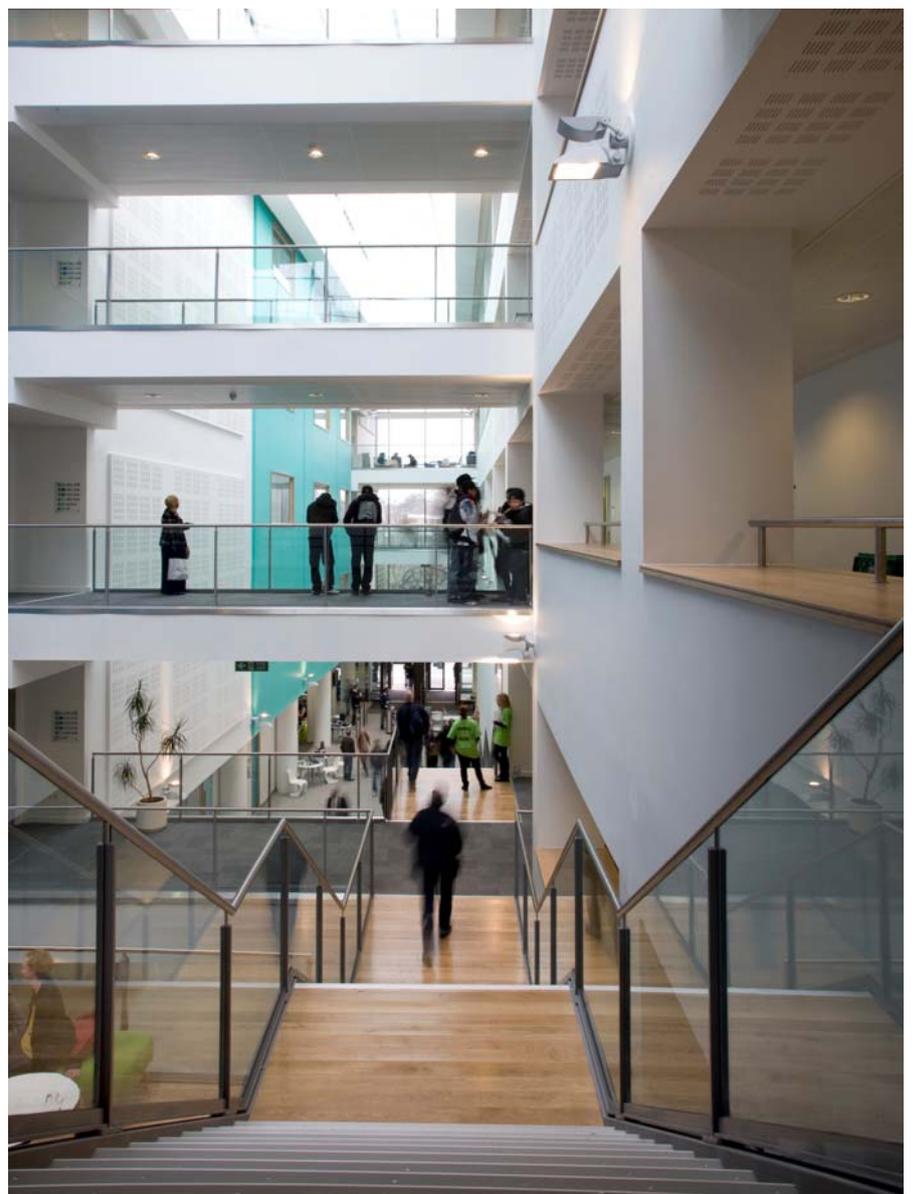




**Westminster Kingsway**  
central London's **College**

# Report and Annual Accounts

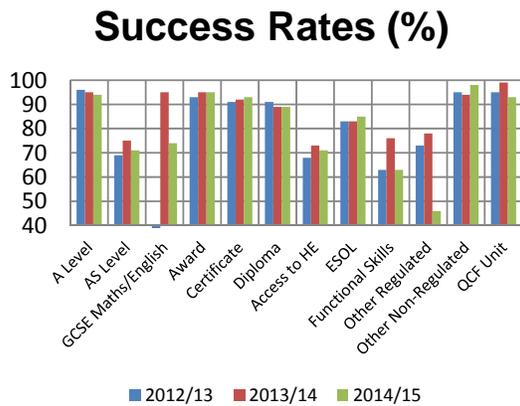
## 2014-2015



# Highlights from 2014/15 – Securing the Future

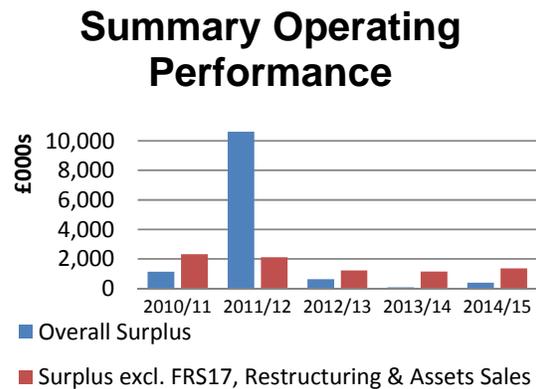
## Success for our clients

Westminster Kingsway strives to help its clients achieve the best they can, we have maintained Success Rates above national and London averages across all main programme aims.



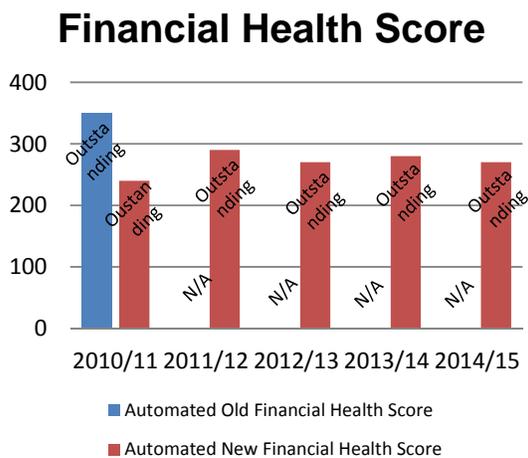
## Robust operating surplus

WKC has generated its fifth consecutive annual operating surplus building the financial capacity to invest in our infrastructure supporting students and staff.



## Robust financial health

WKC's financial health score is Outstanding, using the standards set by SFA for operating surplus, gearing and liquidity.



## Investing through partnership

'We welcome the new provision at Kennet West Skills Centre. This is a unique partnership with Westminster Special School that gives a great opportunity for students with learning difficulties to explore routes into employment'.

**Sue Jenkins**, Assistant Head of SEN, Casework and Commissioning Triborough

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# **Westminster Kingsway College**

## **Operating and Financial Review for the Period 1 August 2014 to 31 July 2015**

### **1. Strategic review**

Westminster Kingsway College (WKC) is one of the leading Further Education Colleges in London, providing general and specialist education, skills and training for a wide range of clients. In 2014/15, WKC helped over 14,700 individuals secure their future through examination success; pathways to higher education or employment; and greater skills for life and work.

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

#### **1.1 Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Westminster Kingsway College (WKC). WKC is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On 1 September 2000, Westminster College and Kingsway College merged to form Westminster Kingsway College.

#### **1.2 Mission**

WKC's mission is set out in the Strategic Plan 2014-17:

## **Education & Enterprise at the heart of London**

WKC values of Respect, Support, Creativity and Excellence, underpin all its activities.

#### **1.3 Public Benefit**

WKC is an exempt charity under Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 14 and 15.

In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirements 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:

- Delivering and quality assuring high quality teaching across a range of general and specialist curriculum areas
- Widening participation and tackling social exclusion
- Providing strong student support systems that promote personal and social development in addition to the achievement of specific educational goals

- Creating pathways from education and training into sustainable employment
- Helping businesses and individuals thrive through tailored training support
- Meeting the training and development needs of employers, industry and commerce.
- Creating and sustaining employment through continuous professional development of our staff.

## 1.4 Implementation of the Strategic Plan

In July 2014 WKC adopted a new Strategic Plan covering the period 2014-17 that set the strategic direction and robust targets against which progress will be measured over the next 3 years . The annual Operational Plan was refreshed and implemented for the first year of this planning period. The plans address WKC's seven key objectives:

		Strategic objective	Progress in 2014/15
<b>Our clients &amp; the curriculum</b>	1.	<b>Young People</b> Providing young people with the skills, qualifications and enterprising outlook, which give personalised pathways to employment or further study	Record number of 16-18 year olds recruited, 2,734, a growth of 172 students on the previous year.
	2.	<b>Adults</b> Providing adults, including those who are workless or low-skilled, with pathways to sustainable employment and career development	Strong partnerships with job centre plus, housing associations, employers and community organisations to deliver employability training to workless and low skilled adults, particularly through an expansion of sector based work academies.
	3.	<b>Employers</b> Providing employers with affordable training enabling them to thrive in the London economy	WKC now recruits the largest Apprentice cohort of any London college and has strengthened delivery partnerships with large employers including Transport for London.
	4.	<b>Hospitality Sector</b> Providing the Hospitality sector with high quality training tailored to its needs and its employees with pathways to the highest technical and professional skills	Consolidation of commercial operations in preparation for opening of new facilities in Autumn 2015.
	5.	<b>Culture &amp; Organisation</b> A big, confident and great place to work in which what motivates staff is aligned with the objectives of the college	81% of observed lessons were graded as good or better, supported by strong staff engagement in Professional Development. A very successful OfSTED pilot inspection which recognised the considerable improvements achieved in the college.
	6.	<b>Achieving Excellence</b> A reputation based on the success of our students, excellence in the quality of teaching, innovation in delivery and commitment to partnership	Further, targeted investment in improving teaching and learning through professional development programme maintained.
	7.	<b>Corporate Core</b> Efficient corporate services and governance allowing resources to be focused on the delivery of services to clients	Strong progress against all targets. Final phase of major refurbishment of Victoria Centre progressed with a £6m government grant towards the cost of an £18m modernisation of the estate due to complete in Autumn 2015. £1.8 million, included £0.6 million LEP grant, invested in Construction Centre and extra student space at King's Cross Centre to support young people who were not in education, employment or training.
<b>Enablers</b>			

## 2 Financial review

### 2.1 Resources

The College deploys the following resources in pursuit of its strategic objectives:

#### *Tangible assets*

The College has sites in central London at King’s Cross (Gray’s Inn Road), Victoria (Vincent Square), Soho (Peter Street), and Regent’s Park (Longford Street).

#### *Financial assets*

The College has £58.2 million of net assets (including £18.5 million pension liability) and no long term debt.

#### *Human capital*

The College employs 504 people (expressed as full time equivalents), of whom 239 are teaching staff.

#### *Reputation*

The College enjoys a strong reputation locally, regionally and nationally. Our hospitality school, which celebrated its centenary in 2010, has an internationally recognised brand, and was again rated as “Outstanding” at the March 2011 Ofsted inspection.

Despite our regional and national reach, WKC is proud to remain the trusted partner of our local authorities, Camden and Westminster, and the host to a wide range of community and business start up ventures. This was most recently seen in our partnering with Camden Council in procuring and quality assuring a new facility and training programme for young people with profound and multiple learning difficulties, which will open in Autumn 2015; and the Autumn 2014 opening of the Kennet West Centre for students with moderate learning difficulties, created in partnership with City of Westminster Council.

In delivering on all its key funding targets with the Government, WKC has shown once again its reputation for resilience, responsiveness and real success for learners.

### 2.2 Financial objectives

The College met or made progress against all of the financial objectives set by the Corporation for 2014/15.

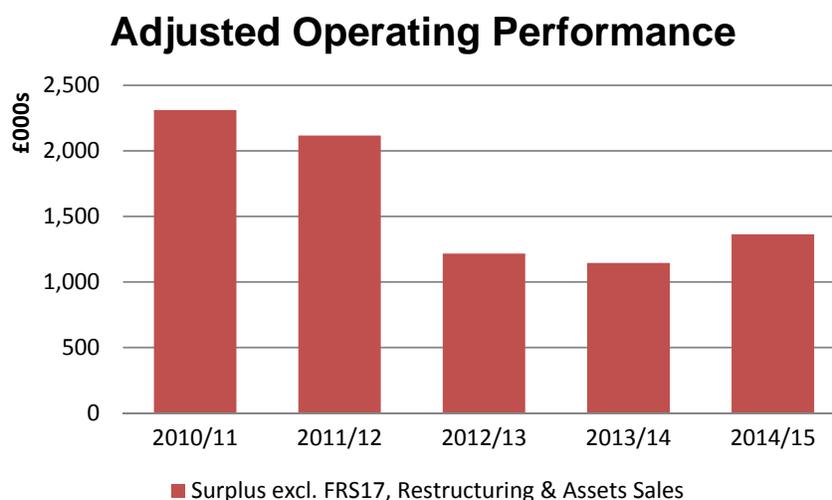
Target	Achievement
1. To have an operating surplus of at least 1% (2013/14: 3.0%)	3.6%
2. Staff costs to be no more than 65% of income (2013/14: 59.0%)	59.3%
3. Have at least 30 cash days in hand as working balances (2013/14: 180 days)	108
4. Have a ratio of at least 1:1 for current assets [including restricted cash]: current liabilities [current ratio] (2013/14: 4.4:1)	2.4:1
5. To create and implement a funded estates strategy by 2015	£25 million, 3 year programme to completely refurbish the Victoria centre will complete in Autumn 2015. £1.8 million Construction Centre to open at King’s Cross Centre in September 2015.

The College is committed to observing the importance of sector measures and indicators and use the FE Choice website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Outstanding (2013/14: Outstanding) is considered an acceptable outcome.

## 2.3 Financial results

The College delivered a fifth successive year of growth, generating a strong operating surplus in 2014/15.

The graph below shows WKC's "trading" performance over the last 5 years, stripping out the effect of restructuring costs; FRS17; and capital receipts.



The College has accumulated income & expenditure reserves, inclusive of the negative pension reserve, of £24.6m (2013/14 £27.8m) and cash and short-term investment balances of £11.3m (2013/14 £18.7m). WKC aims to accumulate reserves and cash balances in order to build financial resilience to safeguard against fluctuations in the FE market, and invest in curriculum development and physical infrastructure.

Gross tangible fixed asset additions during the year amounted to £13,865k. These additions were split between land and buildings of £13,623k and equipment purchased of £242k.

WKC is still reliant on its funding bodies for its principal funding source (largely recurrent grants), and the proportion of income from this source increased from 72.4% to 73.8% in 2014/15.

### Treasury management

The College has a treasury management policy that drives the management of WKC'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.

WKC had no external debt in 2014/15.

### Cash flows

In 2014/15 WKC had an operating cash inflow of £2,771k (2013/14: £143k) and a net cash outflow of £7.4m (2013/14: outflow of £2.0m) reflecting the investment in the estate.

## **Liquidity**

Liquidity remains robust as WKC has free cash balances of £11.3m.

## **Going concern**

The College confirms that it is reasonable to prepare WKC's financial statements on a going concern basis.

## **Post-balance sheet events**

On 3 October 2015 a minor electrical fault caused two small fires in 2 separate rooms one being a classroom and one the computer server room at the Victoria Centre. The significant fire one, in the server room, caused irreparable damage to IT infrastructure rendering all IT and telephony services within the building non-operational as well as impacting a number of cross-College IT solutions. Critical IT solutions were restored promptly while other services were restored quickly as soon as new equipment was available. Some classes suffered a level of disruption whilst these services were being restored. The College has appropriate insurances in place and has registered a claim.

Following an announcement in the summer of 2015 by the Corporations of Westminster Kingsway College and City & Islington College to form a strategic alliance, in the Autumn of 2015, the colleges' launched a consultation document on how a formal collaboration between the two colleges might be constructed to ensure the continued successes of the two organisations as Government measures to impose further austerity in public finances further bite.

## **3 Operational review**

### **3.1 Student numbers**

WKC increased the number of 16-18 year old students by 165, to 2,735, but fell 51 students short of the EFA target of 2,786 students. Student retention decreased by 1% to 94%, a level which is still exceptionally high for the sector.

In 2014/15 WKC delivered activity that has achieved £29.0m in main allocation funding (2013/14: £27.0m). WKC had approximately 11,775 students receiving some form of state funding and 2,925 non-state funded students.

### **3.2 Student achievements**

WKC continues to help its learners to achieve well with all categories of qualification by duration and age in 14/15 and remaining at or above national rates. This progress is characterised by strong retention and improved achievement.

Despite a dip in AS success rates, 16-18 Long qualifications remain good and are above national benchmark rates. 16-18 vocational provision continues to have excellent success rates considerably above national benchmarks. Adult success rates continue to rise with ESOL improving by a further 1% in 14/15 and outstanding success rates on Adult Functional Skills.

Whilst the most recent, detailed benchmark data is not yet available, WKC's success rates indicate that the College should remain comfortably within the top decile of performance across London colleges.

### 3.3 Curriculum developments

The following key developments in the college's curriculum offer were delivered during 2014/15:

- Continued strong recruitment in the Apprenticeship offer, consolidating WKC's position as the largest provider of college-based Apprenticeships in London. The programme maintained high quality with excellent timely success rates across an increasing range of frameworks. New contracts were won with a number of major employers, including becoming the preferred supplier of non-engineering Apprenticeships for Transport for London.
- An increase in the number of students attracting 'high needs' funding because of their learning difficulty or disability, from 8 recorded in 13/14 to 47 in 14/15. This was supported by the opening of the Kennet West Skills Centre, a partnership with Westminster City Council.
- A comprehensive response to new regulations requiring all 16-18 year olds not holding a GCSE A\*-C in Maths and English to continue to study these subjects. The college did well to respond to this requirement which significantly increased the number of both functional skills and GCSE classes required.
- A widening of the higher professional and technical offer to include a Facilities Services Foundation Degree.
- An increased focus on developing commercial programmes that support people in gaining employment and developing their careers, supported, where appropriate, with European funding.

### 3.4 Developments for 2015/16

The following key developments in the scope and delivery of the curriculum are planned for 2015/16:

- Continuing to embed the *Year of Learning* success to ensure lesson observations improve to 85% 'Good' or better and a culture of continuous professional development is sustained.
- A continued focus on improving the outcomes for learners and the reputation of the college, when compared to national and London Benchmarks.
- Consolidating the success of the GCSE and Functional Skills provision to ensure that learners are able to progress by obtaining these fundamental skills.
- Opening the Alexandra College provision for students with profound and multiple learning difficulties in partnership with Camden Council and MacIntyre.
- Establishing the new Construction Centre provision as an integral element in provision for students who were previously Not in Education, Employment or Training (NEET).
- Further expansion of the Apprenticeship offer.
- Expanding commercial training by, in particular, improved marketing and sales; extending the premium international chef and patisserie programme (for both international and domestic clients); introducing more conference and events training utilising the new facilities at the Victoria Centre; and a re-launched programme of continuous professional development training.

## 4 Principal Risks and Uncertainties

The College has a pro-active and effective approach to risk management, designed to protect WKC's assets, solvency and reputation, and provide assurance around the achievement of the strategic plan. The Audit Committee's remit focuses specifically on the management and reporting of risk.

The principal risk factors that may affect WKC are set out below. Not all the factors are within WKC's control. Other factors besides those listed below may also adversely affect the College.

### 4.1. Government funding

The College has considerable reliance on continued government funding through the SFA, EFA and HEFCE. In 2014/15, 73.8% of WKC's revenue was publicly funded and a high level of government funding is expected to continue. There can, however, be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms and, like other colleges, the non-protected elements of the Adult Skills Budget were reduced by almost 30% in allocations for 2015/16.

This risk is mitigated in a number of ways, by:

- Continuing to demonstrate to the various funding bodies our ability to deliver our funding targets in full and to rigorously high standards;
- Ensuring WKC is able to respond flexibly to evolving Government priorities;
- Rigorous planning and monitoring of performance, supplemented by the use of partners as required;
- Diversifying our offer to attract new sources of income, particularly from employers and international students;
- By planning a range of initiatives including shared services, which may help WKC reduce its cost base; and
- Formulating proposals for collaboration with partners to increase efficiency.

### 4.2. Tuition fee policy

The proportion of fees that students are required to self-fund continues to rise, and this policy trend appears to be irreversible. In line with the majority of other colleges, WKC will increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning, and the acceptability of student loans within an FE context, for the College is not yet fully understood. The risk for WKC is that demand falls off as fees increase. This will impact on the growth strategy of WKC.

This risk is mitigated in a number of ways:

- By ensuring WKC is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change and enrolment in order to quickly spot any reduction in demand and respond appropriately.
- Offering flexible payment terms, supported by robust credit control procedures.

### **4.3 Stakeholder relationships**

As WKC's central funding decreases, it is essential that the College maintains and further develops a wide and effective network of stakeholder relationships. In 2011 Ofsted described WKC's approach to working with partners as Outstanding:

***“Collaborative work with partner organisations is outstanding. Highly successful partnerships have resulted in significant numbers of learners, many of whom were previously disengaged from education, successfully following courses that meet their needs. Employers and community partners speak very highly of the college and its commitment to enabling people to gain access to high-quality education and training.”***

### **4.4. Adequate funding of pension liabilities**

WKC staff currently have the right to be members of either the Teachers' Pension Scheme (TPS) or the Local Government Pension Scheme (LGPS). The financial statements report the share of the LGPS pension scheme deficit on WKC's balance sheet in line with the requirements of FRS 17. WKC monitors and reviews the pension scheme deficit and implements changes to the employer's contribution rate as determined by the funds' periodic actuarial valuations.

### **4.5. Workforce flexibility**

Notwithstanding the pensions issues described above, FE Colleges face additional challenges in deploying resources to meet evolving demands. These challenges include syllabus obsolescence (where government funding priorities change); inflexible employment contracts that restrict operational flexibility; and a strongly unionised environment. Through its workforce strategy, WKC is looking to build consistently high performing teams whose interests are aligned with the demands of their clients.

### **4.6. Estates strategy**

The completion of the 3 year project to remodel the Victoria Centre and building of a Construction Centre completes the currently planned works. Once complete 94% of the college's facilities would be regarded as category A or B according to SFA criteria which is regarded as sufficient for current curriculum needs. A new Estates Strategy will be devised once plans for collaboration with City & Islington College are clarified and the recommendations of the SFA's planned Area Reviews published.

## **5 Equalities statements**

### **5.1 Equal opportunities and employment of disabled persons**

WKC is committed to ensuring equality of opportunity for all who learn and work here. WKC aims to promote equality in all aspects of its activities; recognise and work to remove the institutional barriers that prevent equal access for students and staff; prevent the inappropriate prejudices of individuals being translated into institutional practice or policy; offer an environment which is safe, supportive and sensitive to the diverse needs of students and staff so that all can achieve their full potential; and to recognise and develop systems of support which will enable access for and empower staff and students. It monitors and reports on the achievement of these aims.

## **5.2 Disability statement**

WKC seeks to achieve the objectives set down in the Equality Act 2010.

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

## **6 Disclosure of information to 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 WKC's auditor is 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 WKC's auditor is aware of that information.

**Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:**

R Duston  
Chair

## **Professional Advisers**

### **Financial Statement and Regularity Auditor:**

Buzzacott LLP  
130 Wood Street  
London, EC2V 6DL

### **Internal Auditor:**

BDO LLP  
55 Baker Street  
London W1U 7EU

### **Banker:**

Barclays Bank PLC  
Level 27, 1 Churchill Place  
London E14 5HP

### **Solicitor:**

Michelmores LLP  
Woodwater House, Pynes Hill  
Exeter EX2 5WR

### **Actuary:**

Barnett Waddingham LLP  
Cheapside House, 138 Cheapside  
London, EC2V 6BW

## Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Corporation, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2015. The Corporation 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 English College's Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 20 March 2012, and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College on 17 December 2014.

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

### The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

<i>Name</i>	<i>Date of Appointment/ Re-appointment</i>	<i>Term of Office</i>	<i>Date of resignation (R) or expiry of term of office (E)</i>	<i>Status of appointment</i>	<i>Committees Served</i>	<i>Attendance</i>
Mr Nash Ali	18 Dec 2013	4 years	17 Dec 2017	Independent member	N/A	40%
Mrs Margaret Beels (nee McKinlay)	1 Sep 2011	4 years	21 Aug 2015	Independent member	Corporation Joint Vice Chair; Resources (Chair to 31 Aug 2015); Remuneration; Search & Governance (Chair)	80%
Ms Lorna Blackman	26 Feb 2013	4 years	25 Feb 2017	Support Staff member	Audit	100%
Ms Catherine Boyd-Maunsell	26 Mar 2014	4 years	25 March 2018	Independent member	Resources	80%
Mr Leslie Brissett	18 Dec 2013	4 years	17 Dec 2017	Independent member	Audit	60%
Mr Shane Chowen	18 Dec 2013	4 years	17 Dec 2017	Independent member	Quality & Standards	100%
Ms Anna D'Alessandro	28 Mar 2013 15 Jul 2015	4 years 4 years	24 Sept 2014 (R) 14 Jul 2019	Independent member	Audit	100%
Ms Alex Duncan	1 Sept 2013	4 years	1 Sept 2017	Independent member	Resources	100%
Ms Ruth Duston (aka Casey)	1 Oct 2014	3 years	30 Sept 2017	Independent member	Corporation Chair; Quality & Standards; Search & Governance	N/A

Mr J Featherman	18 May 2011 18 May 2015	4 years 4 years	17 May 2015 17 May 2019	External member	Audit (Chair); Remuneration	80%
Mr Paul Foster	15 Jul 2015	4 years	14 Jul 2019	Independent member	Resources	100%
Mr Norman Fu	19 Mar 2012	4 years	18 Mar 2016	Teaching Staff member	Quality & Standards	60%
Ms Lorna Gratton	15 Dec 2010	4 years	20 Sept 2014 (R)	Independent member	Quality & Standards	N/A
Ms L Halliday	4 Jul 2012	4 years	3 Jul 2016	Independent member	Corporation Joint Vice Chair; Quality & Standards (Chair); Remuneration (Chair).	100%
Mr David Kogan	25 Nov 2011	3 years	1 Oct 2014 (R)	Independent member	Corporation Chair (to 1 Oct 2014); Remuneration; Quality & Standards; Search & Governance	N/A
Mr Jack Holroyde	31 Jan 2015	1 year	31 Jul 2015	Student member	Quality & Standards	33%
Miss Letitia Klauz	31 Jan 2015	1 year	31 Jul 2015	Student member	Quality & Standards	33%
Mr Shahidul Miah	15 Dec 2011	4 years	14 Dec 2015 (R)	Independent member	Audit; Search & Governance	100%
Mr Simon Pitkeathley	28 Jan 2014	4 years	27 Jan 2018	Independent member	Resources (Chair from 1 Sep 2015)	60%
Mr David Smith	18 Dec 2013	4 years	17 Dec 2017	Independent member	Quality & Standards	80%
Mr Andy Wilson	8 Jul 2004	N/A	N/A	Principal (ex-officio)	Quality & Standards; Resources ; Search & Governance	100%
Mr N Blackmore acted as Clerk to the Corporation to 14 August 2014. Mrs S Daley acted as Clerk to the Corporation from 15 August 2014 to 15 March 2015. Mrs G Winward acted as . Clerk to the Corporation from 16 March 2015.						

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of WKC together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets no less than once a term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are quality & standards, resources, remuneration, search & governance and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.westking.ac.uk](http://www.westking.ac.uk) or from the Clerk to the Corporation at:

Westminster Kingsway College  
Victoria Centre, Vincent Square, London, SW1P 2PD

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

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

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

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

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

### **Appointments to the Corporation**

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

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

### **Remuneration committee**

Throughout the year ending 31 July 2015, WKC's remuneration committee comprised the Chair, the Vice Chairs and the committee Chairs. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

### **Audit committee**

The audit committee is comprised of four members of the Corporation and allows scope for the appointment of an external co-optee (excluding the Principal and any member who serves on the resources committee). The committee operates in accordance with written terms of reference approved by the Corporation.

The audit committee meets on a termly basis and acts as the key strategic function for monitoring the effectiveness of the College's risk management processes. It provides a forum for reporting by WKC's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main FE funding bodies as they affect WKC's business.

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

Management is responsible for the implementation of agreed 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 and financial statement and regularity auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

### **Internal control**

#### **Scope of responsibility**

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of WKC's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between WKC and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns 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 eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at WKC for the year ended 31 July 2015 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 WKC is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing WKC's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### **The risk and control framework**

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation 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; and
- the adoption of formal project management disciplines where appropriate.

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

### **Review of effectiveness**

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

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

The Principal has been advised on the implications of the results of his 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 Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the audit committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 9 December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

### **Going concern**

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

**Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:**

R Duston  
Chair

A Wilson  
Principal

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

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

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

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

R Duston  
Chair

A Wilson  
Principal

9 December 2015

## **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 agreed between the Skills Funding Agency and the Corporation of WKC, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of WKC 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that WKC will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of WKC. The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of WKC and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of WKC and to prevent and detect fraud and other irregularities.

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

**Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:**

R Duston  
**Chair**

## **Independent auditor's report to the Corporation of Westminster Kingsway College**

We have audited the financial statements of Westminster Kingsway College for the year ended 31 July 2015 set out on pages 25 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Corporation of Westminster Kingsway College and Auditor**

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 20, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

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

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

**Buzzacott LLP**  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

18 December 2015

## **Reporting accountant's assurance report on regularity to the Corporation of Westminster Kingsway College and Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency**

In accordance with the terms of our engagement letter dated 13 May 2014 and further to the requirements of the funding agreement with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Westminster Kingsway College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

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

### **Respective responsibilities of the Corporation of Westminster Kingsway College and the reporting accountant**

The Corporation of Westminster Kingsway College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

### **Conclusion**

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

**Buzzacott LLP**  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

18 December 2015

**Westminster Kingsway College**  
**Income and Expenditure Account for the year ended 31 July 2015**

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
<b>Income</b>			
Funding body grants	2	29,570	28,528
Tuition fees and education contracts	3	6,689	7,285
Other income	4	2,373	1,959
Investment income	5	128	222
<b>Total Income</b>		<b><u>38,760</u></b>	<b><u>37,994</u></b>
<b>Expenditure</b>			
Staff costs	6	23,166	22,534
Exceptional restructuring costs	6	534	546
Other operating expenses	8	11,617	11,472
Depreciation	11	2,880	2,939
Interest and other finance costs	9	173	431
<b>Total Expenditure</b>		<b><u>38,370</u></b>	<b><u>37,922</u></b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		390	72
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		390	72
<b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	18	<b><u>390</u></b>	<b><u>72</u></b>

The income and expenditure account is in respect of continuing activities.

**Westminster Kingsway College**  
**Statement of Historical Cost Surpluses and Deficits for**  
**the year ended 31 July 2015**

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		390	72
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	17	77	69
Adjustment for property revaluation gains of previous years	17	-	171
		<hr/>	<hr/>
<b>Historical cost surplus for the period before and after taxation</b>		<b><u>467</u></b>	<b><u>312</u></b>

**Statement of Total Recognised Gains and Losses for**  
**the year ended 31 July 2015**

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		390	72
Actuarial loss in respect of pension scheme	24	(3,579)	(2,401)
Actuarial loss in respect of enhanced pensions	15	(35)	(14)
		<hr/>	<hr/>
<b>Total recognised loss for the year</b>		<b><u>(3,224)</u></b>	<b><u>(2,343)</u></b>

**Reconciliation**

Opening reserves		34,340	36,683
Total recognised loss for the year		(3,224)	(2,343)
		<hr/>	<hr/>
<b>Closing reserves</b>		<b><u>31,116</u></b>	<b><u>34,340</u></b>

**Westminster Kingsway College**  
**Balance Sheet as at 31 July 2015**

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	11	69,447	58,506
Investments	12	23	18
		<u>69,470</u>	<u>58,524</u>
<b>Current assets</b>			
Stock		13	13
Debtors: Amounts falling due within one year	13	3,100	2,728
Investments		4,000	3,000
Cash at bank and in hand		7,283	15,681
		<u>14,396</u>	<u>21,422</u>
<b>Creditors: Amounts falling due within one year</b>	14	(6,043)	(4,906)
<b>Net current assets</b>		<u>8,353</u>	<u>16,516</u>
<b>Total assets less current liabilities</b>		77,823	75,040
<b>Provisions for liabilities and charges</b>	15	(1,056)	(1,048)
<b>Net assets excluding pension liability</b>		<u>76,767</u>	<u>73,992</u>
Net pension liability	24	(18,535)	(14,517)
<b>Net assets including pension liability</b>		<u>58,232</u>	<u>59,475</u>
<b>Deferred capital grants</b>	16	27,116	25,135
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	18	43,163	42,292
Pension reserve	18	(18,535)	(14,517)
Income and expenditure account including pension reserve		24,628	27,775
Revaluation reserve	17	6,488	6,565
<b>Total reserves</b>		<u>31,116</u>	<u>34,340</u>
<b>Total funds</b>		<u>58,232</u>	<u>59,475</u>

The financial statements on pages 25 to 49 were approved by the Corporation on 9 December 2015 and were signed on its behalf by:-

R Duston - Chair

A Wilson - Principal

**Westminster Kingsway College**  
**Cash Flow Statement for the year ended 31 July 2015**

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
<b>Cash inflow from operating activities</b>	19	2,771	143
Returns on investments and servicing of finance	20	134	211
Capital expenditure and financial investment	21	(10,298)	(2,307)
Cash outflow before use of liquid resources and financing		<u>(7,393)</u>	<u>(1,953)</u>
Management of liquid resources	22	(1,000)	(999)
<b>Decrease in cash</b>		<u><b>(8,393)</b></u>	<u><b>(2,952)</b></u>

In the above statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

**Reconciliation of net Cash Flow to movement in Net Funds**

Decrease in cash in the period		(8,393)	(2,952)
Cash inflow from liquid resources	22	<u>1,000</u>	<u>999</u>
Movement in net funds in period		(7,393)	(1,953)
Net funds at 1 August		18,699	20,652
<b>Net funds at 31 July</b>	23	<u><b>11,306</b></u>	<u><b>18,699</b></u>

# Westminster Kingsway College

## Notes to the Financial Statements for the Period 1 August 2012 to 31 July 2015

### 1 Accounting Policies

#### **Statement of accounting policies**

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

#### ***Basis of preparation***

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2014/15 financial statements and in accordance with applicable Accounting Standards.

#### ***Basis of accounting***

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

#### ***Going concern***

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

The College currently has £11,283k of cash at bank and current asset investments and no loans. WKC's forecasts and financial projections indicate that it will be able to operate for the foreseeable future.

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

#### ***Basis of consolidation***

WKC has no subsidiaries. In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union have not been consolidated because WKC does not control those activities.

#### ***Recognition of income***

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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual

delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, e.g. National Health Service. The costs of any fees waived by WKC are netted off against the income in note 3.

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

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

### ***Post retirement benefits***

Retirement benefits to employees of WKC are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the Additional State Pension.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with WKC in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS, is a multi employer scheme and WKC is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

### **Enhanced Pensions**

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

## ***Tangible fixed assets***

### *Land and buildings*

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired on incorporation 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 on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to WKC of 50 years. WKC has a policy of depreciating major adaptations to buildings over the period of their useful economic lives of between 10 and 20 years.

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

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

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

On adoption of FRS 15, WKC followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

### *Assets under construction*

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

### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it exceeds an aggregated spend threshold of £15,000 and meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

### *Equipment*

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated on a straight line basis over their useful economic life as follows:

Computer equipment	-	3 years
Motor vehicles	-	5 years
Plant and Equipment	-	between 10 and 20 years
Furniture and Fittings	-	10 years

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

#### *Leased assets*

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

#### ***Investments***

Investments held as fixed assets and current asset investments, relating to cash held on deposit in the UK money markets, are stated at the lower of cost and net realisable value.

#### ***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.

#### ***Maintenance of premises***

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

#### ***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, WKC is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

#### ***Liquid resources***

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

#### ***Provisions***

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

### ***Agency Arrangements***

The College acts as an agent in the collection and payment of discretionary Learner Support Funds and Access to Learning Funds. Related payments received from the SFA, EFA and HEFCE and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 30, except for the 5%/3%, respectively, of the grant received which is available to WKC to cover administration costs relating to the grant. Learner Support Fund and Access to Learning Funds applications are administered by staff employed in the Admission & Advice Department and payments by staff in the Finance Department. No member of College staff is solely dedicated to Learner Support Fund or Access to Learning Fund activity.

## 2 Funding Body Grants

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Recurrent grant - SFA	12,241	13,100
Recurrent grant - EFA	15,646	14,068
Recurrent grant - HEFCE	152	238
Non recurrent grant - SFA	510	74
Non recurrent grant - EFA	21	19
Non recurrent grant - HEFCE	9	-
Releases of deferred capital grants (Note 16)	991	1,029
<b>Total</b>	<b>29,570</b>	<b>28,528</b>

## 3 Tuition Fees and Education Contracts

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Tuition fees	2,763	3,349
Examination fees	156	167
Education contracts	3,770	3,769
<b>Total</b>	<b>6,689</b>	<b>7,285</b>

There are no tuition fees funded by bursaries.

## 4 Other Income

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Residencies, catering and conferences	1,001	1,114
Other grant income	261	188
Releases from deferred capital grants (non funding body)	95	116
Other income	1,016	541
<b>Total</b>	<b>2,373</b>	<b>1,959</b>

## 5 Investment Income

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Other investment income	1	1
Other interest receivable	127	221
<b>Total</b>	<b>128</b>	<b>222</b>

## 6 Staff Costs

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

	Year ended 31 July 2015 Number	Year ended 31 July 2014 Number
Teaching staff	239	239
Non teaching staff	265	263
	<u>504</u>	<u>502</u>

Staff costs for the above persons were as follows:

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Wages and salaries	17,222	17,121
Social security costs	1,337	1,402
Other pension costs (inclusive of FRS17 adjustments of £309,000 - 2013/14: £136,000)	2,389	2,201
<b>Payroll sub-total</b>	<u>20,948</u>	<u>20,724</u>
Contracted out staffing services	2,218	1,810
	<u>23,166</u>	<u>22,534</u>
Exceptional restructuring costs	534	546
	<u>23,700</u>	<u>23,080</u>

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Year ended 31 July 2015		Year ended 31 July 2014	
	Number of senior post-holders	Number of Other Staff	Number of senior post-holders	Number of Other Staff
£40,001 to £50,000 p.a.	-	Not Applicable	1	Not Applicable
£50,001 to £60,000 p.a.	1	Not Applicable	1	Not Applicable
£60,001 to £70,000 p.a.	-	12	-	12
£70,001 to £80,000 p.a.	-	2	-	2
£80,001 to £90,000 p.a.	2	-	2	-
£90,001 to £100,000 p.a.	1	-	1	-
£100,001 to £110,000 p.a.	1	-	1	-
£140,001 to £150,000 p.a.	1	-	1	-
	<u>6</u>	<u>14</u>	<u>7</u>	<u>14</u>

In December 2014 a consolidated pay award of £288 was made to staff earning less than the full time equivalent salary of £14,419 with all others receiving an award of 1.0%. These awards were backdated to 1 August 2014. In addition a non-consolidated bonus of £150 (pro-rated for part time staff and those who had not worked the full year) was paid to staff who had been employed for some or all of the 2013/14 year.

All awards were approved by the Corporation.

## 7 Senior Post-Holders' Emoluments

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

	<b>Year ended 31 July 2015 Number</b>	<b>Year ended 31 July 2014 Number</b>
The number of senior posts including the Principal was:	<u>6</u>	<u>6</u>

Senior post-holders' emoluments (excluding compensation for loss of office) are made up as follows:

	<b>£</b>	<b>£</b>
Salaries	521,054	564,686
Benefits in kind	6,984	3,600
Pension contributions	72,753	87,220
	<u><b>600,791</b></u>	<u><b>655,506</b></u>

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

	<b>Year ended 31 July 2015 £</b>	<b>Year ended 31 July 2014 £</b>
Salaries	149,172	147,845
Benefits in kind	<u>864</u>	<u>600</u>
	<u><b>150,036</b></u>	<u><b>148,445</b></u>
Pension contributions	<u><b>21,033</b></u>	<u><b>20,825</b></u>

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

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

In respect of 2014/15 senior post-holders received a pay increase of 1.0%, backdated to 1 August 2014, in line with that received by all staff. In addition 3 senior post-holders received annual performance bonuses totalling £15,000.

## 8 Other Operating Expenses

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Teaching costs	4,402	4,021
Non teaching costs	4,041	4,496
Premises costs	3,174	2,955
<b>Total</b>	<b>11,617</b>	<b>11,472</b>

### Other operating expenses include:

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Auditors' remuneration:		
financial statements audit	21	22
internal audit	26	27
other services provided by the financial statements auditors	7	9
Losses on disposal of tangible fixed assets	45	-
Hire of plant and machinery - operating leases	56	57
Hire of land and buildings - operating leases	89	113

## 9 Interest Payable

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Pension finance costs in respect of enhanced pensions (Note 15)	43	40
Pension finance costs in respect of pension scheme (Note 24)	130	391
<b>Total</b>	<b>173</b>	<b>431</b>

## 10 Taxation

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

## 11 Tangible Fixed Assets

	Freehold Land and Buildings £000	Assets under Construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>				
At 1 August 2014	60,887	1,808	14,585	77,280
Additions	-	13,623	242	13,865
Transfers between asset categories	566	(566)	-	-
Disposals	(90)	-	(77)	(167)
<b>At 31 July 2015</b>	<b>61,363</b>	<b>14,865</b>	<b>14,750</b>	<b>90,978</b>
<b>Depreciation</b>				
At 1 August 2014	11,555	-	7,219	18,774
Charge for year	1,530	-	1,350	2,880
Eliminated in respect of disposals	(46)	-	(77)	(123)
<b>At 31 July 2015</b>	<b>13,039</b>	<b>-</b>	<b>8,492</b>	<b>21,531</b>
<b>Net book value At 31 July 2015</b>	<b>48,324</b>	<b>14,865</b>	<b>6,258</b>	<b>69,447</b>
<b>Net book value At 1 August 2014</b>	<b>49,332</b>	<b>1,808</b>	<b>7,366</b>	<b>58,506</b>
Inherited	6,488	-	-	6,488
Financed by capital grant	19,546	4,860	1,570	25,976
Other	22,290	10,005	4,688	36,983
	<b>48,324</b>	<b>14,865</b>	<b>6,258</b>	<b>69,447</b>

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

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Messrs Franklin & Andrews, a firm of independent chartered surveyors, in accordance with the RICS Statement of Assets Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement costs basis with the assistance of independent professional advice.

The College does not have any assets held under finance leases.

If inherited land and buildings had not been valued they would have been included at £Nil historic cost.

In April 2015 the College granted a first charge over its Victoria site to the London Pension Fund Authority (LPFA) in return for a significant reduction in its ongoing pension contributions (see page 45).

## 12 Investments

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Other investments	23	18
	<b>23</b>	<b>18</b>

Other investments represent the College's prize funds. These funds are made up of a number of independent gifts. The income generated on these gifts is used to fund annual prizes in accordance with the donors' wishes.

## 13 Debtors: Amounts falling due within one year

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Trade debtors	1,700	1,420
Other taxation	3	-
Prepayments and accrued income	1,229	1,076
Amounts owed by funding councils	148	78
Other debtors	20	154
Total	<b>3,100</b>	<b>2,728</b>

## 14 Creditors: Amounts falling due within one year

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Payments received in advance	968	1,015
Trade creditors	570	438
Other taxation and social security	706	703
Other amounts owed to funding councils	132	113
Accruals and deferred income	3,486	2,253
Other creditors	181	384
	<b>6,043</b>	<b>4,906</b>

## 15 Provisions for Liabilities and Charges

	Pensions £000	Total £000
At 1 August 2014	1,048	1,048
Finance charge	43	43
Cash paid	(70)	(70)
Actuarial loss	35	35
<b>At 31 July 2015</b>	<b><u>1,056</u></b>	<b><u>1,056</u></b>

The pension provision relates solely to the cost of enhanced pensions for 30 staff from the former Westminster and Kingsway Colleges who have already left the College employment. This provision has been recalculated in accordance with guidance issued by the LSC and its successor organisations.

## 16 Deferred Capital Grants

	Funding body £000	Other grants £000	Total £000
At 1 August 2014			
Land and buildings	22,961	157	23,118
Equipment	1,942	75	2,017
Cash receivable			
Land and buildings	3,043	-	3,043
Equipment	24	-	24
Released to income and expenditure account			
Land and buildings	(549)	(66)	(615)
Equipment	(442)	(29)	(471)
<b>Total</b>	<b><u>26,979</u></b>	<b><u>137</u></b>	<b><u>27,116</u></b>
<b>At 31 July 2015</b>			
Land and buildings	25,455	91	25,546
Equipment	1,524	46	1,570
<b>Total</b>	<b><u>26,979</u></b>	<b><u>137</u></b>	<b><u>27,116</u></b>

## 17 Revaluation Reserve

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At 1 August	6,565	6,805
Transfer from revaluation reserve to income and expenditure account in respect of:		
Adjustment for previous years revaluation gains	-	(171)
Depreciation on revalued assets	(77)	(69)
<b>At 31 July</b>	<b>6,488</b>	<b>6,565</b>
Represented by		
Tangible Fixed Assets (Note 11)	6,488	6,565
	<b>6,488</b>	<b>6,565</b>

## 18 Income and Expenditure Account

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At 1 August	27,775	29,878
Surplus on continuing operations after depreciation of assets at valuation and tax	390	72
Transfer from revaluation reserve	77	240
Actuarial loss in respect of pension scheme	(3,579)	(2,401)
Actuarial loss in respect of enhanced pensions	(35)	(14)
<b>At 31 July</b>	<b>24,628</b>	<b>27,775</b>
Balance represented by:		
Pension reserve	(18,535)	(14,517)
Income and expenditure reserve excluding pension reserve	43,163	42,292
<b>At 31 July</b>	<b>24,628</b>	<b>27,775</b>

## 19 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	390	72
Depreciation (Note 11)	2,880	2,939
Deferred capital grants released to income (Note 2 & 4)	(1,086)	(1,145)
Loss on disposal of tangible fixed assets	45	-
Interest payable (Note 9)	173	431
Pension cost adjustments (Notes 6, 9, 15 & 24)	266	96
Decrease in stocks	-	4
Increase in debtors	(378)	(894)
Increase/(decrease) in creditors	636	(1,110)
Decrease in provisions	(27)	(28)
Interest receivable (Note 5)	(128)	(222)
<b>Net cash inflow from operating activities</b>	<b>2,771</b>	<b>143</b>

## 20 Returns on Investments and Servicing of Finance

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Other interest received	134	211
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b><u>134</u></b>	<b><u>211</u></b>

## 21 Capital Expenditure and Financial Investment

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Purchase of tangible fixed assets	(13,365)	(5,271)
Deferred capital grants received	3,067	2,964
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(10,298)</u></b>	<b><u>(2,307)</u></b>

## 22 Management of Liquid Resources

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Withdrawals from deposits	3,000	5,001
Placing of deposits	(4,000)	(6,000)
<b>Net cash outflow from management of liquid resources</b>	<b><u>(1,000)</u></b>	<b><u>(999)</u></b>

## 23 Analysis of Changes in Net Funds

	At 1 August 2014 £000	Cashflows £000	At 31 July 2015 £000
Cash at bank and in hand	15,681	(8,398)	7,283
Investments	18	5	23
	<u>15,699</u>	<u>(8,393)</u>	<u>7,306</u>
Current Asset Investments	3,000	1,000	4,000
<b>Total</b>	<b><u>18,699</u></b>	<b><u>(7,393)</u></b>	<b><u>11,306</u></b>

## 24 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme for England and Wales (TPS) for academic related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Pension Fund Authority (LPFA). Both are defined-benefit schemes.

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,155	1,169
Local Government Pension Scheme:		
Contributions paid	919	890
Contributions paid for enhanced pensions	6	6
FRS 17 adjustment	309	136
Charge to the Income and Expenditure Account (staff costs)	1,234	1,032
<b>Total Pension Cost for Year</b>	<b>2,389</b>	<b>2,201</b>

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

Contributions amounting to £271,000 (2013/14: £267,000) were payable to the scheme at 31 July and are included in Creditors.

### Teachers' Pension Scheme

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

### The Teachers' Pension Budgeting and Valuation Account

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

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

## **24 Pension and similar obligations (continued)**

### **Teachers' Pension Scheme (continued)**

#### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied for future valuations.

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

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

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

#### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,155,000 (2013/14: £1,169,000).

#### **FRS 17**

Under the definitions set out in the Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

## 24 Pension and similar obligations (continued)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2015 was £1,259,000 of which employers contributions totalled £919,000 and employees contributions totalled £340,000.

In December 2013 the College received the results of the 2013 triennial valuation which proposed maintaining a future employers rate of 19.4% and introducing a deficit reduction payment plan. Subsequent negotiations with the LPFA resulted in reductions to both the future employer rate and the deficit reduction payments but on condition that a first charge be applied against the College's Victoria site. This charge was engrossed on 8 April 2015. The agreed contribution rates with effect from 1 April 2014 are therefore 13.8% for employers and range from 5.5% to 7.5% for employees, depending on salary.

### FRS 17

#### Principal Actuarial Assumptions

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

	31 July 2015	31 July 2014
Rate of increase in salaries	4.3%	4.4%
Rate of increase for pensions in payment	2.5%	2.6%
Discount rate for scheme liabilities	3.7%	4.2%
Inflation assumption (CPI)	2.5%	2.6%
Commutation of pensions to lump sums	50.0%	50.0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	31 July 2015	31 July 2014
Retiring today/current pensioners		
Males	21.6	21.5
Females	25.2	25.1
Retiring in 20 years/future pensioners		
Males	23.9	23.8
Females	27.5	27.4

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

	Value at 31 July 2015 £000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000
Equities	13,308	6.7%	12,801
Target Return	5,847	6.1%	8,331
Alternative Assets	2,696	6.0%	2,080
Cash	3,885	3.2%	4,033
Cashflow Matching	4,351	3.4%	1,779
<b>Total market value of assets</b>	<b>30,087</b>	5.8%	<b>29,024</b>
Present value of scheme liabilities			
Funded	(48,534)		(43,454)
Unfunded	(88)		(87)
<b>Deficit in the scheme</b>	<b>(18,535)</b>		<b>(14,517)</b>

## 24 Pension and similar obligations (continued)

### Local Government Pension Scheme (continued)

#### Analysis of the amount charged to income and expenditure account

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Employer service cost (net of employee contributions)	1,162	1,027
Curtailement and settlements	98	4
<b>Total operating charge</b>	<b><u>1,260</u></b>	<b><u>1,031</u></b>

#### Analysis of pension finance costs

Expected return on pension scheme assets	1,675	1,566
Interest on pension liabilities	(1,805)	(1,957)
<b>Pension finance costs</b>	<b><u>(130)</u></b>	<b><u>(391)</u></b>

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

	31 July 2015 £000	31 July 2014 £000
Actual return less expected return on pension scheme assets	(415)	(1,079)
Experience gains and losses arising on the scheme liabilities	-	3,344
Change in financial and demographic assumptions underlying the scheme liabilities	(3,164)	(4,666)
<b>Actuarial loss recognised in STRGL</b>	<b><u>(3,579)</u></b>	<b><u>(2,401)</u></b>

#### Movement in deficit during year

	31 July 2015 £000	31 July 2014 £000
Deficit in scheme at 1 August	(14,517)	(11,589)
Movement in year:		
Employer service cost (net of employee contributions)	(1,162)	(1,027)
Employers contributions (Estimated)	945	889
Contributions in respect of Unfunded Benefits	6	6
Curtailement and settlements	(98)	(4)
Net interest	(130)	(391)
Actuarial loss	(3,579)	(2,401)
<b>Deficit in scheme at 31 July</b>	<b><u>(18,535)</u></b>	<b><u>(14,517)</u></b>

## 24 Pension and similar obligations (continued)

### Local Government Pension Scheme (continued)

Asset and Liability Reconciliation	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000			
<b>Reconciliation of Liabilities</b>					
<b>Liabilities at start of period</b>	43,541	40,809			
Service cost	1,162	1,027			
Interest cost	1,805	1,957			
Employee contributions (Estimated)	341	313			
Actuarial loss	3,164	796			
Benefits paid	(1,489)	(1,365)			
Impact of settlements and curtailments	98	4			
<b>Liabilities at end of period</b>	<b>88</b>	<b>87</b>			
<b>Unfunded</b>	<b>88</b>	<b>87</b>			
<b>Funded</b>	<b>48,534</b>	<b>43,454</b>			
<b>Reconciliation of Assets</b>					
<b>Assets at start of period</b>	29,024	29,220			
Expected return on pension scheme assets	1,675	1,566			
Actuarial loss	(415)	(1,605)			
Employers contributions (Estimated)	951	895			
Employee contributions (Estimated)	341	313			
Benefits paid	(1,489)	(1,365)			
<b>Assets at end of period</b>	<b>30,087</b>	<b>29,024</b>			
<b>History of experience gains and losses</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Difference between the expected and actual return on assets:					
amount £000	(415)	(1,079)	3,361	(1,223)	642
% of scheme assets	(1.4%)	(3.7%)	11.5%	(5.0%)	2.7%
Experience gains and losses on scheme liabilities:					
amount £000	-	3,344	(24)	-	5,175
% of scheme liabilities	-	7.7%	(0.1%)	-	15.3%
Total amount recognised in STRGL					
amount £000	(3,579)	(2,401)	4,225	(5,220)	2,870
% of scheme liabilities	(7.4%)	(5.5%)	10.4%	(13.1%)	8.5%

## 25 Post Balance Sheet Events

Following an announcement in the summer of 2015 by the Corporations of Westminster Kingsway College and City & Islington College to form a strategic alliance, in the Autumn of 2015, the colleges' launched a consultation document on how a formal collaboration between the two colleges might be constructed to ensure the continued successes of the two organisations as Government measures to impose further austerity in public finances further bite.

## 26 Capital Commitments

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Commitments contracted for at 31 July	<u>3,571</u>	<u>5,969</u>

## 27 Financial Commitments

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

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
<b>Land and Buildings</b>		
Expiring within one year	-	48
	<u>-</u>	<u>48</u>
<b>Other</b>		
Expiring within one year	17	1
Expiring between two and five years inclusive	15	56
	<u>32</u>	<u>57</u>

## 28 Contingent Liability

The College is not aware of any contingent liabilities which need to be disclosed.

## 29 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £Nil (2013/14: £58) for no Governor (2013/14: 1). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Corporation meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payment from the College during the year (2013/14: £Nil).

Transactions and balances with the funding bodies and HEFCE are detailed in notes 2, 13, 16 and 30.

## 30 Amounts Disbursed as Agent

<b>Learner Support Funds</b>	<b>Year ended 31 July 2015 £000</b>	<b>Year ended 31 July 2014 £000</b>
Funding body grants - hardship support	1,952	1,142
Funding body grants - childcare	549	624
Other funding bodies grants	18	394
	<hr/>	<hr/>
	2,519	2,160
Disbursed to Students	(1,244)	(1,383)
Administration costs	(77)	(90)
Amount consolidated in financial statements	(432)	(278)
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<b>Balance unspent as at 31 July</b>	<b>766</b>	<b>409</b>

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

The income and expenditure consolidated in the College's financial statements relates to the provision of College operated nursery, creche and other childcare services to College students.