

# Waltham Forest College



## Members' Report and Financial Statements for the Year Ended 31 July 2020



# Waltham Forest College

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# Waltham Forest College

## Reference and Administrative Details

### Board of Governors

<b>Name</b>	<b>Role</b>
Y Abidou	Governor
N Ahmed	Governor
P Butler	Chair of Corporation
G Davies	Governor
M Eichhorn	Governor
J Gardner	Principal and CEO
Shamik Ghosh	Governor
A Morris	Governor
R Nzomono	Governor
F Royle	Staff Governor
T Strong	Governor
N Taylor	Governor
G Woolnough	Vice Chair
J Young	Governor
S-L Ambrose	Student Governor
Y Yau	Student Governor
V Bartlett	Clerk

### Executive Leadership Team

J Gardner	Principal and Chief Executive
S McManus	Deputy Principal - Curriculum & Quality
A Cottrell	Deputy Principal Corporate Resources

### Registered Office

707 Forest Road, London E17 4JB

### Professional Advisers

External Auditors	Grant Thornton UK LLP, 30 Finsbury Square, London, EC2A 1AG
Internal Auditors	Scrutton Bland, Crown Street, Ipswich, IP1 3LG
Bankers	Barclays Bank Plc, 1 Churchill Place, London, E14 5AP
Solicitors	Vanderpump & Sykes, 2 Gladbeck Way, Enfield, EN2 7JA Eversheds Sutherland, Station Road, Cambridge, M1 5ES

# Waltham Forest College

## Report of the Members of the Corporation

### NATURE, OBJECTIVES AND STRATEGIES

The members of the Waltham Forest College Corporation present their report and the audited financial statements for the year ending 31 July 2020.

#### Legal status

Waltham Forest College Corporation was established under The Further and Higher Education Act 1992, with its principal powers being to provide further and higher education, to provide specified secondary education, and to supply goods and services in connection with providing education.

#### Mission

The College's mission is:

“To deliver outstanding technical and professional learning, which raises aspirations, develops skills and creates futures.”

#### Public benefit and strategic objectives

Waltham Forest College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 16 and 17.

In setting and reviewing the College's strategic objectives, the members of the Corporation have 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:

- a responsive, innovative and flexible vocational curriculum
- high quality teaching, learning and assessment
- strong learner support systems
- high quality training environment and resources
- Effective specialist provision serves to widen participation and support social exclusion
- Collaboration with employers to meet the skills needed for industry
- Collaboration with the London Borough of Waltham Forest delivering skills and support needed for the local community.

College performance in 2019-20 includes:

- Overall achievement rates of 83.6%. Note due to COVID-19 there will be no national rates published for 2019-20.
- High vocational achievement rates for the majority of learners including:
  - Level 2 for 19+ learners is at 89.1% which is +2.3% above national rates
  - Level 3 for 19+ learners is at 93.8% which is +13.7% above national rates
  - Level 1 for 16-19 year olds at 89.8% which is +2.9% above national rates
  - Level 2 for 16-19 year olds is at 91.6% which is +7.7% above national rates
  - Level 3 for 16-19 year olds is at 91.5% which is +3.5% above national rates

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

- Vocational achievement for 16-19 learners has increased to 90%, which is 3.2% higher than in 2018-19.
- High overall Apprenticeship achievement rates increased to 80.7% which is +13.4% above national rates.

Approximately 70% of College learners are in the three most deprived bands, and over 90% of students are from an ethnic minority background. Only 12% of young people, compared to 44% in other General Further Education Colleges, come to Waltham Forest College having achieved both English and Maths GCSE at grade 4 or above. Despite this, over 90% of learners at the College achieve their maths and English GCSEs, with a significant proportion gaining high grades.

- 92% of learners captured in October 2020 are progressing to positive destinations including higher education, employment and further education and training. There was a 10% increase in the number of learners internally progressing onto higher level programmes of study at the College.
- The College has further strengthening its links with the London Borough of Waltham Forest and involvement in its SafetyNet Board, Adult Learning Board, One Public Estate Board, Violence Reduction Partnership, for the Borough.

The Corporation has reviewed its Strategic Plan for the three-year period from August 2019 until July 2022. The updated plan focuses on delivering five key strategic aims and priorities:

- Excellence and innovation
- People and culture
- Employability and future careers
- Growth and sustainability
- Estate and facilities for 21<sup>st</sup> century learning.

The Plan builds upon its previously set priorities and maximises opportunities for learners arising from the changes in the national, regional and local context for general further education Colleges.

The Corporation has reviewed its achievements during 2019/20 against the objectives set out in the current Strategic Plan 2019-2022. The College self-assessment for 2019/20, validated by the Board, confirms that, the key strategic aims has been successfully maintained.

#### **Covid-19**

The College demonstrated resilience and adaptability in responding to the challenge of Covid-19 in the year. Given the uncertain environment Covid-19 created, it was essential that the College was able to be agile and responsive to different circumstances. Of paramount importance was ensuring the safety and wellbeing of students and staff. Risk assessments were undertaken, and infection control measures put in place to minimise the risk to all on-site. These included ensuring that staff had PPE and that social distancing was maintained. The management team met on a weekly basis to monitor the effectiveness of controls and respond to emerging issues and guidance.

Only essential learning took place on-site either to meet the needs of vulnerable learners or learning needs. Staff maintained daily contact with vulnerable learners where they were home based. The College was able to support home-based students with laptops and ICT equipment where needed to address the digital divide.

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

Staff were able to work flexibly where possible. The ICT infrastructure was developed to enable staff to access secure home-based systems, and staff were upskilled in the use of technology and digital resources.

The financial impact on the College was minimal due to relatively low exposure to commercial income and overseas students, while some savings were generated through reduced use of agency staff and reduced estate costs.

This provides a sound foundation for the College to build upon, as it develops its curriculum, and delivers state-of-the-art learning spaces and resources for its students to achieve.

During the year the College has managed a suite of comprehensive College Key Performance Indicators (KPIs), which have been reviewed and monitored closely. The Corporation has received regular reports of performance against these KPIs which measure performance against targets relating to learner recruitment, attendance and success, and financial health; with the majority of these targets having been fully or partially achieved in 2019/20.

Alongside the Strategic Plan, the College has a detailed three-year Financial Plan and KPIs which are regularly reported to the Corporation, showing targets relating to student recruitment, income generation, expenditure control, cash flow, loan covenants and financial health. A key financial objective for 2019/20 was to ensure the College achieved a 'good' financial health grade, as measured by the Education & Skills Funding Agency (ESFA) and this objective, faced with considerable challenges through COVID 19, has been met.

#### Performance indicators

The College recognises the importance of comparing its performance against sector averages and in particular against indicators of student performance and success. The College continuously monitors its student performance against the extensive range of detailed Further Education (FE) sector averages which are available.

The College is required to complete the annual finance record for the Education and Skills Funding Agency (ESFA). For 2019/20, the College ESFA assessed financial health grade is 'Good', which reflects the College's own self-assessment of its performance.

#### FINANCIAL POSITION

##### Financial results

The College generated a deficit before other gains and losses in the year of £562k, (restated 2018/19 deficit of £877k); from total income of £22,167k (2018/19: £21,892k). Excluding FRS102 Section 28 pension adjustments and restructuring costs, the College achieved an adjusted operating surplus of £411k (restated 2018/19: deficit £361k). The 2018/19 result has been restated due to prior year adjustment relating to depreciation and write off of fixed assets. Please see Note 23 *Prior Period Adjustment – Fixed asset depreciation and write-off*.

<b>Operating Surplus / (Deficit)</b>		<b>Restated</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Income	22,167	<b>21,892</b>
Expenditure	22,729	<b>22,769</b>
<b>(Deficit) before tax</b>	<b>(562)</b>	<b>(877)</b>
Add back: restructure costs	220	<b>140</b>
Add back FRS102 (section 28) pensions adjustments	753	<b>376</b>
<b>Adjusted operating surplus / (deficit)</b>	<b>411</b>	<b>(361)</b>

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

The adjusted operating surplus arose from the ongoing financial control and effective management of operating expenditure. These have resulted in a financial health grade of 'good' as calculated by the Education & Skills Funding Agency. The College expects to maintain the ESFA 'good' financial health grade in 2020/21, following swift management actions to improve staffing efficiency and proactive reviews to resource the curriculum plan, and following an increase in student enrolments early in 2020/21.

College income improved by £275k (1.3%) year on year, due mainly to an increase in the income achieved from the Education and Skills Funding Agency 16-19 and Adult Education Budget funding allocations. Funding Agencies' grant and income from fees and education grants remained stable. The College continues to place significant reliance on recurrent grants from the further education sector's funding bodies, and in 2019/20 these funding bodies provided 79.0% (2018/19: 77.3%) of the College's total income. College expenditure increased by £40k (0.2%) year on year, to deliver the additional income.

The College holds accumulated net reserves, including defined benefit pension obligations of a negative balance of £12,619k (restated 2018/19: £5,825k negative reserves), year-end cash balance of £1,491k (2018/19: £547k) and net current liabilities of £1,057k (2018/19: £1,745k). Cash holdings are expected to continue to be sufficient for the College to meet its liabilities during 2020/21.

Tangible fixed asset additions during 2019/20 totalled £389k (restated 2018/19: £1,075k), as the College took a decision to only acquire or replace essential, or business-critical items. The College met its bank loan covenants as at 31 July 2020.

#### *Covid-19*

The College made savings in Agency cost, Curriculum support cost and Utility cost due to the College being in partial lock down as a result of COVID-19 pandemic. Also, due to closure of the College as a result of COVID 19, the College's commercial, catering and other income ceased with loss of some income.

The College has received £69k from HMRC for the Coronavirus Job Retention Scheme (staff furlough). The College had 10 members of staff (equating to 6 FTE) from the commercial catering department on furlough as at 31 July 2020.

#### *Prior Year Adjustment – Restatement of Fixed Assets*

A prior period adjustment of £502k was made to the opening reserve balances as at 1<sup>st</sup> August 2019. The adjustment arose as the College identified a number of items of fixed asset expenditure dating back to 2014/15 which had either not been depreciated or required write-off. The issue was notified and discussed with ESFA and auditors at the time of identification.

Following the guidance of FRS 102, this has been treated as a prior-period adjustment.

As this is a non-cash adjustment this has no impact on the liquidity of the College or on ESFA financial grading. A review of fixed asset accounting and month-end processes is being conducted by the College's appointed internal auditors in December 2020 to provide assurance on the processes and identify any control areas requiring improvement.

#### **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 Procedure in place.

All borrowing, whether short term for temporary revenue purposes, if required, or to fund long term investment, requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### Cash flows and liquidity

The College's net cash inflow from operating activities was £1,441k (2018/19: £269k). The cash position has significantly improved due to actions taken by management. The College held 27 cash days as at 31<sup>st</sup> July 2020 as compared to 10 cash days as at 31<sup>st</sup> July 2019. This means that the College is at reduced risk from adverse short-term cash-flow movements. The College continues to monitor and manage its daily cash-flow closely and provides regular updates to the bank on liquidity and cash flow. Cash holdings are expected to continue to be sufficient for the College to be able to meet its liabilities during 2020/21.

#### Reserves Policy

The College is in the process of developing a Reserves Policy as it recognises the importance of holding appropriate reserves to provide financial stability and resilience to the institution, whilst ensuring that adequate resources are provided annually to deliver the College's core business activity.

#### Financial Planning

The College is set to maintain, and in some cases, grow its services incrementally for the future. It holds an income and expenditure account surplus as at 31 July 2020 of £7,487k (restated 2019: £6,906k) and an LGPS pension reserve deficit totalling £27,656k (2018/19: £20,671k). The LGPS pension deficit further deteriorated due to the poor performance of equities in the year, and a reduced discount rate being applied to future liabilities.

Taking the LGPS pension reserve deficit into account, which is in line with many other Colleges in the FE sector; accumulated net reserves are negative in 2019/20 at £12,619k (restated 2018/19 negative: £5,825k). The table below shows the balances on the College's income and expenditure account, revaluation reserve and its LGPS pension reserve.

<b>Total Unrestricted reserves</b>	<b>2019/20</b>	<b>Restated 2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income and expenditure account surplus</b>	<b>7,487</b>	<b>6,906</b>
<b>Pension reserve (deficit)</b>	<b>(27,656)</b>	<b>(20,671)</b>
<b>Unrestricted reserves</b>	<b>(20,169)</b>	<b>(13,765)</b>
<b>Revaluation reserve</b>	<b>7,550</b>	<b>7,940</b>
<b>Total Unrestricted reserves</b>	<b>(12,619)</b>	<b>(5,825)</b>

#### Financial Health

The College's financial health grade as assessed by the ESFA for 2019/20 is 'good' and through proactive management actions, it is expected to remain as 'good' financial health for the academic year ending July 2021. The most recent forecast indicates that the College will meet the ESFA grade of 'good' in 2020/21.

The College achieved its GLA and ESFA Adult Education Budget funding allocation for adult students and allocations for apprentices in 2019/20. No claw-back of any funding by the GLA or ESFA is anticipated relating to the College's 2019/20 performance.

#### Office for Students

The College has no continuing higher education students for the 2019/20 academic year who are accessing student support from the Student Loans Company. This follows the Office for Students' decision, in July 2019, to decline the College registration application based on Condition B3 – Quality, specifically related to the College's continuation rate data from 2009/10 to 2016/17. The income received in 2019/20 is £0 (2018/19: £22k).



## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### Curriculum and Quality

##### Enrolments

The learner number target for ESFA 16-19-year olds in 2018/19 was 1,465 students. Strong learner enrolment in Autumn 2019 resulted in the College exceeding its funding allocation for 16-19 learners in 2019/20. The College's actual enrolments for 2019/20 totalled 1,582 learners.

Overall learner achievement in 2019/20 was impacted by Covid-19, particularly for adult ESOL provision which found virtual learning more challenging, although achievement rates overall remained relatively stable. The majority of learners across the College achieved well and vocational achievements significantly increased, particularly for levels 2 and 3.

For 16-18 year olds achievement at:

- level 1 is 89.8% which is +2.9% above national rates
- level 2 is 91.6% which is +7.7% above national rates
- level 3 is 91.0% which is +3.5% above national rates

For adult learners' achievement at

level 2 is 89.1% which is +2.3% above national rates

level 3 is 93.8% which is +13.7% above national rates

The achievement rates for apprentices

Significantly improved for 2019/20 and are 80.7% which is +13.4% above national rates.

The College continues to prioritise improving the learner experience, which supports learners to progress to their chosen destinations, such as further or higher study or employment. Internal progression improved by 10% and learners voted Waltham Forest College to be the best performance College in London for overall learner experience in the external Learner Satisfaction Surveys for 2019/20 for the second consecutive year.

##### Curriculum Development

The curriculum offered by the College in 2019/20 spans all levels, from Entry to Level 3, and across all types of vocational and other provision.

The launch of the College's new 3-year Strategic Plan underpins the curriculum plan which has been reviewed to reflect national and local priorities. The key focus for the College is "Excellence and Innovation" as well as "Employability and Future Careers" which are achieved through:

- Providing an outstanding learning experience through excellent teaching.
- Developing a curriculum offer, influenced by employers, that provides clear progression routes into further learning or employment.
- Integrating maths and English into the vocational curriculum
- Enhancing learning through the use of technology
- Learner-centred leadership and active responses to the 'learner voice'.

The College is continuing to develop new provision, particularly around the skills needed for higher level technical training in order to meet the skills needed by employers.

The capital investment programme in recent years has supported the development of new provision in the creative industries, art, media, fashion, IT and business. Early in 2017/18 the College completed a significant capital project to construct a new STEM Centre which was opened to learners in September 2017. This enables the College to develop its science, technology and engineering curriculum offer. In addition, the College continues to be a member of the Mayor's Construction Academy, a prestigious quality mark that supports the development of the construction provision and its expansion into apprenticeships.

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

Our continued work with partners has meant that the College has maintained existing and developed new provision for apprentices in, Health, flooring, butchery, financial services, construction, care industries, security, creative industries, the security industry, hairdressing and fashion.

#### Apprenticeships and Employer Engagement

The College has continued to successfully deliver apprenticeships totalling £931k. The College successfully secured and delivered growth of £178k in adult learner loans.

The Business Innovation and Partnerships team continued to engage heavily with employers throughout London and through labour market intelligence, have continued to evolve the apprenticeship offer to meet the needs of local employers. Key growth areas for the College in apprenticeships include construction and health and social care.

The College continued to deliver a number of *Sector-Based Work Academies* to support a high proportion of unemployed learners into employment, across a range of industry sectors including flooring, fashion and railway engineering.

The College continues to bid for niche project opportunities to secure additional income in a challenging market.

#### Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College paid 80% (2018/19: 81%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

#### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College, and this is set out in the table below:

Numbers of employees who were in relevant period	FTE employee number
7	5

Percentage of time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time	£30.4k
Total pay bill	£13,787k
Percentage of total bill spent on facility time	0.22%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### Future Prospects

Following its successful inspection by Ofsted in February 2018 when it was graded 'good', the College is following an active quality improvement strategy, as it continues to work towards achieving Ofsted 'outstanding'.

In parallel, the College has continued its rolling three-year financial plan to maintain the financial health of the institution as 'good' as measured by the ESFA. In 2018/19 that assessment reduced to 'Requires Improvement', however, the College has achieved a 'good' financial health grade in 2019/20.

The College recruited strongly to the 2020/21 academic year. The College continues to develop teaching and learning methods for on-site, off-site and blended delivery, and has used additional funding to develop its digital resources for students to achieve this. The effectiveness of this was demonstrated during the second lockdown in November 2020 with learning able to continue both on-site and off-site. The College maintains a strong presence with local stakeholders and employers and has reviewed its curriculum offer to ensure its relevance to current needs and demands. The College will continue to review its curriculum offer and methods of delivery to meet the needs of learners and assess the infrastructure in terms of ICT and Estate to support its delivery.

The College is also implementing a strategy of active curriculum development to meet the needs of employers. The new Science, Technology, and Engineering & Maths (STEM) Centre completed in September 2017 supports a curriculum offer in these areas to meet well attested local demand.

#### Going Concern

The College Corporation considers that Waltham Forest College remains a sustainable going concern for the forthcoming year from the date of signing of the financial statements until 31 December 2021 and for the foreseeable future. The most recent forecasts, for 2020/21 indicate that the College will maintain a 'good' financial health grade and its underlying financial position continues to steadily improve.

The Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams
- the College's financial health returned to ESFA 'good' by 31 July 2020
- the increase in 16-19 learner numbers which the College experienced in 2020/21 will generate additional income in 2021/22 which can be delivered from the current cost base
- the College has in place strong detailed financial forecasting and planning arrangements with a sensitivity analysis allowing prompt remedial management action if required
- cash-flow estimates for the period to 31 December 2021 indicate that the College will continue to hold sufficient cash to meet its short-term commitments and obligations and to be able to undertake capital investment to maintain the current volumes and quality of facilities and equipment.

#### RESOURCES

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

##### Financial

The College has £15.0m (restated 2018/19: £14.8m) of total net assets, before taking into account the defined benefit obligations liability totalling £27.7m (2018/19: £20.7m) relating to the LGPS pension scheme.

##### People

As at 31 July 2020 the College employed 325 staff and an average in 2019/20 of 279 full time equivalents. (2018/19: 300 staff and 262 full time equivalents respectively).

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### Reputation

The College has an improving reputation locally and nationally, and proactively raising awareness of its many successes is a priority. Maintaining a quality brand is essential for the College's success to attract students and to develop external relationships.

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

The Executive Team undertakes a regular comprehensive review of the risks which the College is facing. The College's detailed risk management arrangements identify systems and procedures, including specific preventable actions which should mitigate any potential adverse impact on the College. Internal controls are implemented, and the on-going reviews monitor the effectiveness and progress of the risk mitigation actions. As part of the on-going review, the Executive Team regularly consider any new risks arising from changing circumstances or new areas of work being undertaken by the College.

#### Principal Risks and Uncertainties

A Risk Register is maintained at the College level which is reviewed regularly by the Executive Team's Risk Management Board, chaired by the Principal & Chief Executive, and by the Audit Committee. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College's finances and reputation, and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system which places a score on each risk before and after mitigating actions.

This is supported by a risk management training programme for managers to ensure a high level of risk awareness and a consistent approach to risk management throughout the College. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

##### 1. Government funding

The College has considerable reliance on continued Government funding through the further education sector funding bodies. In 2019/20, 79% (2018/19: 77%) of the College's revenue was publicly funded directly through funding agencies. This level of high dependence on direct public funding potentially places the College at financial risk in an environment of falling real public funding.

The College is aware of several challenges which may impact adversely on its future funding:

- Apprenticeship income may be impacted by economic uncertainties resulting from Covid-19
- Tuition Fee income, and Advanced Learner Loans may be impacted by the difficult economic conditions resulting from Covid-19
- Withdrawal of one-off funding increases made available in the 2019/20 academic year to support the College during the Covid-19 pandemic
- Brexit uncertainty and associated impact on public funding
- On-going constraints surrounding the availability of public funding
- The Government continues to review its priorities for the adult skills sector in order to meet the skills needed for the UK to compete in the global economy
- The arrangements for apprenticeship levy and non-levy funding, which was introduced in May 2017, has seen much slower national engagement by employers than expected
- Strong competition for the recruitment of 16-19 learners
- Students being required to contribute more of their own monies to fund their learning through fees and/or student loans.

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

These risks are mitigated in a number of ways:

- Delivering controlled profitable growth, especially to areas of demand-led funding i.e. apprentices and loan funded provision
- 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
- Diversifying the course offer to meet local demand.
- Maintaining a strong local presence through effective marketing, and local networking with employers and local public bodies.
- Active monitoring of recruitment and maintaining an agile and flexible response to changes in levels of student demand and funding experienced.

#### 2. Cost Management and Reduction

The College faces on-going pressure to reduce its cost base in the face of continuing uncertainties in the level of public funding, whilst at the same time investing in new curriculum offers, in quality improvement strategies and in business transformation strategies. During 2019/20 the College initiated a number of cost reduction measures including a review of contracts, increasing monitoring of contributions and margins achieved on different work streams, and a review of the staffing model. These work streams will continue in the 2020/21 academic year, and further cost benefits will result from this.

Cost-related risks are mitigated in a number of ways:

- Rigorous budgetary control
- Integrated planning of teaching resources, student recruitment targets and income targets
- Increased efficiency in course delivery – larger group sizes and ensuring appropriate staff utilisation
- Reducing reliance on subcontracting provision
- On-going review of certain support functions
- Implementation of property strategy to drive estates efficiencies.

#### 3. Curriculum Quality

The strength of the College's business and financial performance is largely driven by the quality of its provision and hence its reputation. It is important for the College to demonstrate continuous improvement to ensure learner success rates are at or above national averages.

Curriculum quality-related risks are mitigated in a number of ways:

- Implementation of a robust Quality Improvement Plan (QIP)
- Rigorous self-assessment processes
- Effective curriculum management to ensure students retain and achieve on their courses
- Pro-active quality improvement plans in areas where performance is below average
- On-going training and development of teaching staff to ensure high quality teaching and learning
- Effective use of management reporting to drive prompt remedial action and accountability.

### STAKEHOLDER RELATIONSHIPS

In line with other further education Colleges, Waltham Forest College has many stakeholders, and it recognises the importance of these relationships, by engaging them in regular communication through the College website and by meetings and events.

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### SAFEGUARDING AND PREVENT DUTIES

The College has a statutory duty embodied in the Department for Education's (DfE) statutory guidance for schools and Colleges, 'Keeping Children Safe in Education', which sets out the responsibilities placed on schools and Colleges to safeguard and promote the welfare of children. The College meets these duties through having robust policies and procedures in place and through effective reporting, monitoring and training. There is a dedicated 'Be Safe' Team to ensure disclosures are managed in line with statutory requirements.

The College has a legal responsibility since September 2015 under the Counter-Terrorism and Security Act 2015 to have due regard to the need to prevent people from being drawn into terrorism or other forms of extremism. Waltham Forest College proactively implements its 'Prevent' strategy through a range of actions by:

- Having in place robust policies and procedures and effective arrangements for reporting, monitoring and training
- Promoting policies and values to reflect a tolerant and welcoming community for all learners
- Putting extensive measures in place to protect students from the risk of external elements including the control of entry to the campus, the management of external visitors and speakers, a strong focus on the display of ID information and strong online firewall, security and monitoring.
- Educating students to fulfil their potential and be successful in their future lives
- Fostering positive relationships with police and community partners
- Promoting British values and enabling students to engage successfully with their communities
- Encouraging and developing students' resilience and critical thinking skills to challenge and debate in an informed way
- Equipping staff with the knowledge of possible indicators of concern with regards to extremist opinions.

#### Equality and Diversity

The College is committed to ensuring equality of opportunity for all who learn and work at the organisation. The College is committed to ensuring that all students have the opportunity to succeed and that all parts of the College should provide a consistently high quality service to students.

The College respects and values positively differences in ethnicity, gender, sexual orientation, ability, religion or belief, class, marital status and age. The College strives vigorously to remove conditions that place people at a disadvantage and we will actively combat discrimination. The College arrangements are resourced, implemented and monitored on a planned basis.

The College has a range of policies, procedures and frameworks associated with equality and diversity (including an Equality Scheme) to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on new policies and procedures and publishes the results. Equality impact assessments are also undertaken of existing policies and procedures on a prioritised basis.

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

## Waltham Forest College

### Report of the Members of the Corporation (cont'd)

#### Disability Statement

The College has developed a comprehensive Disability Statement. This statement seeks to achieve the objectives set down in the Equality Act of 2010 and follows the guidelines set out in the SEN Code of Practice 2014. In support of this statement, the College makes the following commitments:

- **Physical access** – Over 95 per cent of the Forest Road campus is fully accessible. The College is committed to improving the access arrangements for the benefit of all members of the community.
- **Equipment and resources** – The College has an extensive range of equipment, software and resources available to students with additional learning needs and/or disabilities.
- **Admissions** – The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints procedure. Students with an Educational Health Care Plan (EHCP), and therefore allocated High Needs Funding, are welcomed at the College via the outlined referral process and offered suitable courses in line with the Local Authority guidelines.
- **Support to students** – The Learning Support and Foundation Learning teams provide specialist group, individual or in-class support. Within these teams there are staff with specialist expertise in the following areas; autistic spectrum disorders, learning disabilities, dyslexia, social, emotional and mental health challenges. The additional support team includes staff trained in British Sign Language, a Speech and Language Therapist, Visual Impairment specialist and access to an Educational Psychologist. The College can provide access to other specialists as necessary.
- **Specialist programmes** – Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the College format.
- **Counselling** – Counselling and welfare services are available to any student and students are made aware of this provision at Induction and through the comprehensive tutorial system.

#### Disclosure of Information to the Auditor

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  
behalf by:

21/12/2020

and signed on its

*Paul Butler*

Paul Butler, Chair of the Corporation

## Waltham Forest College

### Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 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 Code of Good Governance for English Colleges ('the Code'); and
- iii. having due regard to the UK Corporate Governance Code 2016 in so far as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. In the opinion of the Governors, the College complies with all the provisions of the UK Corporate Governance Code and it has complied throughout the year ended 31 July 2020.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

#### Public Benefit

Waltham Forest College is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for 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 pages 16 and 17.

In setting and reviewing the College's strategic objectives, the Governing Body has paid due regard to the Charity Commission's guidance on public benefit and 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 identifiable public benefits through the advancement of education. In 2019/20 the College achieved this in particular by:

- raising its overall success rates to 85.6%, 1.2% above national average
- expanding its apprenticeship student numbers
- improving the *timely completion* rates for apprenticeships to 65.1%, 6.1% above national average
- strengthening its links with the London Borough of Waltham Forest.
- meeting the needs of disadvantaged and marginalised students. Approximately 70% of College learners are in the three most deprived bands, over 90% of students are from an ethnic minority, only 12% of young people have GCSE Maths or English at Grade 4 or above, on entry
- The majority of students progress to positive destinations including higher education, employment and further education and training.



## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

#### The Corporation

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

Name	Date of Original Appointment	Date of Re-appointment	Term of Office	Due Date for Term Completion	Committees Served	Meeting Attendance 2019/20
<b>Youness Abidou</b> Member	23 February 2015	16 January 2018	4 years	16 January 2022	Audit, Search, Finance Working Group	8/9 (89%)
<b>Nadia Ahmed</b> Member	26 March 2019	24 March 2020	1 year	23 March 2021	Finance Working Group	8/9 (89%)
<b>Paul Butler</b> Member & Chair	13 May 2013	22 May 2018	4 years	31 May 2022 <i>(Chair until 30 September 2021)</i>	Remuneration, Search	8/9 (89%)
<b>Gary Davies</b> Member	5 February 2020		1	4 February 2021	Curriculum & Standards Working Group	3/4 (75%)
<b>Janet Gardner</b> Principal	31 July 2020				Search, Curriculum Working Group	
<b>Joy Kettyle</b> Principal & Chief Executive	26 March 2018			Resigned 21 February 2020	Search	5/5 (100%)
<b>Priscile Mbuka</b> Student Member	12 November 2019		9 months	Ended term of office 31 July 2020		3/8 (38%)
<b>Alison Morris</b> Member	31 October 2017	2 October 2018	4 years	1 October 2022	Curriculum & Standards Working Group	8/9 (89%)
<b>Renatta Nzomono</b> Member	6 June 2016	6 April 2017	4 years	5 April 2021	Audit	9/9 (100%)
<b>Lutfiya Othman</b> Student Member	12 November 2019		9 months	Ends term of office 31 July 2020		5/8 (63%)
<b>Frank Royle</b> Staff Member	19 September 2017		4 years	18 September 2021		9/9 (100%)

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

<b>Tim Strong</b> Member	22 September 2014	21 September 2019	2 years	21 September 2021	Search (Chair) Remuneration (Chair)	9/9 (100%)
<b>Neil Taylor</b> Member	26 March 2019	24 March 2020	1 year	23 March 2021	Finance Working Group	8/9 (89%)
<b>Kalim Uddin</b> Staff Member	04 February 2020		4 years	03 February 2024		9/9 (100%)
<b>Kapil Wadhvani</b> Member	13 May 2013	22 May 2018	4 years	Resigned 15 July 2020	Audit	5/8 (63%)
<b>Graham Woolnough</b> Member & Vice Chair	20 March 2006	30 September 2019	2 years	31 July 2021 ( <i>Vice Chair until 30 September 2021</i> )	Audit (Chair), Curriculum & Standards Working Group	8/9 (89%)
<b>Shania-Latoya Ambrose</b> Student Governor	10.11.20	31.07.21	9mth			
<b>Yvonne Yau</b> Student Governor	10.11.20	31.07.21	9mth			
<b>Di Gowland</b> Principal	02 March 2020			Resigned 30 July 2020		3/3 (100%)
<b>Michael Eichhorn</b>	30 September 2020	30 September 2021	1 year		Audit Committee	N/A
<b>Shamik Ghosh</b>	30 September 2020	30 September 2021	1 year		Finance Working Group	N/A
<b>Jacqueline Yvonne</b>	30 September 2020	30 September 2021	1 year		Audit Committee	N/A

Ms Val Bartlett acts as Clerk to the Corporation.

The average attendance for all Members of the Corporation during 2019/20 was 86% of potential attendances.

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 staffing-related matters including health and safety and environmental issues. The Corporation met seven times in the year.

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 Remuneration, Search and Audit. Full minutes of all meetings, except those deemed confidential by the Corporation, are available on the College's website at [www.waltham.ac.uk](http://www.waltham.ac.uk) or from the Clerk to the Corporation at:

Waltham Forest College  
707 Forest Road  
London E17 4JB

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

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.

The College's Corporation comprises members, staff members and student members (as set out on pages 16 and 17) appointed under the Instrument of Government of the College. The roles of Chair and Vice Chair of the Corporation are separated from the role of the College's Principal and Chief Executive. The Corporation holds to itself the responsibilities of the strategic direction of the College, approval of major developments and the receipt of regular reports from the Principal and Chief Executive and other officers on the operations of its business.

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 Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Corporation 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 Accounting Officer are separate. The Corporation carries out an annual review of the performance of its duties and responsibilities as part of a continuing process of self-evaluation. A review of performance of the Corporation is used to inform the preparation of the College's Self-Assessment Report.

#### 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, comprising members who are responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

#### Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as 'good' on the Ofsted scale.

The Corporation considers that its strengths are:

- well focussed student-centred approach
- successful change in culture and greater concentration on the quality of College provision
- shared understanding and agreement on the strategic direction of the College.

It considered that its areas for improvement are:

- managing succession planning for key Corporation roles
- need to consolidate and extend employer engagement with the College and Corporation
- need to ensure membership of the Corporation is kept under regular review to ensure it continues to reflect the full range of required expertise and experience.

#### Remuneration Committee

Waltham Forest College Instrument and Articles of Government, [https://www.waltham.ac.uk/images/documents/governance/Instrument\\_and\\_Articles\\_2018.pdf](https://www.waltham.ac.uk/images/documents/governance/Instrument_and_Articles_2018.pdf) define certain senior key personnel as Senior Post Holders (SPH) and provide that the appointment, grading,

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts are matters for Governing Body (IAG Article 3(e) refers).

The Governing Body has established a Remuneration Committee with Terms of Reference that include;

- advising Governing Body on the framework for SPH remuneration and
- determining the pay of individual SPH.

At its meeting on 26 March 2019, Governing Body agreed to adopt the AoC Colleges' Senior Staff Remuneration Code (the AoC Code), complying with 'must' statements and having regard to 'should' statements.

The Association of Colleges (AoC) Code includes the requirement that the College must publish a readily accessible annual statement, based on an annual report to its governing body. The purpose of this report is to address that requirement.

#### Remuneration Committee membership

Committee memberships are ratified, on an annual basis, by the Corporation.

The Remuneration Committee membership for 2019/20 comprised:

- Tim Strong                      Chair of Remuneration Committee & Chair of Search Committee
- Paul Butler                      Chair of the Corporation
- Graham Woolnough      Chair of Audit Committee

No consultants have been engaged by this Committee during 2019/20.

All Committee members were present, at each meeting of the Remuneration Committees in 2019-20 which were held on:

- 12 August 2019
- 28 October 2019
- 25 February 2020
- 17 March 2020
- 6 July 2020

#### Senior Post Holders

The roles designated as Senior Post Holders (SPH) and therefore within the remit of the Remuneration Committee are:

- Chief Executive and Principal
- Deputy Principal Curriculum and Quality
- Deputy Principal Corporate Resources
- Clerk to the Corporation

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

#### The College's key strategic objectives:

Excellence and Innovation	To shift the College to 'outstanding' through innovation in teaching and learning and excellence in curriculum offer and delivery.
People and Culture	To recruit, retain, develop and reward talented staff who will enable learners to reach their full potential and take the College forward to 'outstanding'.
Employability and Future Careers	Develop skilled individuals that are employment ready and meet employer needs and the economic priorities of LBWF, London and beyond.
Growth and sustainability (Including Viability)	To be a future proofed, financially viable organisation able to invest for growth and sustainability.
Estate and Facilities for 21 <sup>st</sup> Century Learning	To provide a great environment for students and staff by continuing to improve our learning and social spaces and our sports facilities.

#### Remuneration process

The College's Remuneration Committee met on 28 October 2019:

- to finalise the College's SPH Appraisal and Remuneration Policy
- to review the remuneration of those staff within its remit and
- determine any changes to SPH pay from 1 August 2019.

#### Remuneration Policy

This Policy has been devised with regard to the principles of the AoC Code, so that the College has:

- a fair and competitive salary offer to attract and retain high performing staff;
- a framework for SPH remuneration that is affordable and
- decision-making processes for SPH remuneration that are fair, transparent and accountable.

#### Choice of comparator College(s)/organisation(s)

In setting the range for each role the Committee had regard to the latest benchmark data for relevant roles published in the Association of College's Senior Pay Survey 2018.

The Committee considered salary data for Colleges with a turnover of £20- £25m as Waltham Forest College's turnover in 2019/20 was just c £23m.

The salary ranges agreed by the Committee are published in the Policy, which also notes that these are guides for the Committee to determine an appropriate spot point, having had regard to the context of the College as well as the performance of the individual role holder.

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

#### Policy on income derived from external activities

The Code requires Colleges to justify any retention of external income by SPH in addition to their remuneration. The College includes an exclusivity of service clause in its SPH employment contract, which requires an SPH to obtain express permission for additional external work (whether or not it is remunerated).

There were no instances of remunerated external work taking place at the time of the meeting.

In the event of an SPH requesting approval of external work, the Chair of the Remuneration Committee would determine how much, if any, of the additional remuneration the SPH would be permitted to retain and the grounds for this.

#### Pay multiple of the Chief Executive / Principal and the median earnings of the institution's whole workforce

- Chief Executive pay: £180,000 pa\*.
- Median Earnings of WFC workforce – median gross salary of £23,335 which is a multiple of 9.29.

#### Total Emoluments of the Chief Executives/Principals

Emoluments of the Chief Executive/Principal (£)	2019/20	2018/19
Salary	180,000	125,000
Performance Pay	N/A	N/A
Benefits	N/A	4,000
<b>Subtotal</b>	<b>180,000</b>	<b>129,000</b>
Employer Pension Contributions	16,500	20,6000
<b>TOTAL</b>	<b>196,500</b>	<b>149,600</b>

\*There were two Principal and CEO postholders during the academic year.

#### Significant changes for 2020

The changes this year have mainly been to ensure that the College complies with the AoC Code, including:

- The Remuneration Committee being chaired by a governor other than the Chair of Governing Body.
- The salary ranges are intended to provide the Committee with a framework for making fair and consistent decisions about individual salaries, in relation to the demands of the role, other roles in the College and compared to similar roles in equivalent Colleges elsewhere in the UK.
- In this review, the Committee sought to ensure that the College's SPH remuneration was both competitive and affordable.

#### Expenses Policy

This is contained within the College Financial Regulations.

#### Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Principal & Chief Executive and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times during 2019/20. It provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent

## **Waltham Forest College**

### **Statement of Corporate Governance and Internal Control (cont'd)**

discussion without the presence of College management. The Committee also receives and considers reports from the main Further Education 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 and report their findings to management and the Audit Committee.

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

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

The review by the Audit Committee extends to a review of the performance of the financial statements and regularity auditors and the internal auditors.

#### **INTERNAL CONTROLS**

##### **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 day-to-day responsibility to the Principal and Chief Executive, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

##### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Waltham Forest College for the year ended 31 July 2020 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

#### The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate
- Active risk management arrangements.

The College has engaged an internal audit service provider, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of the Internal Audit service (HIA) provides the Governing Body with a report on the 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 and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal and Chief Executive'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 auditor, the regularity auditor, the internal auditors and the appointed funding auditors in their management letters and other reports

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

The Executive 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 Executive Team and Audit Committee also receives 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 Principal & Chief Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Principal and Chief Executive and internal audit and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the Accounting Officer, 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'*.



## Waltham Forest College

### Statement of Corporate Governance and Internal Control (cont'd)

#### Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources and facilities in place 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 Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams
- the College's financial health is graded as ESFA 'good', as at 31 July 2020
- the increase in 16-19 learner numbers which the College experienced in 2019/20 will generate additional income in 2020/21 which can be delivered from the current cost base.
- the College has in place strong detailed financial forecasting and planning arrangements with a sensitivity analysis allowing prompt remedial management action if required.
- the cash position has significantly improved during 2019/20. As at 31<sup>st</sup> July 2020 the College had a cash balance of £1,491k representing 27 cash days. This compares with a cash balance of £547k as at 31<sup>st</sup> July 2019 and 10 cash days.
- Cash flow estimates for the period to 31 December 2021 indicate that the College will continue to have sufficient cash to meet its short-term commitments and obligations and to be able to undertake capital investment to maintain the current volumes and quality of facilities and equipment.
- The College reviewed its cost base in 2019/20 and aligned this with income streams. This included a review of capital spend, the staffing model and non-pay spend. Savings were identified as a result of these initiatives and robust processes area now in place in the College to monitor spend proposals including business cases for new staff posts, capital spend and a rolling-procurement programme to monitor non-pay spend.

Approved by order of the members of the Corporation on  
behalf by:

21/12/2020

and signed on its

*Janet Gardner*

Janet Gardner  
Principal and Chief Executive  
(Accounting Officer)

*Paul Butler*

Paul Butler  
Chair of the Corporation

## Waltham Forest College

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. 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 not able to identify any material irregular or improper use of the funds by the College, or material non-compliance with the 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 Education and Skills Funding Agency.

**Approved by order of the members of the Corporation on 21/12/2020 and signed on its behalf by:**

*Janet Gardner*

Janet Gardner  
Principal and Chief Executive  
(Accounting Officer)

*Paul Butler*

Paul Butler  
Chair of the Corporation

## Waltham Forest College

### Statement of the Responsibilities of the Members of the Corporation

The Members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction for 2018 to 2019 financial statements* issued by the Education and Skills Funding Agency which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

**Approved by order of the members of the Corporation on its behalf by:**

21/12/2020

**and signed on**

*Paul Butler*

Paul Butler, Chair of the Corporation

## Waltham Forest College

### Independent auditor's report to the Corporation of Waltham Forest College

#### Opinion

We have audited the financial statements of Waltham Forest College (the 'corporation') for the year ended 31 July 2020, which comprise Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2020 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments

#### Basis for opinion

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

#### The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the corporation and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the entity's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Waltham Forest College

### Independent auditor's report to the Corporation of Waltham Forest College (cont'd)

In our evaluation of the corporation's conclusions, we considered the risks associated with the entity's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the entity's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the entity will continue in operation.

#### Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, set out on pages 2 to 26, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or
- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 26, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

## Waltham Forest College

### Independent auditor's report to the Corporation of Waltham Forest College (cont'd)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### Use of our report

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 1 December 2020. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
30 Finsbury Square  
London EC2A 1AG  
21/12/2020

## **Waltham Forest College**

### **Reporting accountant's assurance report on regularity**

To the corporation of Waltham Forest College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA').

In accordance with the terms of our engagement letter dated 1 December 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder including the Greater London Authority, 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 Waltham Forest College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

#### **Respective responsibilities of Waltham Forest College and the reporting accountant**

The corporation of Waltham Forest College is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are 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 Code. 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 2019 to 31 July 2020 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 Code issued by ESFA. 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.

## Waltham Forest College

### Reporting accountant's assurance report on regularity (cont'd)

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the College's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

#### Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

#### Use of our report

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

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Chartered Accountants  
30 Finsbury Square  
London EC2A 1AG

21/12/2020



## Waltham Forest College

### Statement of Comprehensive Income and Expenditure

	Notes	2020 £'000	Restated 2019 £'000
<b>INCOME</b>			
Funding body grants	2	17,715	16,938
Tuition fees and education contracts	3	3,749	3,992
Other grants and contracts	4	425	468
Other income	5	276	491
Investment income	6	3	3
<b>Total income</b>		<b>22,167</b>	<b>21,892</b>
<b>EXPENDITURE</b>			
Staff costs	7	13,787	12,869
Other operating expenses	8	6,585	7,274
Depreciation	11	1,912	2,207
Interest and other finance costs	9	445	419
<b>Total expenditure</b>		<b>22,729</b>	<b>22,769</b>
<b>Deficit before other gains and losses</b>		<b>(562)</b>	<b>(877)</b>
Loss on disposal of assets		-	-
<b>Deficit before tax</b>	10	<b>(562)</b>	<b>(877)</b>
Taxation		-	-
<b>Deficit for the year</b>		<b>(562)</b>	<b>(877)</b>
Actuarial (loss) in respect of pensions schemes	20	(6,232)	(6,135)
<b>Total Comprehensive Income for the year</b>		<b>(6,794)</b>	<b>(7,012)</b>

The Statement of Comprehensive Income is in respect of continuing activities.

## Waltham Forest College

### Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Balance at 1st August 2018 as previously stated</b>	<b>(7,036)</b>	<b>8,330</b>	<b>1,294</b>
Prior Year Adjustment – relating to 2014/15 to 2017/18	(107)	-	(107)
<b>Restated balance at 1<sup>st</sup> August 2018</b>	<b>(7,143)</b>	<b>8,330</b>	<b>1,187</b>
Deficit from the income and expenditure account	(877)	-	(877)
Actuarial loss in respect of pensions schemes	(6,135)	-	(6,135)
Transfers between revaluation and income and expenditure reserves	390	(390)	-
<b>Total comprehensive income for the year</b>	<b>(6,622)</b>	<b>(390)</b>	<b>(7,012)</b>
<b>Balance at 31st July 2019</b>	<b>(13,765)</b>	<b>7,940</b>	<b>(5,825)</b>
<b>Balance at 1<sup>st</sup> August 2019 as previously stated</b>	<b>(13,263)</b>	<b>7,940</b>	<b>(5,323)</b>
Prior year adjustment	(502)	-	(502)
Restated Balance at 1 <sup>st</sup> August 2019	(13,765)	7,940	(5,825)
Surplus/(deficit) from the income and expenditure account	(562)	-	(562)
Actuarial gain/(loss) in respect of pensions schemes	(6,232)	-	(6,232)
Transfers between revaluation and income and expenditure reserves	390	(390)	-
<b>Total comprehensive income for the year</b>	<b>(6,404)</b>	<b>(390)</b>	<b>(6,794)</b>
<b>Balance at 31st July 2020</b>	<b>(20,169)</b>	<b>7,550</b>	<b>(12,619)</b>

## Waltham Forest College

### Balance sheet as at 31 July

	Notes	2020 £'000	2019 £'000 Restated
<b>Fixed assets</b>			
Tangible fixed assets	11	31,729	33,252
<b>Current assets</b>			
Stocks		59	38
Trade and other receivables	12	1,232	1,084
Cash and cash equivalents	17	1,491	547
		<u>2,782</u>	<u>1,669</u>
Less: Creditors – amounts falling due within one year	13	(3,839)	(3,414)
<b>Net Liabilities</b>		<u>(1,057)</u>	<u>(1,745)</u>
<b>Total assets less current liabilities</b>		<b>30,672</b>	<b>31,507</b>
Less: Creditors – amounts falling due after more than one year	14	(15,200)	(16,164)
<b>Provisions</b>			
Defined benefit obligations	16	(27,656)	(20,671)
Other provisions	16	(435)	(497)
		<u>(28,091)</u>	<u>(21,168)</u>
<b>Total net (liabilities)</b>		<u><b>(12,619)</b></u>	<u><b>(5,825)</b></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		(20,169)	(13,765)
Revaluation reserve		7,550	7,940
		<u>(12,619)</u>	<u>(5,825)</u>
<b>Total unrestricted reserves</b>		<u><b>(12,619)</b></u>	<u><b>(5,825)</b></u>

The financial statements on pages 32 to 55 were approved and authorised for issue by the Corporation on 21/12/2020 and were signed on its behalf on that date by:

*Paul Butler*

**Paul Butler**  
Chair of the Corporation

*Janet Gardner*

**Janet Gardner**  
Accounting Officer

# Waltham Forest College

## Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
<b>Cash inflow from operating activities</b>			<b>Restated</b>
(deficit) for the year		(562)	(877)
<b>Adjustment for non-cash items</b>			
Deferred capital grants	2	(811)	(858)
Depreciation	11	1,912	1,812
Increase in stocks		(21)	(26)
Increase in debtors	12	(149)	(342)
Increase in creditors due within one year	13	363	181
Decrease in provisions	16	(62)	(17)
Pensions costs less contributions payable		329	(20)
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(3)	(3)
Interest payable	9	445	419
<b>Net cash flow from operating activities</b>		<b>1,441</b>	<b>269</b>
<b>Cash flows from investing activities</b>			
Investment income		3	3
Payments made to acquire fixed assets	11	(389)	(680)
Deferred capital grants received		162	(69)
		<b>(224)</b>	<b>(746)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(21)	(23)
Repayments of amounts borrowed	15	(252)	(251)
		<b>(273)</b>	<b>(274)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>944</b>	<b>(751)</b>
Cash and cash equivalents at beginning of the year	17	547	1,298
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	17	<b>944</b>	<b>(751)</b>
Cash and cash equivalents at end of the year	17	1,491	547
<b>Net Debt Reconciliation as at 31 July 2020</b>			
	At start of the year	Cashflows	At end of the year
Cash	547	945	1,491
Loans falling due within one year	(252)	252	0
Loans falling due after one year	(692)		(692)
<b>TOTAL</b>	<b>(397)</b>	<b>1,197</b>	<b>799</b>

# Waltham Forest College

## Notes to the financial statements

### 1. Accounting Policies

#### Statement of accounting policies and estimation techniques

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* 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 an exempt charity in England and Wales and a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention in accordance with applicable United Kingdom Accounting Standards.

#### Going concern

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

As noted in the Members Report, the Corporation considers that the College has adequate resources and facilities in place 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.

At 31 July 2020 the College has £692k of loans outstanding with Barclays Bank. The loan will be repaid by 1 January 2022. The bank has a charge over the full value of the College's Forest Road site as security for the loan. The interest rate is floating at 1.5% above base rate.

The College's forecasts and projections, taking account of reasonably possible changes in operating performance show that the College should be able to operate within the level of its current banking facilities and loan covenants, and maintain an appropriate level of financial strength as assessed by the ESFA, for the foreseeable future. Taking all factors into account the Corporation has therefore concluded that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the next twelve-month period.

The Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams
- the College's financial health returned to ESFA 'good' by 31 July 2020
- the increase in 16-19 learner numbers which the College experienced in 2020/21 will generate additional income in 2021/22 which can be delivered from the current cost base
- the College has in place strong detailed financial forecasting and planning arrangements with a sensitivity analysis allowing prompt remedial management action if required
- cash-flow estimates for the period to 31 December 2021 indicate that the College will continue to hold sufficient cash to meet its short-term commitments and obligations and to be able to undertake capital investment to maintain the current volumes and quality of facilities and equipment.
- Cash-flow forecasts for the period to 31 July 2020 and for the following two years indicate that the College will continue to hold sufficient cash to meet its short-term commitments and obligations.

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 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 Education 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. 16-19 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

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.

#### Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### Post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) administered by the London Borough of Waltham Forest. These are defined benefit schemes, 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 in common with other Colleges in the FE sector, Waltham Forest 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.

## Waltham Forest College

### Notes to the financial statements (cont'd)

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 and actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

#### 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 on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going 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 deemed cost less accumulated depreciation and accumulated impairment losses.

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

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated evenly over their expected useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

The cost of building improvements carried out in premises leased by the College is depreciated over the shorter of the life of the lease period or their expected useful economic life.

## Waltham Forest College

### Notes to the financial statements (cont'd)

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. No impairments of fixed assets have been carried out during 2019/20.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of the land and buildings which were revalued in 1994, but not to adopt a policy of revaluing 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 after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

#### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment is depreciated over its useful economic life as follows:

Furniture and fittings, Plant	10% per year on a straight line basis
Computer equipment	20% per year on a straight line basis
Computer software	20% per year on a straight line basis
Motor vehicles	25% per year on a straight line basis

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 Statement of Comprehensive Income over the expected useful economic life of the related asset.

#### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

#### **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.

#### **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.



## Waltham Forest College

### Notes to the financial statements (cont'd)

#### Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however, the College has

calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

#### 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 sections 478-488 of the 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 small amount of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

#### Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, and 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. The College has provisions for potential dilapidations relating to two leased properties and for enhanced pensions.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. The College has no contingent liabilities as at 31 July 2020.

#### Judgements in applying accounting policies and key sources of estimation uncertainty

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

- That there are no indicators of impairment of the group's tangible assets. 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.

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 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 21, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	7,434	7,085
Education and Skills Funding Agency – 16 -18	8,410	8,005
Education and Skills Funding Agency – apprenticeships	792	967
Office for Students	-	22
<b>Specific Grants</b>		
Teachers' Pension Scheme Contribution grant	267	-
Releases of government capital grants	811	858
<b>Total</b>	<b>17,714</b>	<b>16,938</b>

#### 3 Tuition fees and education contracts

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	228	560
Apprenticeship fees and contracts	33	69
Fees for FE loan supported courses	2,180	1,949
Fees for HE loan supported courses	1	230
Total tuition fees	2,443	2,809
Education contracts	1,306	1,183
<b>Total</b>	<b>3,748</b>	<b>3,992</b>

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 4 Other grants and contracts

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other grants and contracts	615	468
Coronavirus Job Retention Scheme grant	69	-
<b>Total</b>	<b>684</b>	<b>468</b>

#### 5 Other income

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	179	276
Other Income generating activities	24	128
Miscellaneous income	72	86
<b>Total</b>	<b>275</b>	<b>490</b>

#### 6 Investment income

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

#### 7 Staff costs

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	140	133
Non-teaching staff	139	129
<b>Total</b>	<b>279</b>	<b>262</b>

#### Staff costs for the above persons

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,641	8,268
Social security costs	800	768
Other pension costs	2,126	1,509
<b>Payroll sub total</b>	<b>11,567</b>	<b>10,545</b>
Contracted out staffing services	2,000	2,184
	<b>13,567</b>	<b>12,729</b>
Restructuring costs – Contractual	127	108
Non-contractual	92	32
<b>Total</b>	<b>13,786</b>	<b>12,869</b>

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 7 Staff costs (cont'd)

##### 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 Chief Executive who is Principal, Deputy Principal Curriculum and Quality and Deputy Principal Corporate Resources.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	3	3

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£15,001 to £20,000 (a)	-	-	-	1
£30,001 to £35,000	-	-	-	-
£45,001 to £50,000	-	-	-	-
£55,001 to £60,000 (b)	1	-	-	-
£60,001 to £65,000 (a)	-	-	4	2
£65,001 to £70,000 (a)	-	-	1	-
£70,001 to £75,000 (a)	-	1	-	-
£80,000 to £85,000 (a); (b)	1	1	-	-
£100,001 to £105,000	-	-	-	-
£125,001 to £130,000 (a)	-	1	-	-
£130,001 to £135,000 (a)	1	-	-	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>

- (a) Reflects partial year emoluments to key management personnel who started and/or left during the year. No compensation for loss of office was paid to these members of staff
- (b) In addition to the cost of the senior post holder, the College incurred agency related fees of £58k (2018/19: £68k).

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 7 Staff costs (cont'd)

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Basic salary	280	203
Benefits in kind		4
Pension contributions	38	33
<b>Subtotal</b>	<b>318</b>	<b>240</b>
Agency costs	67	124
<b>Total key management personnel compensation</b>	<b>385</b>	<b>364</b>

The above compensation includes amounts payable to the Principal and Chief Executive who were the Accounting Officer. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Basic salary	180	125
Performance related pay and bonus	-	-
Benefits in kind		4
Pension contributions	17	21
<b>Total</b>	<b>197</b>	<b>150</b>

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

#### Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020	2019
Principal's basic salary as a multiple of the median of all staff	10.05	7.07
Principal and CEO's total remuneration as a multiple of the median of all staff	9.29	8.13

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

#### Compensation for loss of office paid to former key management personnel

	2020 £	2019 £
Compensation paid to the former post-holder - contractual	25,000	-
Estimated value of other benefits, including provisions for pension benefits	-	-

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 8 Other operating expenses

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	577	395
Non-teaching costs	5,235	5,827
Premises costs	1,033	1,051
	<u>6,845</u>	<u>7,273</u>
<b>Total</b>	<b><u>6,845</u></b>	<b><u>7,273</u></b>

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other operating expenses include:</b>		
Auditors' remuneration:		
Financial statements audit	38	27
Other services provided by the financial statements auditors*	1	39
Internal audit	37	23
Operating leases	29	67
	<u>29</u>	<u>67</u>

\* Other Services provided by the Financial Statements auditors consist of the Teacher Pension audit £1k (2018/19: £1k); and a risk review of a proposed capital project £0k (2018/19: £38).

#### 9 Interest payable

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	<u>21</u>	<u>23</u>
On finance leases		
Net interest on defined pension liability (note 21)	424	396
<b>Total</b>	<b><u>445</u></b>	<b><u>419</u></b>

#### 10 Taxation

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

# Waltham Forest College

## Notes to the financial statements (cont'd)

### 11 Tangible Fixed Assets

	Freehold Land and buildings	Tenants Improvements	Equipment	Assets Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2019 as previously stated	46,162	818	3,211	905	51,096
Prior year adjustment – write off assets	-	-	-	-312	-312
Prior year adjustment – reclassification of assets	-	-	183	-183	-
	46,162	818	3,394	410	50,784
Restated as at 1 <sup>st</sup> August 2019					
Assets brought into use	400	-	10	-410	-
Additions	64	-	290	35	389
<b>At 31 July 2020</b>	<b>46,626</b>	<b>818</b>	<b>3,694</b>	<b>35</b>	<b>51,173</b>
<b>Depreciation</b>					
At 1 August 2019 as previously stated	14,749	818	1,696	-	17,263
Prior year adjustment depreciation	269	-	-	-	269
Restated depreciation as at 1 <sup>st</sup> August 2019	15,018	818	1,696	-	17,532
Charge for the year	1,581	1	330	-	1,912
<b>At 31 July 2020</b>	<b>16,599</b>	<b>819</b>	<b>2,026</b>	<b>-</b>	<b>19,444</b>
<b>Net book value at 31 July 2020</b>	<b>30,027</b>	<b>-1</b>	<b>1,668</b>	<b>35</b>	<b>31,729</b>
Net book value at 31 July 2019 as previously stated	31,413	1	1,514	905	33,833
Prior Year Adjustment	-269	-	-	-312	-581
Restated net book value at 31 July 2019	31,144	1	1,514	593	33,252

Land and buildings were revalued at incorporation in the 1994 Financial Statements at depreciated replacement cost by CB Richard Ellis, Chartered Surveyors.

Please see *Note 24 – Prior Period Adjustment – Fixed asset depreciation and write-off* for detail on the restatement of opening fixed assets.

## Waltham Forest College

### Notes to the financial statements (cont'd)

<b>12</b>	<b>Trade and other receivables</b>		
		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	Amounts falling due within one year:		
	Trade receivables	257	313
	Prepayments and accrued income	840	551
	Amounts owed by the ESFA	135	220
	<b>Total</b>	<b>1,232</b>	<b>1,084</b>
<b>13</b>	<b>Creditors: amounts falling due within one year</b>		
		<b>2020</b>	<b>Restated</b>
		<b>£'000</b>	<b>2019</b>
			<b>£'000</b>
	Bank loans and overdrafts	252	252
	Trade payables	453	770
	Other taxation and social security	712	783
	Accruals and deferred income	1,452	811
	Payments received on account	160	51
	Deferred income - government capital grants	810	748
	<b>Total</b>	<b>3,839</b>	<b>3,415</b>
<b>14</b>	<b>Creditors: amounts falling due after one year</b>		
		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans	440	692
	Deferred income - government capital grants	14,760	15,482
	<b>Total</b>	<b>15,200</b>	<b>16,174</b>
<b>15</b>	<b>Maturity of debt</b>		
<b>(a)</b>	<b>Bank loans and overdrafts</b>		
		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans and overdrafts are repayable as follows:		
	In one year or less	252	252
	Between one and two years	252	252
	Between two and five years	188	440
	<b>Total</b>	<b>692</b>	<b>944</b>

The above debt is a revolving credit facility repayable by 1 January 2022. The interest rate is a variable rate at 1.50% above LIBOR. The bank has a charge over the full value of the College's Forest Road Campus as security for this debt.



## Waltham Forest College

### Notes to the financial statements (cont'd)

<b>16 Provisions</b>	<b>Defined benefit obligation £'000</b>	<b>Enhanced pensions £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2019	20,671	311	186	21,168
Expenditure in the period	-	(33)	-	(33)
Transferred from income and expenditure account	6,985	84	(114)	6,955
<b>At 31 July 2020</b>	<b>27,656</b>	<b>362</b>	<b>72</b>	<b>28,090</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Pension Note 20.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	<b>2020</b>	<b>2019</b>
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

Other provision is made for a dilapidation cost on a leased property.

### 17 Cash and cash equivalents

	<b>At 1 August 2019 £'000</b>	<b>Cash flows £'000</b>	<b>Other changes £'000</b>	<b>At 31 July 2020 £'000</b>
Cash and cash equivalents	547	945	-	1,491
<b>Total</b>	<b>547</b>	<b>945</b>	<b>-</b>	<b>1,491</b>

### 18 Capital and other commitments

	<b>2020 £'000</b>	<b>2019 £'000</b>
Commitments contracted for 31 July	-	94

### 19 Events after the reporting period

The College recruited strongly to the 2020/21 academic year. The College continues to develop teaching and learning methods for on-site, off-site and blended delivery, and has used additional funding to develop its digital resources for students to achieve this. The effectiveness of this was demonstrated during the second lockdown in November 2020 with learning able to continue both on-site and off-site. The College maintains a strong presence with local stakeholders and employers and has reviewed its curriculum offer to ensure its relevance to current needs and demands.

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 20 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2019.

<b>Total pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme: contributions paid	836	590
Local Government Pension Scheme:		
Contributions paid	487	474
Deficit payments	474	465
FRS 102 (28) charge	329	(20)
Charge to the Statement of Comprehensive Income	1,290	919
<b>Total Pension Cost for Year within staff costs</b>	<b>2,126</b>	<b>1,509</b>

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, Colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 20 Defined benefit obligations (continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department of Education has committed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,075k (2019: £904k)

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Borough of Waltham Forest. The total contribution made for the year ended 31 July 2020 was £1,164k (2019: £1,137k), of which employer's contributions totalled £487k (2019: £474k), employees' contributions totalled £203k (2019: £198k) and additional deficit payments totalled £474k (2019: £465k). The agreed contribution rates for future years are 14.9% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
Rate of increase in salaries	3.80%	3.70%
Future pensions increase	2.30%	2.30%
Discount rate for scheme liabilities	1.50%	2.10%
Inflation assumption (CPI)	2.30%	2.20%
Commutation of pensions to lump sums	25%	25%

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

	<b>At 31 July 2020 years</b>	<b>At 31 July 2019 years</b>
<i>Retiring today</i>		
Males	22.60	22.60
Females	25.10	25.70
<i>Retiring in 20 years</i>		
Males	24.20	24.80
Females	27.00	28.00

**Waltham Forest College****Notes to the financial statements (cont'd)****20 Defined benefit obligations (continued)****Local Government Pension Scheme (Continued)**

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

	<b>Fair Value at 31 July 2020 £'000</b>	<b>Fair Value at 31 July 2019 £'000</b>
Equity instruments	15,626	18,266
Debt instruments	-	3,091
Property	2,111	2,810
Cash	1,366	562
Other	5,738	3,372
<b>Total market value of assets</b>	<b>24,841</b>	<b>28,101</b>
<b>Actual return on plan assets</b>	<b>(1,322)</b>	<b>1,380</b>

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

	<b>2020 £'000</b>	<b>2019 £'000</b>
Fair value of plan assets	24,841	28,101
Present value of plan liabilities	(52,497)	(48,772)
<b>Net pensions (liability) (Note16)</b>	<b>(27,656)</b>	<b>(20,671)</b>

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

	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	1,202	894
Past service cost	65	375
	<b>1,267</b>	<b>1,269</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(4,397)	608
Changes in assumptions underlying the present value of plan liabilities	(1,835)	(6,359)
	<b>(6,232)</b>	<b>(5,751)</b>

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 20 Defined benefit obligations (continued)

##### Movement in net defined benefit (liability) during the year

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(20,671)	(14,160)
Movement in year:		
Current service cost	(1,202)	(894)
Employer contributions	961	946
Past service cost	(65)	(375)
Administration costs	(23)	(32)
Net interest on the defined (liability)	(424)	(396)
Loss on curtailments	-	(9)
Actuarial gain or loss	(6,232)	(5,751)
<b>Net defined benefit (liability) at 31 July</b>	<b><u>(27,656)</u></b>	<b><u>(20,671)</u></b>

##### Asset and Liability Reconciliation

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	48,772	40,582
Current Service cost	1,202	894
Interest cost	1,020	1,167
Contributions by Scheme participants	203	200
Experience gains and losses on defined benefit obligations	(2,138)	-
Changes in financial assumptions	3,973	6,359
Estimated benefits paid	(600)	(814)
Past Service cost	65	375
Curtailments and settlements	-	9
<b>Defined benefit obligations at end of period</b>	<b><u>52,497</u></b>	<b><u>48,772</u></b>

##### Changes in fair value of plan assets

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	28,101	26,422
Interest on plan assets	596	771
Return on plan assets	(4,397)	608
Administration costs	(23)	(32)
Employer contributions	961	946
Contributions by Scheme participants	203	200
Estimated benefits paid	(600)	(814)
<b>Fair value of plan assets at end of period</b>	<b><u>24,841</u></b>	<b><u>28,101</u></b>

## Waltham Forest College

### Notes to the financial statements (cont'd)

These accounts show a past service cost of £65k (2019: £375k) in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- The form of remedy adopted
- How the remedy will be implemented
- Which members will be affected by the remedy
- The earnings assumptions
- The withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50%.

#### **21 Related party transactions**

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The College contracts with Leyton Orient Trust to deliver part of the College's sports provision. The College Governor, Mr. Neil Taylor, is the Chief Executive Officer of Leyton Orient Trust. During the year the College incurred costs payable to Leyton Orient Trust of £359k (2019: £280k). No amounts were outstanding at the year end and prior year.

No expenses were paid to or on behalf of Governors during the year as in prior year.

## Waltham Forest College

### Notes to the financial statements (cont'd)

#### 22 Amounts disbursed as agent

##### Learner support funds

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
16-19 bursary grants	359	246
Adult Learner Support	354	511
Learner Loans bursary grants	496	345
	<u>1,209</u>	<u>1,102</u>
Disbursed to students	(1,020)	(1,059)
Administration costs	(33)	(43)
	<u>(1,053)</u>	<u>(1,102)</u>
Balance unspent as at 31 July 2020, included in creditors	<u>156</u>	<u>-</u>

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

#### 23 Prior Period Adjustment – Fixed asset depreciation and write-off

A prior period adjustment of £502k was made to the opening reserve balances as at 1<sup>st</sup> August 2019. The adjustment arose as the College identified a number of items of fixed asset expenditure dating back to 2014/15 which had either not been depreciated or required write-off. The issue was notified and discussed with ESFA at the time of identification.

Following the guidance of FRS 102, this has been treated as a prior-period adjustment.

As this is a non-cash adjustment this has no impact on the liquidity of the College or on ESFA financial grading. A review of fixed asset accounting and month-end processes is being conducted by the College's appointed internal auditors in December 2020 to provide assurance on the processes and identifies any control areas requiring improvement.

The impact of the prior period adjustment on the equity reserves is detailed below:

	<b>2019</b>
	<b>£'000</b>
Reserves as previously stated as at 31st July 2019	(5,323)
Restatement of Fixed Assets	(581)
Accelerated release of deferred capital grant	79
<b>Restated reserves as adjusted as at 31st July 2019</b>	<u><b>(5,825)</b></u>

**Waltham Forest College****Notes to the financial statements (cont'd)**

<b>Reconciliation of Changes in Deficit</b>	<b>2019 £'000</b>
Deficit as previously stated as at 31st July 2019	(482)
Prior year depreciation	(395)
	<hr/>
<b>Restated deficit as adjusted as at 31st July 2019</b>	<b><u>(877)</u></b>