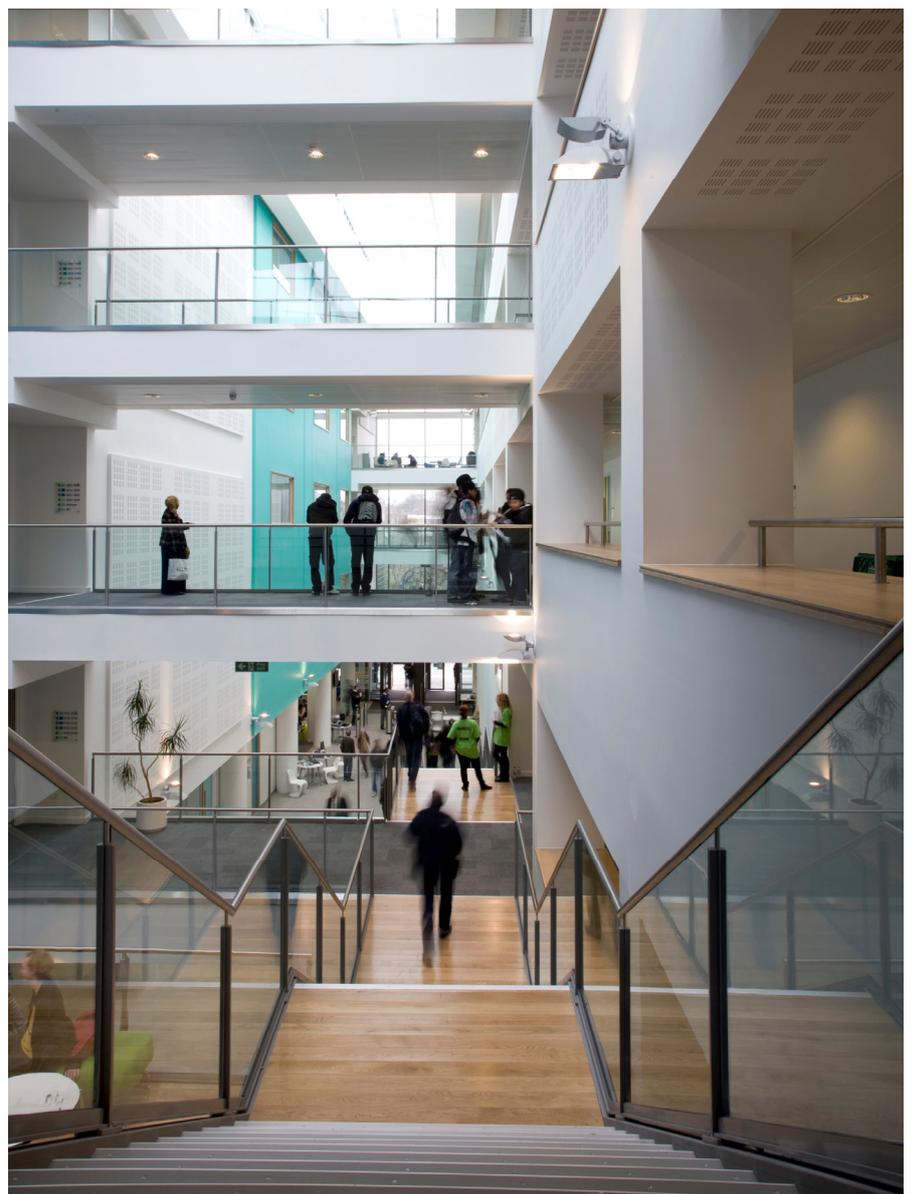




Westminster Kingsway
central London's **College**

Report and Annual Accounts

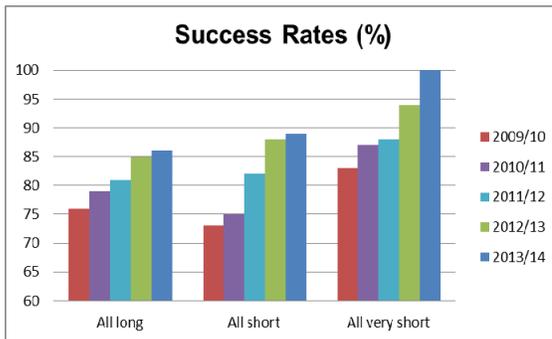
2013-2014



Highlights from 2013/14 – Securing the Future

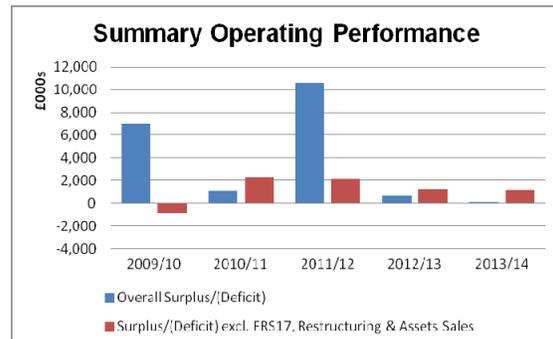
Improved success for our clients

WKC continues to deliver year on year improvements in the outcomes for its learners, achieving 90% overall success rates for the first time.



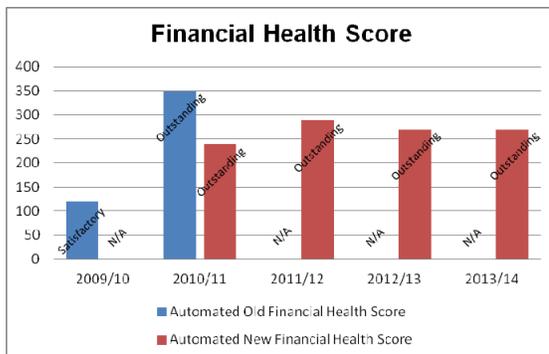
Robust operating surplus

WKC has generated its fourth consecutive annual operating surplus building the financial capacity to develop an ambitious estates strategy



Robust financial health

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



Investing in improving further

“Following a significant investment in the quality of teaching and learning it is pleasing that this year’s Self-Assessment Report records a significant improvement in the profile of grades for the lessons observed. The shift in the formal grade profile and the less formally observed impact of *A Year of Learning* provides confidence that the profile will continue to improve”

Introduction to 2013-14 Self-Assessment Report

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Westminster Kingsway College

Operating and Financial Review for the Period 1 August 2013 to 31 July 2014

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 2013/14, WKC helped over 19,000 individuals secure their future through examination success; pathways to higher education or employment; and greater skills for life and work – an 18% increase on 2012/13 volumes.

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2014.

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 2011-14:

Education, Enterprise & Employability for Life

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 16 and 17.

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 2011 WKC adopted a new Strategic Plan covering the period 2011-14. The annual Operational Plan was refreshed and implemented for the third year of this planning period. The plans address WKC's seven key objectives:

		Strategic objective	Progress in 2013/14
Our clients & the curriculum	1.	Young People Providing young people with the skills and qualifications which give pathways to employment or further study	Strong progress against all targets. 2013/14 long course success rates are +4% on previous year at 88%, keeping WKC within top decile of London Colleges. Significant improvement in Functional Skills results (a 21% increase).
	2.	Adults Providing workless and low-skilled adults with pathways to sustainable employment and career development	Strong progress against all targets. Employability provision consolidated, with new level 1 and level 2 progression opportunities established.
	3.	Employers Providing employers with affordable training enabling them to thrive in the London economy	Significant increase in adult apprenticeship provision, with an additional £0.5m of extra-contractual delivery funded by SFA. Commercial training for employers is developing, albeit at a slower rate.
	4.	Hospitality Sector Providing the Hospitality sector with an expanded offer of the highest quality training tailored to industry needs	Strong progress against all block funded targets, but slippage on commercial targets. Second phase of capital project saw modernisation of specialist kitchen environments, the opening of a new bakery facility and the establishment of a chocolate laboratory.
	5.	Culture & Organisation A big, confident and great place to work in which what motivates staff is aligned with the objectives of the college	Success rates improved and financial health sustained, with no requirement for major restructuring. Significant investment in a <i>Year of Learning</i> , a comprehensive, college-wide programme of teaching and learning professional development. Staff engagement and satisfaction surveyed, with a holistic action plan developed to enhance staff recognition and engagement. High performing staff and teams celebrated through STAR Awards.
Enablers	6.	Performance A reputation based on the success of our students, excellence in the quality of teaching, innovation in delivery and commitment to partnership	Achieved an aggregate in-year increase in contract values, meeting or exceeding all funding contracts with the exception of JCP ESOL mandation (0.003% of turnover). Significant investment in a <i>Year of Learning</i> , a comprehensive teaching and learning professional development programme with early signs of improvement and higher levels of innovation. Individual staff awards included – Geoff Booth (Hospitality Industry Catey - Education Award); and Vince Cottam (Craft Guild of Chefs - Education Award).
	7.	Corporate Core Efficient corporate services and governance allowing resources to be focused on the delivery of services to clients	Strong progress against all targets. First phase of major refurbishment of Victoria Centre delivered on programme and within budget, and secured a £6m government grant towards the cost of an £18m modernisation of the estate due to complete in September 2015. Increased investment in technology to support curriculum developments.

1.5 Future developments

The Corporation agreed a new strategic plan in September 2014, that sets the strategic direction and robust targets against which progress will be measured over the next 3 years. The plan represents both a continuation and evolution of the strategic plan summarised in section 1.4, focusing on the same core client groups and the ways in which WKC will continue to respond to the demands of WKC’s various clients and stakeholders.

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 £59.5 million of net assets (including £14.5 million pension liability) and no long term debt.

Human capital

The College employs 502 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 ability to partner Camden Council in procuring and quality assuring a new residential and training programme for young people with profound and multiple learning difficulties; and to support specialist programmes for young people with learning difficulties at Queen Elizabeth II School, 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 2013/14.

Target	Achievement
1. To have an operating surplus of at least 1% (2012/13: 3.1%)	3.0%
2. Staff costs to be no more than 65% of income (2012/13: 57.2%)	59.0%
3. Have at least 30 cash days in hand as working balances (2012/13: 196 days)	180
4. Have a ratio of at least 1:1 for current assets [including restricted cash]: current liabilities [current ratio] (2012/13: 2.8:1)	4.4:1

<p>5. To diversify income streams by increasing:</p> <ul style="list-style-type: none"> the proportion of total income represented by non-core SFA, EFA and HEFCE grants from 23% to 30% by the end of 2013/14 the proportion of full cost income from £2.5m to £5m, generating a return of at least 40% by the end of 2013/14 	<p>Income from sources other than core grants was 25% of turnover. Tuition fees & education contracts increased by £1.1m over 2012/13 to £3.8m.</p>
<p>6. To create and implement a funded estates strategy by 2013/4</p>	<p>Investment of £8.0m made in enhancing the estate, as part of an £18m modernisation programme for Victoria and Soho Centres.</p>

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 is considered an acceptable outcome.

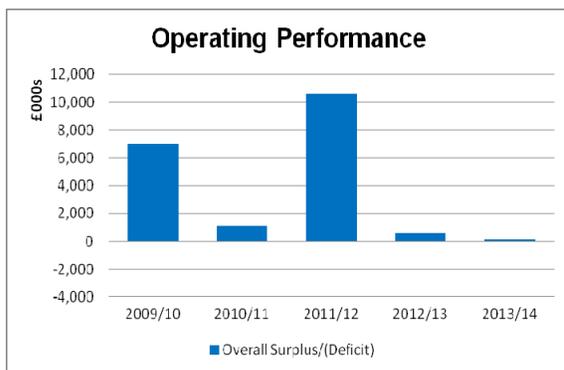
In addition, WKC achieved the following key financial metrics in 2013/14:

- full delivery against all the funding body targets for the year with a 5% improvement in success rates for funded programmes; and
- a financial health score of Outstanding, based on the Skills Funding Agency (SFA) scoring assessment of WKC's profitability, working capital and liquidity (2012/13: Outstanding).

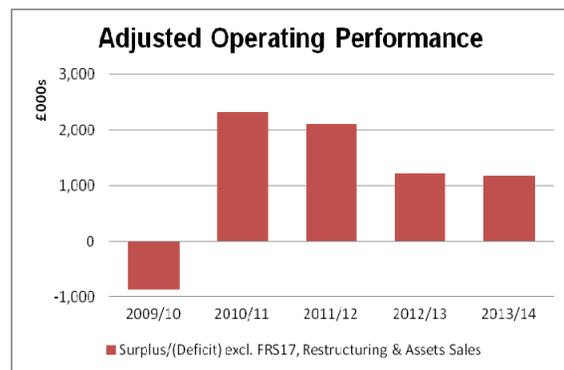
2.3 Financial results

The College delivered a fourth successive year of growth, generating a strong operating surplus in 2013/14. WKC exceeded its income targets by 2.8% incurring additional costs resulting in it also exceeding its expenditure budget by 2.8%.

The graph below shows bottom line performance over the last 5 years.



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 £27.8m (2012/13 £29.9m) and cash and short-term investment balances of £18.7m (2012/13 £20.7m). 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 £3,347k. These additions were split between land and buildings of £292k and equipment purchased of £3,055k.

WKC is still reliant on its funding bodies for its principal funding source (largely recurrent grants), and the proportion of income from this source decreased from 77.1% to 72.4% in 2013/14.

Investments

The College had one subsidiary company, Westminster 100 Limited. Westminster 100 Limited having not traded since incorporation was wound up on 25 February 2014.

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 2013/14.

Cash flows

In 2013/14 WKC had an operating cash inflow of £143k (2012/13: £2.5m) and a net cash outflow of £2.0m (2012/13: outflow of £1.8m).

Liquidity

Liquidity remains robust. In addition to £4.4m of cash balances ring-fenced under SFA rules for capital purposes, WKC has further balances of £14.3m of free cash.

Going concern

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

Post-balance sheet events

The College's is not aware of any post balance sheet events requiring disclosure.

3 Operational review

3.1 Student numbers

WKC achieved its 2013/14 contractual targets with both the EFA and the SFA for 16-18 year old learners and adult learner numbers. Student retention decreased by 1% to 95%, a level which is exceptionally high for the sector.

In 2013/14 WKC delivered activity that has achieved £27.0m in main allocation funding (2012/13: £27.0m). WKC had approximately 13,155 funded and 2,806 non-funded students.

3.2 Student achievements

WKC continues to help its learners to achieve well with all categories of qualification by duration and age improving in 13/14 and remaining at or above national rates. This progress is characterised by strong retention and improved achievement. Improvements are particularly noticeable in the A level area as well as in Functional Skills qualifications for both 16-18s and for adults. Overall success rates increased to 90% for the first time.

16-18 Long qualifications remain good at 4% above national rates and the vocational provision is excellent with 91% success. There are a number of significant long qualifications with 100% success across a range of provision in the A level, Foundation Learning, Level 2 BTEC, and Level 2 and 3 Hospitality and Culinary Arts areas.

The short and very short provision, which is over half of the college's provision, also has a very good success rate of 93% which is 5% above national rates. These qualifications are mainly for adults who are developing their personal and employability skills.

Whilst 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 College has identified the following as the key elements in its curriculum offer:

- Increased apprenticeships and higher level professional and technical programmes.
- 14-19 participation: The College met its financial target last year and exceeded its student target by 49 students putting us in a good position to secure funding in the future. It has a target of 2,786 learners for 2014/15 an additional 250 learners. Initial enrolment indicates that we are on track in meeting this very stretching target. Further developments have been made to increase the offer to students who have moderate or severe learning difficulties.
- Skills for Life and Work: There was a very significant improvement in Functional Skills in 13/14 and provision now sits above national benchmarks. GCSE results although above benchmark are disappointing for high grades and new targets have been set.
- Progression – good progression for 16-18 year olds, although adult progression from ESOL remains more limited.
- Specialist vocational provision, predominantly in the support services sectors
 - Hospitality - Outstanding success rates on classroom based provision, and good success rates on apprenticeships, with a new Level 4 Apprenticeship in Hospitality established
 - Enterprise - Full time fast track Peter Jones Enterprise Academy established
 - Creative Industries – Growth in digital media, however success rates declined in 16-18 classroom based provision
 - Business and IT services - Good success rates on IT provision but some decline in success rates on Business Programmes for young people
 - Health and Care – growth is significant with very high success rates maintained
 - Science - Strong vocational provision with high success rates
 - Facilities management foundation degree programme launched
- Excellent Employer engagement, particularly apprenticeships and foundation degrees
- An increased focus on developing commercial programmes that support people in gaining employment and developing their careers.

Significant new curriculum developments in 2013/14 included:

Young People	<ul style="list-style-type: none"> • Growth and further Camden Council support of the Enterprise Hub for Camden residents at King's Cross. • Expanded position as provider of choice for Key Stage 4 provision for 14-16 year olds, through contracts with Camden, Westminster and Islington Councils and Academies. This area was recognised by Ofsted to have Outstanding Outcomes. 14-16 provision at JobTrain achieved high success rates. • Consolidation of reputation for supporting learners with learning difficulties and disabilities, helping students with additional support needs achieve 8% higher success than the College average. Joint delivery through a new Post 16 Skills Centre at College Park School and QEII School, and formed partnership with Camden Council to procure and quality assure residential and training provision for young people with profound and multiple learning difficulties. • A Level provision has seen a significant improvement in Success rates and has improved progression from Year 1 to 2.
Adults	<ul style="list-style-type: none"> • We increased our Pharmacy Technician provision (as a regional provider) and our Foundation Year Engineering and Actuarial Science with City University. • Further diversification of the ESOL curriculum to include Work/ Employability, Enterprise and Functional Skills curriculum. • Increased vocational progression pathways from E1-L2 via the 'Careers In' portfolio. • Further diversification of the International market and supporting curriculum, including being shortlisted by British Council as best international training partner for our work in the Vietnamese Government's skills reform programme.
Employers	<ul style="list-style-type: none"> • Delivered Level 5 and 7 to Metropolitan Police senior staff in Lambeth. • Delivered Traineeships working with MP's, including Matthew Hancock (former Skills Minister), under our Parliamentary Academy run jointly with the Creative Society. 8 Learners taking part with one learner getting his dream apprenticeship with Barclays Bank. • BBC, SLCT Traineeship with 3 getting onto the BBC Apprenticeship programme for September 14 start and 8 gaining contract work on BBC programmes as runners. • Westminster Kingsway College Customer Service Apprentice wins the 2014 Apprentice of the Year at Southwark Council's annual award ceremony during National Apprenticeship Week. • Launched talent@westking our recruitment service within our employability area. We train unemployed people to fill vacancies on the new Kings Cross Development. • Delivered growth within Sector Based Work Academies with TFL, Travelodge, Land Securities, My Home Care (part of MITIE), ASE, Barts Health in Newham, Greene King, Image Office Cleaning, Tragus and Ippudo. • Delivered growth in our Adult Apprenticeship provision in year with an additional £500k SFA funding to cover growth in 13-14 and 14-15. • Our top apprenticeship employers are Southwark Council with 106 apprentices, Ultimate Security 85 apprentices Look Ahead Care 63 apprentices, Portico 26 apprentices.
Hospitality Sector	<ul style="list-style-type: none"> • Establishment of restaurant Realistic Working Environment to feature additional evening services • Establishment of Hospitality Management Level 4 Apprenticeship • Launch of Peter Jones Level 5 Apprenticeship • Pub sector apprenticeship introduced • Expansion of Saturday pre 16yrs Harrison Scholarship programmes in Chef and Bakery programmes • World Skills Brazil Squad features Westminster Kingsway students in all 3 disciplines - Culinary; Patisserie and Restaurant Service.

3.5 Future developments

The development of the strategic direction of the College is set out in section 1.5. At an operational level, 2014/15 will see a focus on:

Improving teaching & learning

- Embedding the *Year of Learning* success through *Making Learning Count*, to ensure lesson observations improve to 80% 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 on the success of the GCSE and Functional Skills provision to ensure that learners are able to progress by obtaining these fundamental skills.

Continuing the development of a curriculum to meet student and employer needs

- Continuing to ensure that the 16-19 Study Programmes are well planned to broaden employability curriculum and access to English and Maths.
- Developing our provision to ensure students with multiple learning difficulties are able to take part in employability courses
- Increasing the STEM offer in the college to increase international, employer and HE links.
- Redefining the curriculum offer to NEET young people on a new site to ensure pathways to Traineeships and Apprenticeships.
- Increasing Apprenticeships for 16-18 and 19-24 year olds, and Adults.
- Further diversification of the adult curriculum to provide relevant pathways for the unemployed and broaden the skills curriculum for people who are employed.
- Expansion of work placement programme in Hospitality and visiting speaker programme from industry based entrepreneurs.
- Consolidating and growing our offer in three key sectors Creative and Cultural Industries; Hospitality; and Facilities Management.
- Increasing the choices offered at HE with the introduction of broader curriculum pathways
- Strengthening local strategic partnerships to support increased delivery to Camden and Westminster residents.

Enhancing commercial operations to increase income

- Growth in Commercial Income. WKC has set clear targets for the delivery of commercial growth particularly in Hospitality, International and Employer solutions.
- Increasing recruitment to full cost International Chef and Patisserie programmes and commercial sales to all part time day release chef programmes
- Increased income targets set for the Restaurants and Retail RWEs at Victoria and Regent's Park
- Consolidation of L4 Apprenticeship in Hospitality (the only programme of its kind in the UK)

Enhancing the experiences of our students

- Rolling out an ambitious estates improvement strategy to support curriculum developments in adult, hospitality and employability programmes, and to enable the college to act as a local hub for community and enterprise initiatives.
- Ensuring vocational specialisms increase their links to Industry and reflecting this in teaching and learning with particular focus on a comprehensive partnership programme with established Business and Social Entrepreneurs.
- Wider participation in national and international competitions by Enterprise and by Hospitality students
- Increased network of entrepreneurs to enrich the Peter Jones Enterprise programmes.

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 2013/14, 72.4% 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.

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; and
- By planning a range of initiatives including shared services, which may help WKC reduce its cost base.

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

In 2012/13 WKC commenced a programme of estates renewal, starting with the Victoria Centre, home to our School of Hospitality. Throughout 2013/14, and over the next few years, the College will refurbish an estate that is not ideally matched to the aspirations and learning needs of our customers. The College was successful in attracting an Enhanced Renewal Grant of £6m in 2013 from the SFA, to be paid in instalments in 2013/14 and 2014/15.

The principal risks are that refurbishment works will disrupt the learning environment in the short term; and that cost and programme will exceed plan. These risks are significant as the College's estate includes a Grade II* Listed Building and a Building of Townscape Merit, which further compound the generic cost and programme risks associated with refurbishment programmes. The principal mitigation strategies relate to the quality of professional advice WKC uses; and maintaining the financial resilience of the College both in attracting funding and controlling expenditure.

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 auditors

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

**Approved by order of the members of the Corporation on 17 December 2014
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 2014. 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	Appointed member	N/A	50%
Ms Josephine Ansah	26 Mar 2014	1 year	31 Jul 2014	Elected Student member	Quality & Standards	50%
Mrs Margaret Beels (nee McKinlay)	1 Sep 2011	4 years	31 Aug 2015	Appointed member	Corporation Joint Vice Chair; Resources (Chair); Remuneration; Search (Chair)	100%
Ms Lorna Blackman	26 Feb 2013	4 years	25 Feb 2017	Elected Support Staff member	Audit	100%
Ms Catherine Boyd-Maunsell	26 Mar 2014	4 years	25 March 2018	Appointed member	Resources	100%
Mr Leslie Brissett	18 Dec 2013	4 years	17 Dec 2017	Appointed member	Audit	75%
Mr Shane Chowen	18 Dec 2014	4 years	17 Dec 2017	Appointed member	Quality & Standards	100%
Ms Anna D'Alessandro	28 Mar 2013	4 years	24 Sept 2014 (R)	Appointed member	Audit	80%
Ms Penny DeValk	1 Oct 2009	4 years	31 Aug 2013 (R)	Appointed member	Resources	N/A
Ms Alex Duncan	1 Sept 2013	4 years	1 Sept 2017	Appointed member	Resources	100%
Ms Ruth Duston (aka Casey)	1 Oct 2014	4 years	30 Sept 2018	Appointed member	Corporation Chair; Quality & Standards; Search	N/A

Mr J Featherman	18 May 2011	4 years	17 May 2015	External member	Audit (Chair); Remuneration	100%
Mr Paul Foster	1 Sept 2013	4 years	26 Mar 2014 (R)	Appointed member	Resources	0%
Mr Norman Fu	19 Mar 2012	4 years	18 Mar 2016	Elected Teaching Staff member	Quality & Standards	80%
Ms Lorna Gratton	15 Dec 2010	4 years	20 Sept 2014 (R)	Appointed member	Quality & Standards	40%
Ms L Halliday	4 Jul 2012	4 years	3 Jul 2016	Appointed member	Corporation Joint Vice Chair; Quality & Standards (Chair); Remuneration (Chair).	100%
Mr David Kogan	25 Nov 2011	3 years	1 Oct 2014 (R)	Appointed member	Corporation Chair; Remuneration; Resources (until Nov 2013); Quality & Standards (from Dec 2014); Search	100%
Ms Sibongile Mazivisa	26 Mar 2014	1 year	31 Jul 2014	Elected Student member	Quality & Standards	50%
Mr Shahidul Miah	15 Dec 2011	4 years	14 Dec 2015	Appointed member	Audit	100%
Mr Simon Pitkeathley	28 Jan 2014	4 years	27 Jan 2018	Appointed member	Resources	100%
Mr David Smith	18 Dec 2013	4 years	17 Dec 2017	Appointed member	Quality & Standards	100%
Mr Andy Wilson	8 Jul 2004	N/A	N/A	Principal (ex- officio)	Quality & Standards; Resources ; Search	100%
Mrs S Daley acted as Clerk to the Corporation until 31 Aug 2013 and then from 15 August 2014. Mr N Blackmore acted as Clerk to the Corporation from 1 Sep 2013 to 14 August 2014.						

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 and standards, resources, remuneration, search and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available 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 2014, 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 2014 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 monitor 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.

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 2014 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 2014 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 his review of the effectiveness of the system of internal control by the audit committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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, 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 17 December 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

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"*.

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 further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

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 17 December 2014 and signed on its behalf by:

R Duston
Chair

A Wilson
Principal

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 2013/14 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 17 December 2014 and signed on its behalf by:

R Duston
Chair

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

We have audited the College financial statements ("the financial statements") of Westminster Kingsway College for the year ended 31 July 2014 set out on pages 26 to 50. 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 Corporation's responsibilities set out on page 21, 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 Annual Report 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2014 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

18 December 2014

Independent auditor's report on regularity to the Corporation of Westminster Kingsway College ('the Corporation') and the Chief Executive of the Skills Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 13 May 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Responsibilities of the Corporation of Westminster Kingsway College

The Corporation of WKC is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of WKC is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms 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's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 13 May 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

18 December 2014

Westminster Kingsway College
Income and Expenditure Account for the year ended 31 July 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Income			
Funding body grants	2	28,528	30,975
Tuition fees and education contracts	3	7,285	5,656
Other income	4	1,959	1,869
Investment income	5	222	411
Total Income		<u>37,994</u>	<u>38,911</u>
Expenditure			
Staff costs	6	22,534	22,457
Exceptional restructuring costs	6	546	258
Other operating expenses	8	11,472	12,822
Depreciation	11	2,939	2,588
Interest and other finance costs	9	431	337
Total Expenditure		<u>37,922</u>	<u>38,462</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		72	449
Gain on disposal of assets		<u>-</u>	<u>185</u>
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		72	634
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	18	<u><u>72</u></u>	<u><u>634</u></u>

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 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		72	634
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	17	69	74
Adjustment for property revaluation gains of previous years	17	171	-
		<hr/>	<hr/>
Historical cost surplus for the period before and after taxation		<u>312</u>	<u>708</u>

Statement of Total Recognised Gains and Losses for
the year ended 31 July 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		72	634
Actuarial (loss)/gain in respect of pension scheme	24	(2,401)	4,225
Actuarial loss in respect of enhanced pensions	15	(14)	(56)
		<hr/>	<hr/>
Total recognised (loss)/gain for the year		<u>(2,343)</u>	<u>4,803</u>

Reconciliation

Opening reserves		36,683	31,880
Total recognised (loss)/gain for the year		(2,343)	4,803
		<hr/>	<hr/>
Closing reserves		<u>34,340</u>	<u>36,683</u>

Westminster Kingsway College
Balance Sheet as at 31 July 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	11	58,506	58,098
Investments	12	18	18
		<u>58,524</u>	<u>58,116</u>
Current assets			
Stock		13	17
Debtors: Amounts falling due within one year	13	2,728	1,823
Investments		3,000	2,001
Cash at bank and in hand		15,681	18,633
		<u>21,422</u>	<u>22,474</u>
Creditors: Amounts falling due within one year	14	(4,906)	(7,940)
Net current assets		<u>16,516</u>	<u>14,534</u>
Total assets less current liabilities		75,040	72,650
Provisions for liabilities and charges	15	(1,048)	(1,062)
Net assets excluding pension liability		<u>73,992</u>	<u>71,588</u>
Net pension liability	24	(14,517)	(11,589)
Net assets including pension liability		<u>59,475</u>	<u>59,999</u>
Deferred capital grants	16	25,135	23,316
Reserves			
Income and expenditure account excluding pension reserve	18	42,292	41,467
Pension reserve	18	(14,517)	(11,589)
Income and expenditure account including pension reserve		27,775	29,878
Revaluation reserve	17	6,565	6,805
Total reserves		<u>34,340</u>	<u>36,683</u>
Total funds		<u>59,475</u>	<u>59,999</u>

The financial statements on pages 26 to 50 were approved by the Corporation on 17 December 2014 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 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Cash inflow from operating activities	19	143	2,538
Returns on investments and servicing of finance	20	211	440
Capital expenditure and financial investment	21	(2,307)	(4,797)
Cash outflow before use of liquid resources and financing		<u>(1,953)</u>	<u>(1,819)</u>
Management of liquid resources	22	(999)	11,899
(Decrease)/increase in cash		<u>(2,952)</u>	<u>10,080</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)/increase in cash in the period		(2,952)	10,080
Cash inflow/(outflow) from liquid resources	22	<u>999</u>	<u>(11,899)</u>
Movement in net funds in period		(1,953)	(1,819)
Net funds at 1 August		20,652	22,471
Net funds at 31 July	23	<u>18,699</u>	<u>20,652</u>

Westminster Kingsway College

Notes to the Financial Statements for the Period 1 August 2012 to 31 July 2014

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 2013/14 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 £18,681k 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

The financial statements have not been consolidated as during the year to 31 July 2014 and prior to its winding up, on 25 February 2014, WKC's only subsidiary, Westminster 100, did not trade. 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 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.

The College's subsidiary company was subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

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

Provisions

Provisions are recognised when 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 2014 £000	Year ended 31 July 2013 £000
Recurrent grant - SFA	13,100	15,135
Recurrent grant - EFA	14,068	14,148
Recurrent grant - HEFCE	238	564
Non recurrent grant - SFA	74	107
Non recurrent grant - EFA	19	26
Releases of deferred capital grants (Note 16)	1,029	995
Total	28,528	30,975

3 Tuition Fees and Education Contracts

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Tuition fees	3,349	2,755
Examination fees	167	141
Education contracts	3,769	2,760
Total	7,285	5,656

There are no tuition fees funded by bursaries.

4 Other Income

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Residencies, catering and conferences	1,114	1,104
Other grant income	188	169
Releases from deferred capital grants (non funding body)	116	117
Other income	541	479
Total	1,959	1,869

5 Investment Income

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Other investment income	1	1
Other interest receivable	221	410
Total	222	411

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 2014 Number	Year ended 31 July 2013 Number
Teaching staff	239	238
Non teaching staff	263	260
	<u>502</u>	<u>498</u>

Staff costs for the above persons were as follows:

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Wages and salaries	17,121	17,044
Social security costs	1,402	1,401
Other pension costs (inclusive of FRS17 adjustments of £136,000 - 2012/13: £219,000)	2,201	2,279
Payroll sub-total	<u>20,724</u>	<u>20,724</u>
Contracted out staffing services	1,810	1,733
	<u>22,534</u>	<u>22,457</u>
Exceptional restructuring costs	546	258
	<u>23,080</u>	<u>22,715</u>

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

	Year ended 31 July 2014		Year ended 31 July 2013	
	Number of senior post-holders	Number of Other Staff	Number of senior post-holders	Number of Other Staff
£Nil to £20,000	1	Not Applicable	-	Not Applicable
£40,001 to £50,000	1	Not Applicable	-	Not Applicable
£50,001 to £60,000	-	Not Applicable	1	Not Applicable
£60,001 to £70,000	-	9	1	8
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	2	-	2	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	1	-	1	-
£140,001 to £150,000	1	-	1	-
	<u>7</u>	<u>10</u>	<u>6</u>	<u>8</u>

In August 2013 a consolidated pay award of £282 was made to staff earning less than the full time equivalent salary of £14,052 with all others receiving an award of 0.7%.

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.

	Year ended 31 July 2014 Number	Year ended 31 July 2013 Number
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:

	£	£
Salaries	564,686	536,889
Benefits in kind	3,600	4,400
Pension contributions	87,220	84,920
	<u>655,506</u>	<u>626,209</u>

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

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Salaries	147,845	140,386
Benefits in kind	<u>600</u>	<u>600</u>
	<u>148,445</u>	<u>140,986</u>
Pension contributions	<u><u>20,825</u></u>	<u><u>19,794</u></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 spring 2013, the Corporation employed an external consultant to conduct a review of the Principal's remuneration, the last review having occurred in 2009. The Principal waived a performance related bonus of £6,000 to which he was eligible.

8 Other Operating Expenses

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Teaching costs	4,021	5,157
Non teaching costs	4,496	3,938
Premises costs	2,955	3,727
Total	11,472	12,822

Other operating expenses include:

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Auditors' remuneration:		
financial statements audit	22	22
internal audit	27	22
other services provided by the financial statements auditors	9	10
Losses on disposal of tangible fixed assets	-	287
Hire of plant and machinery - operating leases	57	62
Hire of land and buildings - operating leases	113	-

9 Interest Payable

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Pension finance costs in respect of enhanced pensions (Note 15)	40	46
Pension finance costs in respect of pension scheme (Note 24)	391	291
Total	431	337

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
Cost or Valuation				
At 1 August 2013	55,276	7,138	11,659	74,073
Additions	-	3,347	-	3,347
Transfers between asset categories	5,622	(8,677)	3,055	-
Disposals	(11)	-	(129)	(140)
At 31 July 2014	60,887	1,808	14,585	77,280
Depreciation				
At 1 August 2013	9,875	-	6,100	15,975
Charge for year	1,691	-	1,248	2,939
Eliminated in respect of disposals	(11)	-	(129)	(140)
At 31 July 2014	11,555	-	7,219	18,774
Net book value At 31 July 2014	49,332	1,808	7,366	58,506
Net book value At 1 August 2013	45,401	7,138	5,559	58,098
Inherited	6,565	-	-	6,565
Financed by capital grant	19,931	1,670	2,017	23,618
Other	22,836	138	5,349	28,323
	49,332	1,808	7,366	58,506

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.

12 Investments

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Other investments	18	18
	<u>18</u>	<u>18</u>

The College owned 100% of the issued ordinary £1 shares, totalling £100, of Westminster 100 Limited, a company incorporated in England and Wales. Westminster 100 Limited had not traded since incorporation and was classified as a dormant company. The directors and College wound the company up in February 2014.

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 2014 £000	Year ended 31 July 2013 £000
Trade debtors	1,420	1,141
Other taxation	-	115
Prepayments and accrued income	1,076	468
Amounts owed by funding councils	78	28
Other debtors	154	71
Total	<u>2,728</u>	<u>1,823</u>

14 Creditors: Amounts falling due within one year

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Payments received in advance	1,015	676
Trade creditors	438	1,537
Other taxation and social security	703	712
Other amounts owed to funding councils	113	5
Accruals and deferred income	2,253	4,847
Other creditors	384	163
	<u>4,906</u>	<u>7,940</u>

15 Provisions for Liabilities and Charges

	Pensions £000	Total £000
At 1 August 2013	1,062	1,062
Finance charge	40	40
Cash paid	(68)	(68)
Actuarial loss	14	14
At 31 July 2014	<u>1,048</u>	<u>1,048</u>

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 2013			
Land and buildings	20,603	243	20,846
Equipment	2,365	105	2,470
Cash receivable			
Land and buildings	2,957	-	2,957
Equipment	7	-	7
Released to income and expenditure account			
Land and buildings	(599)	(86)	(685)
Equipment	(430)	(30)	(460)
Total	<u>24,903</u>	<u>232</u>	<u>25,135</u>
At 31 July 2014			
Land and buildings	22,961	157	23,118
Equipment	1,942	75	2,017
Total	<u>24,903</u>	<u>232</u>	<u>25,135</u>

17 Revaluation Reserve

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
At 1 August	6,805	6,879
Transfer from revaluation reserve to income and expenditure account in respect of:		
Adjustment for previous years revaluation gains	(171)	-
Depreciation on revalued assets	(69)	(74)
At 31 July	6,565	6,805
Represented by		
Tangible Fixed Assets (Note 11)	6,565	6,805
	6,565	6,805

18 Income and Expenditure Account

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
At 1 August	29,878	25,001
Surplus on continuing operations after depreciation of assets at valuation and tax	72	634
Transfer from revaluation reserve	240	74
Actuarial (loss)/gain in respect of pension scheme	(2,401)	4,225
Actuarial loss in respect of enhanced pensions	(14)	(56)
At 31 July	27,775	29,878
Balance represented by:		
Pension reserve	(14,517)	(11,589)
Income and expenditure reserve excluding pension reserve	42,292	41,467
At 31 July	27,775	29,878

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

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	72	634
Depreciation (Note 11)	2,939	2,588
Deferred capital grants released to income (Note 2 & 4)	(1,145)	(1,112)
Surplus on disposal of material tangible fixed assets	-	(185)
Loss on disposal of tangible fixed assets	-	287
Interest payable (Note 9)	431	337
Pension cost adjustments (Notes 6, 9, 15 & 24)	96	173
Decrease in stocks	4	5
(Increase)/decrease in debtors	(894)	294
Decrease in creditors	(1,110)	(51)
Decrease in provisions	(28)	(21)
Interest receivable (Note 5)	(222)	(411)
Net cash inflow from operating activities	143	2,538

20 Returns on Investments and Servicing of Finance

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Other interest received	211	440
Net cash inflow from returns on investment and servicing of finance	<u>211</u>	<u>440</u>

21 Capital Expenditure and Financial Investment

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Purchase of tangible fixed assets	(5,271)	(6,477)
Sales of tangible fixed assets	-	200
Deferred capital grants received	2,964	1,480
Net cash outflow from capital expenditure and financial investment	<u>(2,307)</u>	<u>(4,797)</u>

22 Management of Liquid Resources

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Withdrawals from deposits	5,001	13,812
Placing of deposits	(6,000)	(1,913)
Net cash (outflow)/inflow from management of liquid resources	<u>(999)</u>	<u>11,899</u>

23 Analysis of Changes in Net Funds

	At 1 August 2012 £000	Cashflows £000	At 31 July 2014 £000
Cash at bank and in hand	18,633	(2,952)	15,681
Investments	18	-	18
	<u>18,651</u>	<u>(2,952)</u>	<u>15,699</u>
Current Asset Investments	2,001	999	3,000
Total	<u>20,652</u>	<u>(1,953)</u>	<u>18,699</u>

Net funds includes a sum of £4,374,000 which relates to the proceeds of sale from the St James's Park site and Mews Road access rights held for re-investment in the College's estate.

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 2014 £000	Year ended 31 July 2013 £000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	1,169	1,189
Local Government Pension Scheme:		
Contributions paid	890	865
Contributions paid for enhanced pensions	6	6
FRS 17 adjustment	136	219
Charge to the Income and Expenditure Account (staff costs)	1,032	1,090
Total Pension Cost for Year	2,201	2,279

The pension costs are assessed in accordance with advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2004 (TPS) and 31 March 2013 (LGPS).

Contributions amounting to £267,000 (2012: £268,000) 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 will be 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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,169,000 (2012/13: £1,189,000).

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 2014 was £1,202,000 of which employers contributions totalled £890,000 and employees contributions totalled £312,000.

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 by March 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 2014 by a qualified independent actuary.

	31 July 2014	31 July 2013
Rate of increase in salaries	4.4%	4.3%
Rate of increase for pensions in payment	2.6%	2.6%
Discount rate for scheme liabilities	4.2%	4.8%
Inflation assumption (CPI)	2.6%	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 2014	31 July 2013
Retiring today/current pensioners		
Males	21.5	20.6
Females	25.1	23.9
Retiring in 20 years/future pensioners		
Males	23.8	22.6
Females	27.4	25.7

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

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £000
Equities	6.7%	12,801	6.4%	13,733
Target Return	6.1%	8,331	4.9%	8,474
Alternative Assets	6.0%	2,080	5.4%	4,383
Cash	3.2%	4,033	0.5%	292
Cashflow Matching	3.4%	1,779	3.4%	2,338
Total market value of assets	5.8%	29,024	5.4%	29,220
Present value of scheme liabilities				
Funded		(43,454)		(40,714)
Unfunded		(87)		(95)
Deficit in the scheme		(14,517)		(11,589)

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 2014 £000	Year ended 31 July 2013 £000
Employer service cost (net of employee contributions)	1,027	1,049
Curtailement and settlements	4	108
Total operating charge	1,031	1,157

Analysis of pension finance costs

Expected return on pension scheme assets	1,566	1,268
Interest on pension liabilities	(1,957)	(1,559)
Pension finance costs	(391)	(291)

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

	31 July 2014 £000	31 July 2013 £000
Actual return less expected return on pension scheme assets	(1,079)	3,361
Experience gains and losses arising on the scheme liabilities	3,344	(24)
Change in financial and demographic assumptions underlying the scheme liabilities	(4,666)	888
Actuarial (loss)/gain recognised in STRGL	(2,401)	4,225

Movement in deficit during year

	31 July 2014 £000	31 July 2013 £000
Deficit in scheme at 1 August	(11,589)	(15,304)
Movement in year:		
Employer service cost (net of employee contributions)	(1,027)	(1,049)
Employers contributions (Estimated)	889	932
Contributions in respect of Unfunded Benefits	6	6
Curtailement and settlements	(4)	(108)
Net interest	(391)	(291)
Actuarial (loss)/gain	(2,401)	4,225
Deficit in scheme at 31 July	(14,517)	(11,589)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Asset and Liability Reconciliation	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000			
Reconciliation of Liabilities					
Liabilities at start of period	40,809	39,850			
Service cost	1,027	1,049			
Interest cost	1,957	1,559			
Employee contributions (Estimated)	313	301			
Actuarial loss/(gain)	796	(864)			
Benefits paid	(1,365)	(1,194)			
Impact of settlements and curtailments	4	108			
Liabilities at end of period	87	95			
Unfunded	43,454	40,714			
Funded					
Reconciliation of Assets					
Assets at start of period	29,220	24,546			
Expected return on pension scheme assets	1,566	1,268			
Actuarial gain/(loss)	(1,605)	3,361			
Employers contributions (Estimated)	895	938			
Employee contributions (Estimated)	313	301			
Benefits paid	(1,365)	(1,194)			
Assets at end of period	29,024	29,220			
History of experience gains and losses					
	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
amount £000	(1,079)	3,361	(1,223)	642	583
% of scheme assets	(3.7%)	11.5%	(5.0%)	2.7%	2.8%
Experience gains and losses on scheme liabilities:					
amount £000	3,344	(24)	-	5,175	10
% of scheme liabilities	7.7%	(0.1%)	-	15.3%	-
Total amount recognised in STRGL					
amount £000	(2,401)	4,225	(5,220)	2,870	(826)
% of scheme liabilities	(5.5%)	10.4%	(13.1%)	8.5%	(2.5%)

25 Post Balance Sheet Events

The College is not aware of any post balance sheet events which need to be disclosed.

26 Capital Commitments

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Commitments contracted for at 31 July	<u>5,969</u>	<u>2,498</u>

27 Financial Commitments

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

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Land and Buildings		
Expiring within one year	48	-
	<u>48</u>	<u>-</u>
Other		
Expiring within one year	1	-
Expiring between two and five years inclusive	56	29
	<u>57</u>	<u>29</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 £58 (2012/13: £147) for 1 Governor (2012/13: 2). 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 (2012/13: £Nil).

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

30 Amounts Disbursed as Agent

Learner Support Funds	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Funding body grants - hardship support	1,142	1,123
Funding body grants - childcare	624	844
Other funding bodies grants	394	52
	<hr/>	<hr/>
	2,160	2,019
Disbursed to Students	(1,383)	(1,548)
Administration costs	(90)	(94)
Amount consolidated in financial statements	(278)	(250)
	<hr/>	<hr/>
Balance unspent as at 31 July	409	127

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.