmond upon Thames College receives an internal audit service, which operates in accordance with the requirements of the main funding bodies Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements and regularity auditors and the appointed funding auditors in their management letters and other reports

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

The Senior Leadership 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 Leadership Team and the Audit Committee also receive regular reports from internal audit, and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2016 meeting, the Corporation carried out the annual assessment 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.

Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

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

The College has secured planning permission and capital funding for a new build. The construction commences in December 2016 delivering a rationalised College estate with more effective use of specialist industry led facilities (2018-2019), a new 11-16 free school (2017), an SEN school (2017) and a major employer hub for the digital and creative sector (2019). Through joint curriculum planning and delivery with the Schools the expectation is that students will feed into the College from 2023 at Year 12. The campus redevelopment has thus far secured significant employer endorsement including colocation of resources, curriculum investment and design, occupational expertise, sponsorship and emerging commercial educational operating models for maximising future revenue.

The College's stakeholder engagement is excellent with strong support for its on-going improvements with a key emphasis on maintaining a regional student recruitment pattern serving London whilst being recognised for improving performance locally. This support is demonstrated by endorsement from the local authority, local Member of Parliament, local and national employers, local schools (increase in 14-16 provision at College), local universities, newly appointed governing body members from industry and government, the GLA and LEP.

The College has refreshed its Governance with six new appointments (Autumn 2016) to reflect the realignment of College services to seize the commercial and industry facing opportunities outlined within the strategy alongside added strength in risk and audit scrutiny associated with the strategic challenges.

The College is committed to working alongside providers to secure delivery efficiencies, investment opportunities and a responsive curriculum during and beyond the review process whilst minimising risk to its strategic delivery ambitions.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:

B. Gilgallon Chair of the Corporation	R. Ghurbhurun Accounting Officer
Date:	Date:

Richmond upon Thames College

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

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

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

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

B. Gilgallon	R. Ghurbhurun
Chair of the Corporation	Accounting Officer
Date:	Date:

Richmond upon Thames College

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *Accounts Direction for 2015/16 financial statements* issued jointly by the Skills Funding Agency and the EFA and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to 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 such steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for purposes intended by Parliament and that 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 sufficient to safeguard public and other funds and ensure that they are used properly. In addition, Members of the Corporation are responsible for securing the 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.

Signed on behalf of the Corporation

B. Gilgallon
Chair Date:

Independent Auditor's Report to the Corporation of Richmond upon Thames College

We have audited the Group and College financial statements ("the financial statements") of Richmond upon Thames College for the year ended 31 July 2016, which comprise the Group statement of comprehensive income, the Group statement of changes in reserves, the Group and College balance sheets, the Group statement of cashflows, the principle accounting policies and related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), 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, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Richmond upon Thames College and Auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition we read all the financial and non - financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Going Concern

The financial statements have been prepared on a going concern basis. In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the financial position of the College. Details of the circumstances relating to the going concern position are described in the principal accounting policies and we consider that these disclosures need to be brought to the members' attention in view of their significance. Our opinion is not qualified in this respect.

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 Group's and of the College's affairs as at 31 July 2016 and of the Group's deficit of expenditure over income for the year then ended.

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 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; and
- all the information and explanations required for the audit were not received.

Buzzacott LLP, Date
Charted Accountants and Registered Auditor
130 Wood Street, London, EC2V 6DL

Reporting accountant's assurance report on regularity

To: The Corporation of Richmond upon Thames College and Secretary of State for Education acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency.

In accordance with the terms of our engagement letter dated 29 April 2016 and further to the requirements of the Financial Memorandum with Skills Funding Agency and funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Richmond upon Thames 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 and Education Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Richmond upon Thames College and the Skills Funding Agency and the Education 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 upon Thames College and Skills Funding Agency and the Education 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 upon Thames College and Skills Funding Agency and the Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Richmond upon Thames College and the reporting accountant

The Corporation of Richmond upon Thames 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 the Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw 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, Date
Charted Accountants and Registered Auditor
130 Wood Street, London, EC2V 6DL

Richmond upon Thames College

Consolidated Statements of Comprehensive Income for the Year Ended 31 July 2016

	Note	Group 2016 £'000	College 2016 £'000	Restated Group 2015 £'000	Restated College 2015 £'000
Income					
Funding body grants	2	14,509	14,509	16,247	16,247
Tuition fees and education contracts	3	1,192	1,192	1,395	1,395
Other income	4	1,025	992	700	656
Investment income	5	4	4	3	3
Total income		**16,730**	**16,697**	**18,345**	**18,301**
Expenditure					
Staff costs	6	12,364	12,333	12,917	12,877
Fundamental Restructuring Costs	6	71	71	63	63
Other operating expenses	8	3,821	3,819	4,350	4,347
Depreciation	12	2,332	2,332	1,213	1,213
Interest and other finance costs	9	348	348	364	364
Total expenditure		**18,936**	**18,903**	**18,907**	**18,864**
Deficit before other gains and losses		(2,206)	(2,206)	(562)	(562)
Taxation	10	-	-	-	-
(Deficit)/surplus for the year		**(2,206)**	**(2,206)**	**(562)**	**(562)**
Actuarial loss in respect of pension schemes	19	(2,892)	(2,892)	(1,036)	(1,036)
Total comprehensive Income for the year		**(5,098)**	**(5,098)**	**(1,598)**	**(1,598)**
Represented by:					
Unrestricted comprehensive Income for the year		(5,098)	(5,098)	(1,598)	(1,598)
		(5,098)	**(5,098)**	**(1,598)**	**(1,598)**

Richmond upon Thames College
Consolidated Statement of Changes in Reserves

	Income and expenditure account	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Restated Balance as at 1 August 2014	(4,604)	141	12,534	8,071
(Deficit) from the income and expenditure account	(562)	-	-	(562)
Other comprehensive income	(1,036)	-	-	(1,036)
Transfers between revaluation and income and expenditure reserves	157	-	(157)	-
	(1,441)	-	(157)	(1,598)
Restated Balance as at 31 July 2015	**(6,045)**	**141**	**12,377**	**6,473**
(Deficit) from the income and expenditure account	(2,206)	-	-	(2,206)
Other comprehensive income	(2,892)	-	-	(2,892)
Transfers between revaluation and income and expenditure reserves	1,956	-	(1,956)	-
Total comprehensive income for the year	(3,142)	-	(1,956)	(5,098)
Balance as at 31 July 2016	**(9,187)**	**141**	**10,421**	**1,375**

Richmond upon Thames College
Balance Sheets as at 31 July 2016

	Notes	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 Restated £'000
Non-current assets					
Tangible assets	12	23,663	23,663	19,419	19,419
Investments	13	3	3	3	3
		23,666	**23,666**	**19,422**	**19,422**
Current assets					
Stock		96	96	119	119
Debtors	14	270	274	201	255
Cash and cash equivalents	20	615	605	3,370	3,287
		981	975	3,690	3,661
Less: Creditors - amounts falling due within one year	15	9,590	9,584	6,296	6,267
Net current liabilities		**(8,609)**	**(8,609)**	**(2,606)**	**(2,606)**
Total assets less current liabilities		**15,057**	**15,057**	**16,816**	**16,816**
Creditors - amounts falling due after more than one year	16	(48)	(48)	-	-
Provisions					
Defined benefit obligations	19	(13,077)	(13,077)	(9,708)	(9,708)
Other provisions	18	(557)	(557)	(635)	(635)
Total net assets		**1,375**	**1,375**	**6,473**	**6,473**
Restricted Reserves		141	141	141	141
		141	**141**	**141**	**141**
Unrestricted Reserves					
Income and expenditure reserve - endowment reserve		1,684	1,684	1,888	1,888
Income and expenditure account-unrestricted		(9,187)	(9,187)	(7,933)	(7,933)
Revaluation reserve		10,421	10,421	12,377	12,377
		1,234	**1,234**	**6,332**	**6,332**
Total Reserves		**1,375**	**1,375**	**6,473**	**6,473**

The restricted reserves relate to trust funds held by the College and money raised for the College's 21st anniversary fund raising appeal (£70,000) and scholarship and prize funds that were transferred from the London Borough of Richmond upon Thames on incorporation (£60,000).

The financial statements on pages 27 to 52 were approved and authorised for issue by the Corporation on 7 December 2016 and were signed on its behalf by:

B. Gilgallon, Chair
Date:

R. Ghurbhurun, Accounting Officer
Date:

Richmond upon Thames College
Consolidated Statement of Cash Flows for the Year Ended 31 July 2016

	Note	2016 Restated £'000	2015 Restated £'000
Cash flow from operating activities			
Deficit for the year		(5,098)	(1,598)
Adjustment for non-cash items			
Depreciation	12	2,331	1,213
Decrease in stocks		23	5
Increase in debtors	14	(69)	(72)
Increase/(decrease) in creditors due within one year	15	7,498	(541)
Increase in creditors due after one year	16	3,952	3,993
Increase in provisions		(5,151)	(1,198)
Pensions costs less contributions payable		(2,892)	(1,036)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		348	364
Net cash flow from operating activities		942	1,130
Cash flows from investing activities			
Advance on land sale to Richmond Borough		2,875	4,140
Investment income	5	4	(3)
Payments made to acquire fixed assets	12	(6,576)	(2,362)
		(3,697)	1,775
Cash flows from financing activities			
		(2,755)	**2,905**
Cash and cash equivalents at beginning of the year	20	3,370	465
Cash and cash equivalents at end of the year	20	615	3,370

1 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 25.

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

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

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

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

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.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, RUTC Trading Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College has access to short term borrowings in relation to cash flow projections between November 2016 and April 2017 as a result of timings of receipt of income from funding bodies. Borrowing, however, is unlikely given the surplus cash position forecast. This has taken account of savings to offset income reductions and the College has expectations of setting surplus budgets in subsequent years.

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

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

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

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

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

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

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Tangible Fixed Assets

Land and Buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College. The useful life of these assets was reviewed in 1995/96 and buildings are depreciated over a variety of periods up to 100 years in length from that point. This policy was reviewed in 2013 and it was decided to bring the depreciation on buildings in line with standard practise of over 50 years. Accelerated depreciation has been applied in the current year. The impact of this was not material.

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

On adoption of Financial Reporting Standard 15, the College followed the transitional provision to retain the book value of land and buildings but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meetings 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

The cost of replacement windows and other similar works have been depreciated over a period of either 10 or 20 years depending on the nature of the expenditure.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets over the same period as the assets concerned.

Equipment

Equipment costing less than £1,500 including VAT is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost and depreciated over its useful economic life as follows:

General equipment	33.33% per annum
Computer equipment	25% per annum
Fixtures and fittings	20% per annum

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.

Investments and Endowment Assets

Fixed asset investments inherited from the Local Education Authority are stated on the balance sheet at their open market value at 1st April 1993.

Stocks

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

Foreign Currency Translation

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transactions.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the costs of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's active subsidiary company is subject to Corporation Tax and VAT in the same way as any commercial organisation.

Liquid Resources

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Discretionary support funds payments received from the funding bodies subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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.

2 Funding Body Grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Recurrent grant – EFA and SFA	13,832	15,436
Recurrent grant – HEFCE	85	85
Non recurrent grants – EFA and SFA	414	500
Releases of deferred capital grants (note 25)	178	226
Total	**14,509**	**16,247**

3 Tuition Fees and Education Contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Tuition Fees	577	578
Education Contracts	615	817
Total fees paid by or on behalf of individual students	**1,192**	**1,395**

4 Other Income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other income	999	664
Released from deferred capital grants (non-SFA)	26	36
	1,025	**700**

5 Investment Income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 Restated £'000
Interest Income	4	3
	4	**3**

6 Staff Costs – Group and College

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

	Year ended 31 July 2016 Number	Year ended 31 July 2015 Number
Teaching Staff	148	159
Non-Teaching Staff	155	174
	303	**333**

Staff costs for the above persons:

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Wages and Salaries	9,430	10,076
Social Security costs	766	736
Other pension costs	1,761	1,594
Payroll Sub-total	11,898	12,406
Contracted Out Staffing Services	466	511
	12,364	12,917
Exceptional Restructuring Costs	71	63
	12,435	**12,980**

7 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, Deputy-Finance & Resources, Vice Principal-Curriculum & Learner Services and Director of HR & OD.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	**4**	**2**

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 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000 p.a.	—	—	2	1
£70,001 to £80,000 p.a.	2	—	—	3
£80,001 to £90,000 p.a.	1	1	—	—
£120,001 to £130,000 p.a.	1	1	—	—
	4	**2**	**2**	**4**

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	339	205
Pension contributions	70	32
Total emoluments	**409**	**237**

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

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

	2016 £'000	2015 £'000
Salary	120	119
Pension Contribution	21	16
Total emoluments	**141**	**135**

The pension contributions in respect of the Principal and key management personnel are in respect of employer's contributions to either the Teacher's Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

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

8 Other Operating Expenses

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Teaching costs	405	443
Non-teaching costs	2,234	2,653
Premises costs	1,181	1,254
Total	**3,821**	**4,350**

Other operating expenses include:

			£'000	£'000
Auditors' remuneration	-	financial statements audit*	28	31
	-	internal audit **	20	29
Hire of plant and machinery	-	operating leases	61	91

**   includes £28,880 in respect of the parent company (2015-16) & 28,612 (2014-15)*
*** includes £19,788 in respect of the parent company (2015-16) & £28,764 (2014-15)*

9 Interest payable and other finance costs – Group and college

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000 Restated
Pension Finance Expenditure	348	364
	348	**364**

10 Taxation

Neither the College nor either of its subsidiaries had any corporation tax liabilities for the years ended 31 July 2016 and 31 July 2015.

11 Subsidiary undertaking

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Surplus generated by the subsidiary undertaking and transferred to the College under gift aid.	**152**	**215**

12 Tangible Fixed Assets (College and Group)

	Freehold Property £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost / Valuation				
At 1 August 2015	25,438	4,423	1,297	31,158
Additions	271	480	-	751
Disposals	(1,809)	-	-	(1,809)
Assets under construction	-	-	5,825	5,825
At 31 July 2016	**23,900**	**4,903**	**7,122**	**35,925**
Depreciation				
At 1 August 2015	8,350	3,389	-	11,739
Charge for year	1,819	513	-	2,332
Eliminated in respect of disposals	(1,809)	-	-	(1,809)
At 31 July 2016	**8,360**	**3,902**	**-**	**12,262**
Net book value at 31 July 2016	**15,540**	**1,001**	**7,122**	**23,663**
Net book value at 31 July 2015	**17,088**	**1,034**	**1,297**	**19,419**

The transitional rules set out in Financial Reporting Standards Tangible Fixed Assets were applied on implementing Financial Reporting Standards. This resulted in a valuation at implementation of £15.5m. Accordingly the book values at implementation have been retained.

The net book value of inherited assets as at 31 July 2016 is £11m, which is equal to the revaluation reserve. The historical cost equivalent is nil. Inherited Land and Buildings have been included in these financial statements at depreciated replacement cost. Subsequent additions have been included at cost. Inherited assets with a cost value of £1,809k and a net book value of 1,155k have been demolished in 2016.

Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis. Subsequent additions have been included at cost.

Land and Buildings with a net book value of £1.6m have been financed by exchequer funds through for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Skills Funding Agency, to surrender the proceeds.

The net book value of equipment includes an amount of £155k (2014/15 £39k) for assets held under finance leases. The depreciation charge on these assets for the year was £64k (2014/15 £131k).

13 Non-current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Inherited Investment *	3	3	3	3
	3	**3**	**3**	**3**

* Investments inherited from the Local Education Authority at 1st April 1993 are valued for the purpose of the financial statements at their market value at that date.

The College owns 100% of the ordinary share capital in its subsidiary undertaking RuTC Trading Services Limited, a company incorporated in England and Wales. This shareholding has been included within the inherited investments at cost of £100. The principal business activity of RuTC Trading Services Limited is carrying out commercial activities ancillary to the operations of the College.

14 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year				
Trade Debtors	29	28	35	35
Amounts owed by group undertakings:				
Subsidiary undertakings	-	5	-	54
Prepayments and accrued income	241	241	75	75
Amounts owed by the SFA	-	-	91	91
	270	**274**	**201**	**255**

15 Creditors: Amounts Falling Due within One Year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000 Restated	College 2015 £'000 Restated
Payments received in advance	115	115	107	96
Other taxation and social security	234	228	278	262
Accruals	1,222	1,222	1,222	1,220
Other creditors	1,101	1,101	682	682
Obligations under finance leases	48	48	7	7
Pension creditor	199	199	-	-
Advance on land sales to LBRuT	6,875	6,875	4,000	4,000
	9,794	**9,788**	**6,296**	**6,267**

The total redevelopment accruals included in the above figures are £753,853.

16 Creditors: Amounts Falling Due After One Year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Obligations under finance leases	48	48	-	-
	48	**48**	**-**	**-**

17 Analysis of Borrowings of the College

Finance Leases

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	48	48	7	7
Between one and two years	48	48	-	-
	96	**96**	**7**	**7**

18 Provisions for Liabilities and Charges

	Group and College		
	Defined benefit obligations £'000	Enhanced Pension £'000	Total £'000
At 1 August 2015	9,708	635	10,343
Expenditure in the year	(923)	(93)	(1,016)
Additions in period	4,292	15	4,307
At 31 July 2016	**13,077**	**557**	**13,634**

The restructuring provision relates to the exceptional restructuring of costs arising from the completion of a teaching management restructure and the rationalisation of the curriculum offer.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. The provision has been revalued during the year in line with the AoC guidance.

The principal assumptions for this calculation are:

	Year ended 2016	Year ended 31 July 2015
Price Inflation	2.3%	3.46%
Discount rate	1.3%	1.75%

19 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 multi-employer defined-benefit plans.

Total pension cost for the year

		2016 £'000		2015 £'000
Teachers' Pension Scheme: contributions paid		784		792
Local Government Pension Scheme:				
Contributions paid	923		917	
FRS 102 (28) charge	99		(31)	
Charge to the Statement of Comprehensive Income		1,022		886
Enhanced pension charge to Statement of Comprehensive Income		(45)		—
Total Pension Cost for Year within staff costs		**1,761**		**1,678**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actual valuations of the schemes were as at 31 March 2012 (TPS) and 31 March 2014 (LGPS). Contributions amounting to £193,902 (2013/14 £224,880) were payable to the scheme and are included in creditors.

Teacher's Pension Scheme (TPS)

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

The Teachers' Pension Budgeting and Valuation Account

Although 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.

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

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

The pension costs paid to TPS in the year amounted to £783,873 (2014/15: £792,000)

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 (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the London Borough of Richmond upon Thames. The total contribution made for the year ended 31 July 2016 was £917,742. The employer contribution rate was 24.4%. Employee rates ranged from 7.4% to 11.7% depending upon salary.

Principal Actuarial Assumptions

The following is based upon a full actuarial valuation of the fund as at 31 March 2014 updated to 31 July 2016 by a qualified independent actuary.

	As at 31 July 2016	As at 31 July 2015
Expected return on scheme assets at 31 July	2.5%	3.6%
Rate of Increase in salaries	3.0%	3.5%
Rate of Increase for pensions in payment / inflation	2.1%	2.6%
Discount rate for liabilities	2.5%	3.6%

It is assumed that:

Members will exchange 25% of their commutable pension in respect of pre-April 2008 service and 63% of their commutable pension in respect of their post-April 2008 service for cash at retirement;

Current active members will retire at their Rule of 85 age for those born prior to 31 March 1960 and protected under current regulations, 65 for all members if they attain age 65 before 1 April 2022, otherwise State Pension age: and

10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

	As at 31 July 2016	As at 31 July 2015
Current Pensioners – Males	22.2	22.2
- Females	24.4	24.4
Future Pensioners - Males	24.3	24.3
- Females	26.9	26.9

The College's share of the assets and liabilities in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 July 16	Fair value at 31 July 16 £'000	Long term rate of return expected at 31 July 15	Fair value at 31 July 15 £'000
Equities	2.5%	17,416	3.6%	15,080
Gilts	2.5%	1,800	n/a	n/a
Bonds	2.5%	6,619	3.6%	4,420
Property	2.5%	2,795	3.6%	2,600
Cash	2.5%	295	3.6%	3,900
Total Market Value of Assets		**28,925**		**26,000**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	28,925	26,000
Present value of plan liabilities	(41,854)	(35,540)
Present value of unfunded liabilities	(148)	(168)
Enhanced pension liability	(557)	(672)
Net pensions (liability)/asset (Note 19)	**(13,634)**	**(10,380)**

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

Amounts included in staff costs		
Current service cost	1,009	886
Past service cost	-	9
Total	**1,009**	**895**
Amounts included in investment income		
Net interest income	(333)	(335)
	(333)	**(335)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	1,615	989
Experience losses arising on defined benefit obligations	24	221
Changes in assumptions underlying the present value of plan	(4,576)	(2,224)
Amount recognised in Other Comprehensive Income	**(2,937)**	**(1,014)**

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

Net defined benefit (liability)/asset in scheme at 1 August	(9,708)	(8,390)
Movement in year:		
Current service cost	(1,009)	(886)
Employer contributions	923	926
Past service cost	-	(9)
Administration costs	(13)	-
Net interest on the defined (liability)/asset	(333)	(335)
Actuarial gain or loss	(2,937)	(1,014)
Net defined benefit (liability)/asset at 31 July	**(13,077)**	**(9,708)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	35,708	32,186
Current service cost	1,009	886
Interest cost	1,276	1,291
Contributions by Scheme participants	236	233
Experience gains and losses on defined benefit obligations	(24)	(221)
Changes in financial assumptions	4,576	2,224
Estimated benefits paid	(774)	(889)
Past Service cost	-	9
Unfunded pension payments	(5)	(11)
Defined benefit obligations at end of period	**42,002**	**35,708**

Changes in fair value of plan assets

Fair value of plan assets at start of period	26,000	23,796
Interest on plan assets	943	956
Return on plan assets	1,615	989
Administration expenses	(13)	-
Employer contributions	923	926
Contributions by Scheme participants	236	233
Estimated benefits paid	(779)	(900)
Fair value of plan assets at end of period	**28,925**	**26,000**

20 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	3,370	(402)	(2,353)	615
Total	**3,370**	**(402)**	**(2,353)**	**615**

21 Financial Commitments

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

	Group and College 2016 £'000	2015 £'000
Equipment		
Expiring within one year	48	-
Expiring between two and five years inclusive	48	27
	96	**27**

22 Post-balance Sheet Events

There have been no material post balance sheet events that require disclosure.

23 Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Exemption from FRS 102 has been taken from disclosing transactions with the subsidiary, RuTC Trading Services Ltd.

24 Amounts disbursed as agents

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Learner support funds		
Funding body grants – hardship support	432	716
Funding body grants – childcare	2	3
	434	719
Disbursed to Students	(350)	(453)
Administration	(24)	(23)
Balance unspent as at 31 July, included in creditors	**60**	**243**

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

25 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under		6,183	6,183	4,727	4,727
Employee leave accrual	(a)	(142)	(142)	(142)	(142)
Release of non-	(b)	1,888	1,888	1,888	1,888
Changes to measurement of net	(c)	-	-	-	-
Total effect of transition to FRS 102 and 2015 FE		1,746	1,746	1,746	1,746
Total reserves under		7,929	7,929	6,473	6,473

	Note	Year ended 31 July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after		(41)	(41)
Employee leave accrual	(a)	(142)	(142)
Reversal of capital grants	(b)	(44)	(44)
Pensions provision –		(1,036)	(1,036)
Changes to measurement of net	(c)	(335)	(335)
Total effect of transition to FRS 102 and 2015 FE		(1,557)	(1,557)
Total comprehensive income for the year		(1,598)	(1,598)

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 runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 10 days unused leave for teaching staff and 11 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £141,778 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £21,593 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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