

27/11/19



London Skills for Growth Limited
Annual Report and Financial Statements
31 July 2019

Company Limited by Guarantee Registration Number
01747251 (England and Wales)

Charity Registration Number 288465

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Reference and administrative information

Trustees	David Eastgate Allan Carey Sam Parrett Lucy Butler Lucie Allen John Hunt Mary Herbert
Registered office	19 Upland Road Bexleyheath DA7 4NR
Principal Officers	
Chief Executive Officer	John Hunt
Operations Director	Angela Beaton
Finance Director	Kofo Ladele
Company registration number	01747251 (England and Wales)
Charity registration number	288465
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank Plc Level 27, Churchill Place London EC2V 6DL
Solicitors	Brachers LLP Somerfield House 59 London Road Maidstone Kent ME16 8JH

Trustees' Report - Year to 31 July 2019

The trustees present their report with the financial statements of London Skills for Growth Limited for the year ended 31 July 2019.

This report, prepared in accordance with the Charities Act 2011, serves as the report of the directors for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 16 to 18 of the attached financial statements and comply with the charitable company's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Constitution

London Skills for Growth is a registered charity (Charity Registration No 288465) and also a company limited by guarantee not having a share capital (Company Registration No. 01747251). The company's memorandum of association dated 4 August 2006 and articles of association dated 20 June 2017 are its primary governing documents.

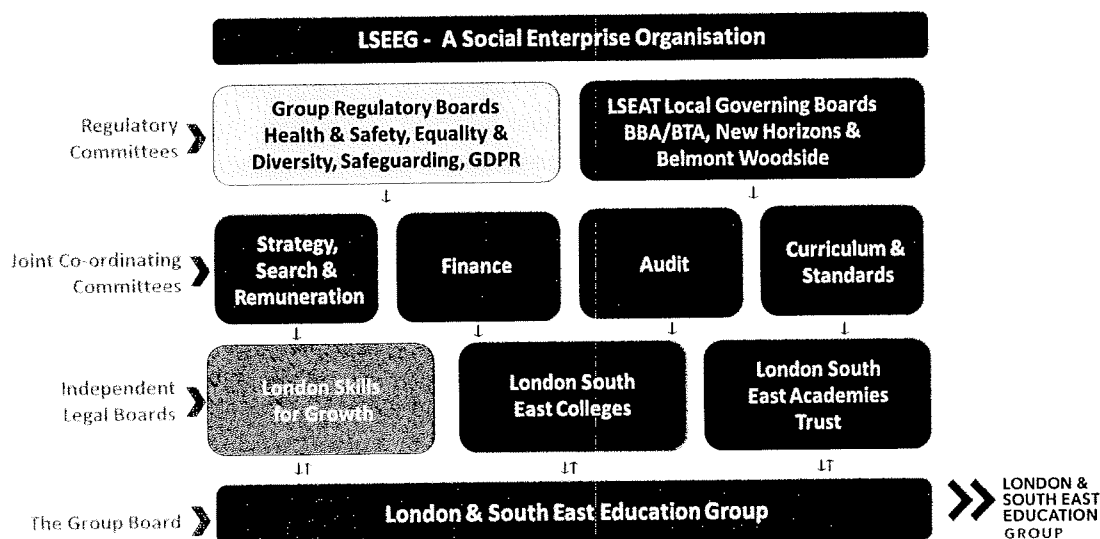
The Charity works closely with its ultimate parent entity, London South East Colleges (LSEC), and in April 2018 following a decision by the independent boards of each entity, the London & South East Education Group (LSEEG) was formed. LSEEG is the umbrella organisation to coordinate the strategy of the organisations and to optimise and strengthen both governance and collaboration between group entities, (subject to their non-delegable primary governance responsibilities and authority; their regulatory obligations; and potential conflict of interest). LSEEG also includes London South East Academies Trust (LSEAT) a Multi Academy Trust. The Group is not a legal entity and organisations as members of the Group are not subsidiary companies which are controlled or owned by LSEEG.

The Group rationale is borne from a shared mission vision and values and seeks to optimise governance alignment through a Group Strategy and provide efficiencies across the organisations for the benefit of the Learners and by extension for the public benefit. The Group ethos is founded upon high quality teaching and learning, the development of curriculum models fitting each entity.

Governors and Trustees have been appointed to the Group Board, Independent Legal Boards and the Joint Group Co-ordinating Committees, ensuring that a balanced combination of Governors and Trustees are represented on the each of these, as defined by the relevant Articles of Association and the Group Organisation Scheme of Delegation. Details of the group governance arrangements are shown below:-

Trustees' Report - Year to 31 July 2019

Group Board, Independent Legal Boards and Joint Co-ordinating Committees – Governance Structure 2019/20



Details of the Trustees who served on the Charity's board during the year are included below. Business is conducted through full Board meetings, a Group Finance Committee and a Group Audit and Risk Committee. The membership of these Committees must include representation from LSFG, but may also include Group Governors or those from other legal entities within the group where this will improve governance through the provision of greater expertise and challenge. Minutes of meetings are maintained and a register of interests published on the Trust's website.

Member's liability

On 1 August 2017, Bromley College Corporation, trading as London South East Colleges became the sole member of the charity. The liability of the member in the event of winding up is limited to £1.

Trustees

The trustees of the charity are also directors for the purposes of company legislation.

The trustees in office during the year, and since the year end, were as follows:

Name	Appointed	Tenure
David Eastgate	01/08/2017	4 years
Allan Carey	01/08/2017	4 years
Lucy Butler	01/08/2017	4 years
Lucie Allen	01/11/2018	4 years
Sam Parrett	05/10/2017	4 years
John Hunt	05/10/2017	4 years
Mary Herbert	03/05/2018	4 years

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustee induction and training

The training and induction provided for new trustees will depend upon their existing experience. Where necessary the induction process will provide training on charity, educational, legal and financial matters. All trustees are provided with copies of procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. Induction tends to be done informally and is tailored specifically to the individual trustees.

Key management personnel

In addition to the trustees, the key management personnel are considered to be the CEO, the Operations Director and Finance Director. The pay of the Operations Director is reviewed annually by the CEO and any changes approved by the Chair. The pay of the CEO is reviewed and approved by the trustees. The trustees receive no remuneration other than reasonable expenses for attending meetings.

Key management personnel

Chief Executive Officer	John Hunt
Operations Director	Angela Beaton
Finance Director	Kofo Ladele

Trustees' responsibilities statement

The trustees also act as the directors for the purposes of company law and are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees, as directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and to apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees' responsibilities statement (continued)

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the trustees confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Organisation

Authority for the day-to-day running of the charity has been delegated to the CEO, as has the day-to-day financial management. Income and expenditure are monitored monthly and an annual budget is set and agreed with the Board in advance of each financial year.

Risk management

London Skills for Growth's risk management framework ensures that risk management is embedded throughout the organisation and is performed by the management and staff of the charity as part of their day-to-day activity. The Board of Trustees has overall responsibility for risk management oversight, for setting the direction of the charity and for assessing its risk appetite. The Board ensures that charitable funds are afforded maximum protection, regularly reviews the charity's identified risks and mitigating actions and it ensures that the Board's risk policy is followed.

The charity's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability.

The Board of Trustees has considered the need for a specific internal audit function and appointed RSM Tenon as internal auditor for the year as part of the group internal audit arrangements. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the control systems. In particular the checks carried out in the current period covered:

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

- Key financial controls; and
- Learner Number Systems
- Follow Up Action Tracking

The auditor reports to the Board of Trustees through the Group Audit Committee on the operation of the systems of control and on how the Board of Trustees' has discharged its financial responsibilities.

The trustees identified a number of principal risks and uncertainties for the year and the two of the key risks are explained below:

- ♦ **Business Integration:** a key risk for 2018/19 was to successfully embed the charity into the group central services in order to reduce costs, whilst protecting service levels where possible. During the year significant progress was made to embed the new central services including but not limited to Finance, Quality, HR, Health & Safety, and Estates. Further work continues to centralise other services including MIS and IT.
- ♦ **Financial Performance:** following a number of significant annual operating losses, the future viability and solvency remain a key risk for the Charity. Although the charity did incur a further loss in 2018/19, this was greatly reduced from previous years, and represents the best financial outturn since 2014/15. Solvency remains a key risk for the business and will be resolved through the sale of its surplus property asset. In addition, the parent entity, has agreed to cover any shortfall in working capital requirements over the next 12 months.

OBJECTIVES AND ACTIVITIES

Principal aims and objectives

The charity's purpose, largely unchanged since its founding, was stated in its Strategic Plan in October 2015 as:

"The advancement of education and employability of 14-24 year olds, who through social or economic circumstance are in need and require support to improve their prospects of workplace or educational progression."

Following an agreement reached during 2016/17, London South East Colleges (LSEC) became the charity's sole member on 1 August 2017. The objectives of LSfG remain unchanged and during 2018/19 the process of realising the opportunities and economies associated with being a member of the LSEC Group commenced and were achieved.

PERFORMANCE REVIEW

Strategy

During 2018/19 the strategy of the charity was to safeguard the future of the charity by making a significant reduction to the historic operating losses, and to embed group central services and quality improvement into the business. Good progress has been made to implement these changes and staff have benefitted from a significant amount of CPD which is improving teaching, learning and assessment.

The longer term strategy of identifying opportunities for growth through acquisition was realised when London South East Colleges become London Skills for Growth's sole member on 1 August 2017.

Quality improvements continued during 2018/19 and although there was an overall decline in apprenticeship success rates of 1.1% due to legacy issues, there were improvements in success rates for Overall FE achievement, English and Maths, student attendance, and student FE Choices satisfaction.

The charity started work on a new strategy for the business which links into the social enterprise agenda of the group which aims to increase social impact and public value. This strategy will expand the portfolio of provision offered by the charity into high levels of study, whilst preserving and enhancing the ability of the charity to implement its charitable aims. This strategy is expected to be approved and implemented during 2019/20.

In addition, the Board of Trustees continued its tight focus on core business:

- ♦ serving the education and skills needs of young people and employers in South East and East London; and
- ♦ maintaining a leading sector position in terms of quality of service and achieving successful outcomes for our learners.

Financial

The charity's balance sheet remains positive with net assets of £1,037,045, but net current assets (2017/18 – £59,651) declined to net current liability of £49,012 as a consequence of the financial loss suffered during the year.

A reduction in income of £374,749 to £2,009,702 resulted in an operating loss position for the year. However, this is greatly reduced from previous years due to a reduction in expenditure. Steps will be taken during 2019/20 to address this and improve the financial performance.

Business

- ♦ We recruited 450 learners in 2018/19 – 273 apprentices and 177 onto traineeship programmes.
- ♦ We achieved considerable success on traineeships, where every learner on this programme was offered work experience.

PERFORMANCE REVIEW (continued)

- ♦ 207 apprentices successfully completed their framework in 2018/19, a success rate of 72.4%. This represents a small decline on 2017/18 (1.5%) however still remained 5.1% above the National Achievement rate.
- ♦ The charity continues to focus on its original objective and 15.7% of learners recruited were disadvantaged young people.

Objectives for 2019/20

The charity will continue to build upon the quality improvements achieved over the last year and will also seek to make a significant step towards returning the charity to at least a breakeven position. In this regard the specific future objectives for the charity will be to:

- ♦ approve and implement its new strategy to expand the provision offer by the charity to include higher levels of study;
- ♦ achieve financial stability for the year, with a return to a breakeven operating position;
- ♦ maximise the benefits of being part of a larger group through shared central services;
- ♦ Continue to improve outcomes for learners and progression onto further study and employment;
- ♦ re-balance the charity's employer base towards levy payers and reduce dependence on the SME market and non-levy funding allocations; and

Public benefit statement

In planning the year's activities and setting objectives, the trustees have considered the Charity Commission's guidance on public benefit. London Skills for Growth specialises in providing government funded apprenticeship programmes to young people in the London Boroughs of Bexley, Greenwich and Newham. The objective of the charity is to offer young people, who are disadvantaged and excluded from employment, the skills and knowledge needed to pursue careers which are fulfilling and in turn lead to prosperity in later lives. It also benefits young adults who are already in employment and are interested in furthering their skills and knowledge in life through short skills courses.

FINANCIAL REVIEW

Financial report for the year

A summary of the year's results can be found on page 13 of the attached accounts.

During the year ended 31 July 2019, the deficit for the year before asset disposals equated to £137,110 (2018 – £811,374), represented by total income prior to asset disposals of £2,009,702 (2018 – £1,884,154) against expenditure of £2,146,812 (2018 – £2,695,528).

The total income for the year of £2,009,702 (2018 – £2,384,451) includes income of £1,786,552 (2018 – £1,731,928) received from the ESFA.

FINANCIAL REVIEW (continued)

Reserves policy and financial position

Reserves policy

The charity aims to accumulate reserves in order to provide sufficient cash flows to support the maintenance and improvement of its estate and equipment. The charity aims to accumulate reserves to provide a degree of protection against adverse changes in the number and/or profile of enrolments and/or in-year reductions to funding allocations.

In the context of these principles, Trust policy is to hold sufficient reserves to:

- ◆ Manage cash flow and liquidity so that variable cash demands can be managed in order to smooth out irregular and cyclical spending and allow for unexpected and unpredictable needs;
- ◆ Manage known risks which are not insurable or where insurance does not provide value for money; and
- ◆ Fund annual capital investment in order to ensure the estate is safe and fit for purpose, and IT and other equipment is up to date and suitable for learning. The minimum reserve for this purpose is 6% of total income.

Financial position

The balance sheet shows total reserves of £1,037,045 (2018 – £1,174,154).

At 31 July 2019 and 31 July 2018, all of the charity's reserves were represented by general unrestricted funds. These general unrestricted funds are represented by tangible fixed assets with a net book value of £1,086,057 (2018 – £1,114,503) and 'free reserves' of £0 (2018 – £59,651).

The charity has net current liabilities of £49,012 as at 31 July 2019 (at 31 July 2018 net current assets of £59,651) and there are concerns over the solvency and viability of the business. The ultimate parent entity has agreed to provide working capital support for the next 12 months (if required) and the charity is selling a surplus property asset which will ensure its future solvency.

Signed on behalf of the trustees by:



Trustee

Approved by the Board on 11 December 2019

Registered Company Number 01747251 (England and Wales)

Independent auditor's report to the member of London Skills for Growth Limited

Opinion

We have audited the financial statements of London Skills for Growth Limited (the 'charitable company') for the year ended 31 July 2019 which comprise the statement of financial activities, the balance sheet, the 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 charitable company's affairs as at 31 July 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable 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.

Other information

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

Independent Auditor's Report - Year to 31 July 2019

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, which is also the directors' report for the purpose of company law including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report - Year to 31 July 2019

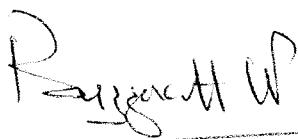
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charitable company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's member, for our audit work, for this report, or for the opinions we have formed.



Avnish Savjani, Senior Statutory Auditor
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

16 December 2019

Statement of Financial Activities - Year to 31 July 2019

	Notes	Total 2019 £	Total 2018 £
Income from:			
Charitable activities			
. Education and training	1	1,864,245	1,781,379
Other trading activities	2	93,085	46,249
Investments	3	339	190
Other		52,033	56,336
Surplus on disposal of tangible fixed assets		-	500,297
Total income		<u>2,009,702</u>	<u>2,384,451</u>
Expenditure on:			
Charitable activities			
. Education and training	4	2,168,506	2,695,528
Total expenditure		<u>2,168,506</u>	<u>2,695,528</u>
Net expenditure and net movement in funds	6	(158,804)	(311,077)
Reconciliation of funds			
Balances brought forward at 1 August 2018		1,174,154	1,485,231
Balances carried forward at 31 July 2019		<u>1,015,350</u>	<u>1,174,154</u>

All of the charitable company's activities derived from continuing operations during the above two financial periods.

The charitable company has no recognised gains and losses other than those shown above.

All income and expenditure in both of the above years was unrestricted.

Balance sheet 31 July 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Tangible fixed assets	9		1,064,362		1,114,503
Current assets					
Debtors	10	210,472		190,873	
Cash at bank and in hand		326,830		494,814	
		537,302		685,687	
Creditors: amounts falling due within one year	11	(586,314)		(626,036)	
Net current assets			(49,012)		59,651
Total net assets			1,051,350		1,174,154
Funds					
Unrestricted funds			1,051,350		1,174,154
			1,051,350		1,174,154

Signed on behalf of the board of trustees by:



Trustee

Approved by the Board on 11 December 2019

London Skills for Growth Limited

Registered Company Number 01747251 (England and Wales)

Statement of cash flows Year to 31 July 2019

	Notes	2019 £	2018 £
Cash flows from operating activities:			
Net cash used in operating activities	A	<u>(113,431)</u>	<u>(478,653)</u>
Cash flows from investing activities:			
Investment income		339	190
Net proceeds from disposal of tangible fixed assets		-	679,743
Purchase of tangible fixed assets		<u>(54,892)</u>	<u>(142,851)</u>
Net cash provided by (used in) investing activities		<u>(54,553)</u>	<u>537,082</u>
Change in cash and cash equivalents in the year		(167,984)	58,429
Cash and cash equivalents at 1 August 2018	B	494,814	436,385
Cash and cash equivalents at 31 July 2019	B	<u>326,830</u>	<u>494,814</u>

Notes to the statement of cash flows for the year to 31 July 2019.

A Reconciliation of net movement in funds to cash flows from operating activities

	2019 £	2018 £
Net movement in funds (as per the statement of financial activities)	(158,804)	(311,077)
Adjustments for:		
Depreciation charge	105,033	115,251
Investment income	(339)	(190)
Surplus on disposal of tangible fixed assets	-	(500,297)
(Increase) decrease in debtors	(19,599)	171,380
(Decrease) increase in creditors	(39,722)	46,280
Net cash used in operating activities	<u>(113,431)</u>	<u>(478,653)</u>

B Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>326,830</u>	<u>494,814</u>
Total cash and cash equivalents	<u>326,830</u>	<u>494,814</u>

Principal accounting policies 31 July 2019

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 July 2019.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- estimating the useful economic life of tangible fixed assets; and
- providing for the potential clawback of ESFA funds.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above.

Income

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Bank interest and rental income are included in full in the statement of financial activities when receivable.

Expenditure and the basis of apportioning costs

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Expenditure comprises training and education costs associated with the operation of the training centres and the training of individuals.

Tangible fixed assets

All tangible fixed assets costing more than £5,000 are capitalised and are stated at cost less depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- | | |
|--------------------------|--------------|
| • Freehold buildings | 2% on cost |
| • Leasehold improvements | 6.7% on cost |
| • Fixtures and fittings | 10% on cost |
| • Computer equipment | 20% on cost |

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

Fund accounting

The restricted funds comprise monies given for specific purposes or subject to specific donor-imposed conditions. The unrestricted general fund comprises those monies which may be used towards meeting the charitable objectives of the charitable company at the discretion of the trustees.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Principal accounting policies 31 July 2019

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Notes to the financial statements 31 July 2019

1 Income from charitable activities – education and training

	Total funds 2019 £	Total funds 2018 £
ESFA income – Adult funding	1,019,283	1,136,808
ESFA income – 16-19 funding	767,269	710,882
ESFA – Adjustment to prior year funding	-	(115,762)
Commercial income	74,496	46,890
Bursary income	3,197	2,561
Total funds	1,864,245	1,781,379

2 Other trading activities

	Total funds 2019 £	Total funds 2018 £
Rental income	93,085	46,249

3 Income from investments

	Total funds 2019 £	Total funds 2018 £
Interest receivable	339-	190

4 Expenditure on charitable activities

	Total funds 2019 £	Total funds 2018 £
Education and training		
· Registration costs	68,497	128,665
· Staff costs (note 8)	1,183,644	1,551,382
· Staff travel costs	18,225	17,730
· Premises expenses	630,482	777,317
· Support costs (note 5)	267,658	220,434
Total funds	2,168,506	2,695,528

5 Support costs

	2019 £	2018 £
Human resources and staff training	15,141	55,077
Office costs	58,684	39,345
Insurance	3,375	2,977
Consultancy fees	22,126	93,001
Legal fees	33,932	629
Bank and credit card charges	1,032	2,471
Staff welfare	-	5,635
Subscriptions and licences	101,490	5,202
Sundry expenses	31,878	5,424
Governance costs	-	10,673
	267,658	220,434

Notes to the financial statements 31 July 2019

6 Net movement in funds

This is stated after charging:

	2019 £	2018 £
Staff costs (note 8)	1,183,644	1,528,288
Operating lease rentals	267,111	300,481
Auditor's remuneration	12,014	10,673
Depreciation	105,033	115,251

7 Taxation

The charitable company is a registered charity and therefore is not liable for corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

8 Staff costs and trustees' remuneration

	2019 £	2018 £
Staff costs		
. Wages and salaries	1,055,089	1,393,304
. Social security costs	100,596	129,609
. Pension costs	27,959	28,470
	1,183,644	1,551,382

The number of employees during the year, expressed as average headcount, was:

	2019	2018
Teachers	21	21
Administration	15	22
Management	1	9
	37	52

Notes to the financial statements 31 July 2019

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding pension contributions) during the year was as follows:

	2019	2018
£60,001 - £70,000	1	1
£80,001 - £90,000	-	-
£100,001 - £110,000	-	1

No trustee received any remuneration in respect of their services as a trustee during the year ended 31 July 2019 (2018 – none). No expenses were reimbursed to trustees during the year (2019 – none).

In addition to the trustees, the key management personnel during the year were considered to be the CEO and the Operations Director. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel employed by the charity during the year was £129,090 (2018 – £204,195). The total paid to an external company for the services of the Finance Director during the year was £0 (2018 – £80,405).

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold improve ments £	Computer equipment £	Total £
Cost				
At 1 August 2018	1,173,197	196,098	290,055	1,659,350
Additions	-	54,892	-	54,892
Disposals	-	-	-	-
	<u>1,173,197</u>	<u>250,990</u>	<u>290,055</u>	<u>1,714,242</u>
Depreciation				
At 1 August 2018	294,784	55,531	194,532	544,847
Charge for the year	38,365	39,820	26,848	105,033
Disposals	-	-	-	-
At 31 July 2019	<u>333,149</u>	<u>95,351</u>	<u>221,380</u>	<u>649,880</u>
Net book value				
At 31 July 2019	<u>840,048</u>	<u>155,639</u>	<u>68,675</u>	<u>1,064,362</u>
At 31 July 2018	<u>878,413</u>	<u>140,657</u>	<u>95,523</u>	<u>1,114,593</u>

10 Debtors

	2019 £	2018 £
Trade debtors	30,972	18,944
Prepayments and accrued income	144,043	114,271
Other debtors	35,457	57,658
	<u>210,472</u>	<u>190,873</u>

Notes to the financial statements 31 July 2019

11 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	47,646	114,431
Social security and other taxes	29,827	33,111
Accruals	137,984	478,269
Other creditors	370,857	225
	586,314	626,036

12 Leasing commitments

Operating leases

At 31 July 2019 the charitable company had total commitments under non-cancellable operating leases in respect of land and buildings as follows:

	Land and buildings		Equipment	
	2019	2018	2019	2018
	£	£	£	£
Amounts due:				
. Within one year	267,111	274,834	1,600	5,324
. Within one to two years	272,453	271,834	800	4,658
. Within two to five years	272,453	296,459	800	4,789
	812,017	843,127	3,200	14,271

13 Liability of members

The charity is constituted as a company limited by guarantee. In the event of the charity being wound up members are required to contribute an amount not exceeding £1.

14 Ultimate parent undertaking

The Corporation of Bromley College, trading as London South East Colleges (LSEC), is the ultimate parent undertaking by virtue of being the sole member of the charitable company.

15 Related party transactions

The charity did not undertake any transactions with related parties during the year.

Notes to the financial statements 31 July 2019

16 Comparative statement of financial activities for the year ended 31 July 2018

	Notes	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Income from:					
Charitable activities					
. Education and training	1	1,781,379	-	1,781,379	2,346,904
Other trading activities	2	46,249	-	46,249	42,191
Investments	3	190	-	190	1,100
Other		56,336	-	56,336	465
Surplus on disposal of tangible fixed assets		500,297	-	500,297	-
Total Income		<u>2,384,451</u>	<u>-</u>	<u>2,384,451</u>	<u>2,390,660</u>
Expenditure on:					
Charitable activities					
. Education and training	4	2,695,528	-	2,695,528	2,850,469
Total expenditure		<u>2,695,528</u>	<u>-</u>	<u>2,695,528</u>	<u>2,850,469</u>
Net expenditure and net movement in funds	6	(311,077)	-	(311,077)	(459,809)
Reconciliation of funds					
Balances brought forward at 1 August 2017		1,485,231	-	1,485,231	1,945,040
Balances carried forward at 31 July 2018		<u>1,174,154</u>	<u>-</u>	<u>1,174,154</u>	<u>1,485,231</u>

17 Post Balance Sheet Event

The Charity is in the process of disposing its property at 19 Upland Road, Bexleyheath. Two offers has been received from prospective buyers to date, and an offer has been accepted for £950k.

