

The WKCIC Group

formerly

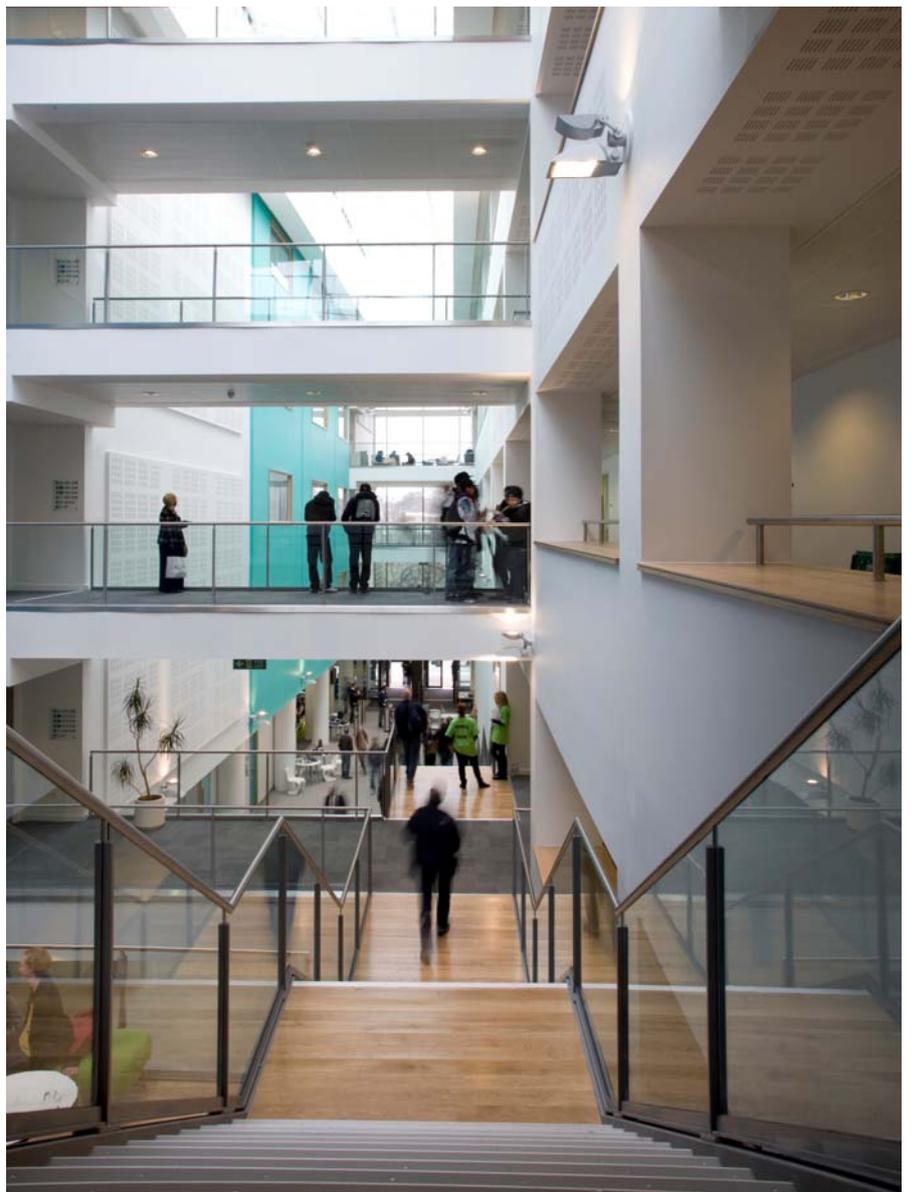


Westminster Kingsway

central London's **College**

Report and Annual Accounts

2015-2016



The WKCIC Group (formerly Westminster Kingsway College)

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Andy Wilson, Principal and Accounting Officer
Kim Caplin, Vice Principal 14-18 Pathways
Raj Kakaiya, Vice Principal Adult Pathways
Paul Stephen, Director of Finance & Resources (to 31 August 2015)
Nirmal Borkhataria, Interim Director of Finance & Resources (from 24 August 2015)
Caireen Mitchell, Director of Strategy & Performance
Tinu Olowe, Director of Human Resources & Organisational Development
Geoff Booth, Assistant Principal Hospitality, Business & Higher Education

Board of Governors

A full list of Governors is given on pages 13 and 14 of these financial statements.

Gillian Winward acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
130 Wood Street
London, EC2V 6DL

Internal auditors:

Mazars LLP
St Katharine's Way
London, E1W 1DD

Bankers:

Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Solicitors:

Michelmores LLP
Woodwater House, Pynes Hill
Exeter, EX2 5WR

Actuary:

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

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES

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

On 1 August 2016, following public consultation, the Corporation of City & Islington College (CIC) was dissolved with its assets and liabilities transferring to the Corporation of Westminster Kingsway College (WKC) under a Type B merger. Simultaneously the Corporation of Westminster Kingsway College was renamed The WKCIC Group. The merger of these two strong colleges aims to enhance, permanently and progressively, our ability to educate and train learners in central London. This means equipping all learners with the qualifications, skills and experiences that enable them to contribute positively to society and to prosper in the developing workplace.

This Members' Report and the financial statements that follow are the responsibility of the Board of The WKCIC Group, although the information provided relates to the activities of WKC only in the period to 31 July 2016.

Legal status

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

Mission

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

Education and Enterprise at the Heart of London

The Corporation will adopt a new Strategic Plan for the Group in its first year of operation.

Public benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 and 14.

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

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

- 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.

The College's delivery of public benefit is covered throughout the Members' report.

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Implementation of strategic plan

In July 2014 the WKC adopted a strategic plan for the period 1 August 2014 to 31 July 2017. This strategic plan included property and financial plans. The Corporation monitored the performance of WKC against these plans. The plans will be reviewed and updated for the new WKCIC group during 2016/17. WKC's performance against the strategic plan during 2015/16 is addressed below.

		Strategic objective	Progress in 2015/16
Our clients & the curriculum	1.	Young People Providing young people with the skills, qualifications and enterprising outlook, which give personalised pathways to employment or further study	Record number of 16-18 year olds recruited - 2,740 in 2015/16.
	2.	Adults Providing adults, including those who are workless or low-skilled, with pathways to sustainable employment and career development	Strong partnerships with Job Centre Plus, housing associations, employers and community organisations to deliver employability training to workless and low skilled adults, particularly through an expansion of sector based work academies.
	3.	Employers Providing employers with affordable training enabling them to thrive in the London economy	The College now recruits the largest Apprentice cohort of any London college and has strengthened delivery partnerships with large employers including Transport for London. However, disappointingly growth targets for apprenticeships in 2015/16 were not met.
	4.	Hospitality Sector Providing the Hospitality sector with high quality training tailored to its needs and its employees with pathways to the highest technical and professional skills	Refurbished Victoria Centre launched in 2015/16 supporting growth in commercial income.
Enablers	5.	Culture & Organisation A big, confident and great place to work in which what motivates staff is aligned with the objectives of the college	85% of observed lessons were graded as good or better, supported by strong staff engagement in Professional Development. A very successful OfSTED inspection recognised the considerable improvements achieved in the college and the confidence of the teachers.
	6.	Achieving Excellence A reputation based on the success of our students, excellence in the quality of teaching, innovation in delivery and commitment to partnership	Further, targeted investment in improving teaching and learning through professional development programme maintained. Significant improvement in success rates for 16-18 year olds to +3 on 2014/15 national benchmarks.
	7.	Corporate Core Efficient corporate services and governance allowing resources to be focused on the delivery of services to clients	Slim and agile corporate core supporting service delivery. Good management information available to inform decision making. Good financial health supported by strong budget. Recognition that investment in IT network and systems is required.

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The College is on target for achieving these objectives.

Financial objectives

The College's financial objectives are:

Target	Achievement
1. To have an operating surplus of at least 1% (2015: 3.9%)	1.1%
2. Staff costs to be no more than 65% of income (2015: 58.6%)	60.8%
3. Have at least 30 cash days in hand as working balances (2015: 107 days)	76
4. Have a ratio of at least 1:1 for current assets [including restricted cash]: current liabilities [current ratio] (2015: 2:1)	1.6:1
5. To diversify income streams by increasing: <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 2015/16the proportion of full cost income from £2.5m to £5m, generating a return of at least 40% by the end of 2015/16	Income from sources other than core grants was 31.1% of turnover. Full cost tuition fees and education increased to £4.2m.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

The College's measures its performance towards the above financial objectives within its monthly management accounts assessing each of the above as a key performance indicator. The performance for the year is detailed above. In addition the College assesses its financial health using the Skills Funding Agency Financial Health model. This model scores the College's current ratio, adjusted to exclude restricted cash, deferred capital grants and the staff holiday accrual, the education specific earnings before interest, taxation, depreciation and amortisation (EBITDA) and borrowings. The College assessed its financial health as Outstanding throughout the period.

The College also regularly reviews its achievement against each of its funding contracts and the success rates of each programme.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency ("SFA"). The College is assessed by the SFA as having an "Outstanding" financial health grading.

The College was subject to an Ofsted inspection in March 2016 and assessed as Good in all categories.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £786,000 (2015: surplus of £16,000), with total comprehensive expenditure of £5,842,000, (2015: £3,094,000).

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The College has accumulated reserves of £152,264,000 and cash and short term investment balances of £7,755,000.

Tangible fixed asset additions during the year amounted to £5,815,000. In the main, this related to the final elements of the refurbishment of the Victoria Centre. The refurbishment cost, £17.1 million, creating new – and different types – of teaching space, including a new enterprise hub; new canteen and student welfare facilities; and a new conference centre.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 68.9% of the Group's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

The College had no external debt in 2015/16.

Cash flows and liquidity

At £3,439,000 (2015: £5,838,000) net cash flow from operating activities was reasonably strong. The net cash outflow of £5,528,000 mainly resulted from the payments made to acquire fixed assets (£7,067,000) and the net payments made to increase current asset investments (£2,000,000).

At 31 July 2016 the College held £4,755,000 (2015: £10,283,000) of cash and cash equivalents with a further £3,000,000 (2015: £1,000,000) in short term deposits maturing more than 3 months after the balance sheet date.

Reserves policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £18,626,000 (2015: £24,390,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has exceeded its Education Funding Agency (EFA) contract and delivered activity that has produced £24.9 million in funding body main allocation funding (2015: £28.0 million). The College had 1,505 apprentices, 2,740 16-18 students on study programmes, 4,005 SFA funded adults, 233 Higher Education students, 230 Level 3 loans students, 1,510 commercially funded students and 720 students on the Camden contract.

Student achievements

Students continue to prosper at the College. Achievement rates in 2015/16 were 85.3% for the college, Achievement rates for 16-18 year olds were 83%, which compares very strongly to a provider group national rate of 78.4% in 2014/15 (2015/16 rates are not yet available). Achievement rates for adults were 88.2%, also comparing well to a national provider group rate of 86.4% from 2014/15.

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Curriculum developments

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. A particular strength is in making students ready for the next stage in their lives.

Many of our students have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are returning to education. These include new provision in Construction at Level 1, including Plumbing and Electrical Installation, and an increase in our Engineering provision at Level 3.

Courses have been designed to ensure students are able to move securely into the labour market. The major curriculum initiative this year is a partnership with Get-it Right Consultants Limited to develop a range of Skills for Industry courses in IT, Retail, Hospitality and Public Administration. The first two have already been piloted, while the courses in Hospitality and Public Administration will be run for the first time next year.

Other courses prepare students for university. These include:

- Access courses for adults
- Close liaison with a range of universities including red brick universities and the Wessex School of Economics
- Development of Level 4 courses including HNCs and degrees where they clearly fit the needs of our students.

The college continues to be the largest London college provider of apprenticeships delivering a range of subjects including health and social care, facilities management, hospitality and IT, and across Levels 2 to 5.

To support progression into work, the College has delivered Traineeships in the construction sector and Sector Based Work Academy programmes which provide pre-employment training and work experience with the guarantee of a job interview by the employer.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 90 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

On 1 August 2016, following public consultation, the Corporation of City & Islington College (CIC) was dissolved with its assets and liabilities transferring to the Corporation of Westminster Kingsway College (WKC) under a "Type B merger". Simultaneously the Corporation of Westminster Kingsway College was renamed The WKCIC Group. The merged entity is the largest FE College in London, with the aim of delivering the most responsive and effective skills training in the capital for the benefit of learners and employers.

Because of the particular legal form of both WKC and CIC as further education corporations (FEC) established under the Further and Higher Education Act 1992, there are a limited number of ways to effect the merger. The Government and our other regulators preferred merger route is what is known by Government as a "Type B merger" whereby one college (CIC) chooses to dissolve and transfer its assets and liabilities to the other (WKC); this is the route used in the overwhelming majority of mergers between FECs. This merger method is also the least time consuming and least

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administratively complex. There is no significance in the selection of CIC as the college to dissolve; it was chosen simply on the grounds of least cost and most convenience. Indeed, this transaction is the first merger in the sector to bring together two colleges of equal financial strength and curriculum quality. The merged entity is the largest FE College in London, with the aim of delivering the most responsive and effective skills training in the capital for the benefit of learners and employers.

Future prospects

As one of the founding partners in the largest FE organisation in London, made up of two colleges with strong financial and performance profiles The WKCIC Group has strengthened its capability to secure its viability in the future despite difficult trading conditions. On this basis, the Board of the WKCIC Group confirms that having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of going concern and risk management reporting that the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the at least the next twelve months and the foreseeable future.

With regard to the improved capacity provided by the major refurbishments at both the Victoria and Regent's Park Centres, the College seeks to significantly increase student numbers over the next three years.

The Group aims to build its resilience by introducing a number of efficiency schemes across the Group's sites. The Group would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the Group currently performs well such as Higher Education, International and European Commission grants.

RESOURCES

During the year ended 31 July 2016, the College had sites in central London located in close proximity to key transport hubs at King's Cross (Gray's Inn Road), Victoria (Vincent Square), Soho (Peter Street) and Regent's Park (Longford Street).

Financial

As at 31 July 2016, the College had £152,264,000 of net assets (including £24,535,000 pension liability) and no external debt.

People

During the year ended 31 July 2016, the College employed 486 people (expressed as full time equivalents), of whom 228 were teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and

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progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College. In 2015/16 this specifically reflected the extra risks resulting from the process of merging Westminster Kingsway and City & Islington Colleges.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

- Government funding
- Tuition fees
- Funding of pension liabilities
- Post-merger integration

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 68.9% of the College's revenue was ultimately publicly funded and this level of reliance is expected to continue. There can 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.

The College is aware of several issues which may impact on future funding. Most notable amongst these are:

- The introduction of the Apprenticeship Levy
- The devolution of the Adult Education budget to the Mayor of London

The WKCIC Group will also be operating in an increasingly competitive environment once the mergers of other colleges are completed following the Area Based Reviews.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, The College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College 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

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3 Funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The risk has been mitigated in part through the creation of a legal charge in favour of the London Pension Fund Authority on one of the WKCIC properties to reduce the cash cost of pension obligations, although regulatory changes beyond the College's control are required for this risk to be fully mitigated.

4 Post-merger integration

In creating the largest FE College Group in London, the WKCIC Group aims to ensure that success rates are maintained or improved; the Group's reputation is enhanced; and that its financial and operational strength is developed. From February 2016 the Executive reported each month to the Shadow Board (comprising members of Westminster Kingsway College and City and Islington College) and to each Corporation against defined workstreams (which set out agreed operational and strategic priorities pre-merger) and against a merger risk register (which set out the potential risks arising from bringing two successful colleges together). The ongoing post-merger integration risk is mitigated through the new executive team structure and the operational plan and Group risk register, which have each been approved by the Corporation and are subject to review at meetings of the Corporation and its sub-committees.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, The College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. The College 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.

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Disability statement

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14 December 2016 and signed on its behalf by:

Alastair Da Costa
Chair

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Statement of Corporate Governance and Internal Control

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

The Group endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 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 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 Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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

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The Corporation

The members who served on the WKC Corporation during the year ended 31 July 2016 were as listed in the table below.

Name	Category of Membership	Date of Appointment or re-appointment	Corporation meeting attendance rate 15/16	Committees Served				
				Resources	Quality & Standards	Audit	Search & Governance	Remuneration
Ruth Duston (<i>Chair</i>)	External	1.10.14	100%	√			√	√
Linda Halliday (<i>Vice Chair</i>)	External	4.7.12	100%		√		√	√
Nash Ali	External	18.12.13	17%					
Lorna Blackman	Staff Member (Support)	26.2.13	67%			√		
Catherine Boyd-Maunsell	External	26.3.14	83%	√				
Leslie Brissett	External	18.12.13	50%			√		
Shane Chowen	External	18.12.13	100%		√			
Anna D'Alessandro	External	15.7.15	50%			√		
Alex Duncan	External	1.9.13	17%		√			
Joel Featherman	External	16.5.15	83%			√	√	√
Paul Foster	External	15.7.15	33%	√				
Norman Fu	Staff member (Teaching)	19.3.12	100%		√			
Simon Pitkeathley	External	28.1.14	100%	√			√	√
Hannah Potts	Student Member	21.10.15	50%					
David Smith	External	18.12.13	83%		√			
Oreolu Washoyinka	Student Member	21.10.15	17%					
Andy Wilson	Principal	8.7.04	100%	√	√		√	

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The members who are serving on the WKCIC Corporation up to the date of signature of this report are as listed in the table below.

Name	Category of Membership	Date of Appointment or re-appointment	Date Term ends (or resignation if earlier)	Committees Served				
				Finance & Resources	Curriculum & Performance	Audit	Search	Remuneration
Alastair Da Costa (<i>Chair</i>)	External	20.7.16	31.7.20	√			√	√
Ruth Duston (<i>Vice Chair</i>)	External	20.7.16	31.7.20		√		√	√
Alex Booth	Student Member	19.10.16	31.7.17		√			
Catherine Boyd-Maunsell	External	20.7.16	31.7.20				√	
Leslie Brissett	External	20.7.16	31.7.20			√	√	√
Shane Chowen	External	20.7.16	31.7.18		√			
Vinny Edirimanasinghe	Student Member	19.10.16	31.7.17		√			
Joel Featherman	External	20.7.16	31.7.18			√		
David Gilbertson	External	20.7.16	31.7.20		√		√	
Heather James	Staff member	20.7.16	31.7.20		√			
Mike Magras	Staff member	20.7.16	31.7.20			√		
Simon Pitkeathley	External	20.7.16	31.7.20	√			√	
Anthony Smith	External	20.7.16	31.7.18	√				
Amelia Sussman	External	20.7.16	31.7.20		√		√	
Fiona Thompson	External	20.7.16	31.7.20			√	√	
Kay Willis	External	20.7.16	31.7.18	√				√
Andy Wilson	Chief Executive	20.7.16	<i>Ex officio</i>	√	√	√	√	

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

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

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

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Regent's Park Centre, Longford Street, London, NW1 3HB

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring 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 provided on an ad hoc basis.

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

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer 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, consisting of four members of the Corporation and the Chief Executive, 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 four years.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised of the Chair, Vice Chair and committee Chairs. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

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Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Chief Executive 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 provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College 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 to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The WKCIC Group (formerly Westminster Kingsway College)

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The 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 senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

The WKCIC Group (formerly Westminster Kingsway College)

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

Going concern

The Board of The WKCIC Group confirms that the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for at least the next twelve months and the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2016 and signed on its behalf by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

The WKCIC Group (formerly Westminster Kingsway College)

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

The Corporation has considered its responsibility to notify the 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 our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 14 December 2016 and signed on its behalf by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

The WKCIC Group (formerly Westminster Kingsway College)

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* 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 the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the 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 in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 14 December 2016 and signed on its behalf by:

Alastair da Costa
Chair

The WKCIC Group (formerly Westminster Kingsway College)

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

We have audited the financial statements of Westminster Kingsway College for the year ended 31 July 2016, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of Corporation and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation are 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of the College's deficit for the year then ended.

The WKCIC Group (formerly Westminster Kingsway College)

Matters on which we are required to report by exception

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- all the information and explanations required for the audit were not received.

Buzzacott LLP

Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

19 December 2016

The WKCIC Group (formerly Westminster Kingsway College)

Reporting accountant's assurance report on regularity

To: The Corporation of The WKCIC Group and Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 28 April 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Westminster Kingsway College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Westminster Kingsway College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

The WKCIC Group (formerly Westminster Kingsway College)

Reporting accountant's assurance report on regularity (continued)

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

19 December 2016

The WKCIC Group (formerly Westminster Kingsway College)
Statement of Comprehensive Income

	Notes	Year ended 2016 £'000	Restated Year ended 2015 £'000
INCOME			
Funding body grants	2	26,311	29,569
Tuition fees and education contracts	3	7,031	6,688
Other income	4	3,020	2,292
Investment income	5	86	128
		<hr/>	<hr/>
Total income		36,448	38,677
EXPENDITURE			
Staff costs	6	22,440	22,955
Fundamental restructuring costs	6	165	534
Other operating expenses	7	10,665	11,616
Depreciation	10	3,227	2,879
Interest and other finance costs	8	737	677
		<hr/>	<hr/>
Total expenditure		37,234	38,661
		<hr/>	<hr/>
(Deficit)/surplus for the year		(786)	16
Actuarial loss in respect of pensions schemes	16 / 22	(4,996)	(3,075)
Actuarial loss in respect of enhanced pensions	16	(60)	(35)
		<hr/>	<hr/>
Total Comprehensive Expenditure for the year		(5,842)	(3,094)
		<hr/>	<hr/>
Represented by:			
Unrestricted comprehensive expenditure		(5,842)	(3,094)
		<hr/>	<hr/>
		(5,842)	(3,094)
		<hr/>	<hr/>

The WKCIC Group (formerly Westminster Kingsway College)
Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated balance at 1 August 2014	27,406	133,794	161,200
Surplus from the income and expenditure account	16	-	16
Other comprehensive expenditure	(3,110)	-	(3,110)
Transfers between revaluation and income and expenditure reserves	78	(78)	-
Total comprehensive expenditure for the year	(3,016)	(78)	(3,094)
Balance at 31 July 2015	24,390	133,716	158,106
Deficit from the income and expenditure account	(786)	-	(786)
Other comprehensive expenditure	(5,056)	-	(5,056)
Transfers between revaluation and income and expenditure reserves	78	(78)	-
Total comprehensive expenditure for the year	(5,764)	(78)	(5,842)
Balance at 31 July 2016	18,626	133,638	152,264

The WKCIC Group (formerly Westminster Kingsway College)
Balance sheet as at 31 July

	Notes	2016 £'000	Restated 2015 £'000
Non current assets			
Tangible fixed assets	10	199,171	196,676
Investments	11	23	23
		<u>199,194</u>	<u>196,699</u>
Current assets			
Stocks		16	13
Trade and other debtors	12	2,583	3,098
Investments	13	3,000	1,000
Cash and cash equivalents	17	4,755	10,283
		<u>10,354</u>	<u>14,394</u>
Less: Creditors – amounts falling due within one year	14	(6,315)	(7,347)
		<u>4,039</u>	<u>7,047</u>
Net current assets		<u>4,039</u>	<u>7,047</u>
Total assets less current liabilities		203,233	203,746
Creditors – amounts falling due after more than one year	15	(25,363)	(26,049)
Provisions			
Defined benefit obligations	16	(24,535)	(18,535)
Other provisions	16	(1,071)	(1,056)
		<u>152,264</u>	<u>158,106</u>
Total net assets		<u>152,264</u>	<u>158,106</u>
Unrestricted reserves			
Income and expenditure account		18,626	24,390
Revaluation reserve		133,638	133,716
		<u>152,264</u>	<u>158,106</u>
Total unrestricted reserves		<u>152,264</u>	<u>158,106</u>

The financial statements on pages 25 to 52 were approved and authorised for issue by the Corporation on 14 December 2016 and were signed on its behalf on that date by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

The WKCIC Group (formerly Westminster Kingsway College)
Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(786)	16
Adjustment for non cash items			
Depreciation		3,227	2,879
Increase in stocks		(3)	-
Decrease/(increase) in debtors		515	(372)
Increase in creditors due within one year		219	390
(Decrease)/increase in creditors due after one year		(686)	2,098
Decrease in provisions		(45)	(27)
Pensions costs including interest less contributions payable		1,004	943
Adjustment for investing or financing activities			
Investment income		(100)	(134)
Loss on sale of fixed assets		94	45
		<u>3,439</u>	<u>5,838</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		100	134
Withdrawal of deposits		1,000	6,000
New deposits		(3,000)	(4,000)
Payments made to acquire non-current asset investments		-	(5)
Payments made to acquire fixed assets		(7,067)	(13,365)
		<u>(8,967)</u>	<u>(11,236)</u>
Decrease in cash and cash equivalents in the year		<u>(5,528)</u>	<u>(5,398)</u>
Cash and cash equivalents at beginning of the year	17	10,283	15,681
Cash and cash equivalents at end of the year	17	<u>4,755</u>	<u>10,283</u>

The WKCIC Group (formerly Westminster Kingsway College)

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 25.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

WKC has no subsidiaries. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going concern

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

At 31 July 2016 Westminster Kingsway College had £7.75m of cash at bank and current asset investments and no loans. Currently The WKCIC Group has £24.9m of cash at bank and current asset investments and no loans. The College's forecasts and financial projections indicate that it will be able to operate for the foreseeable future.

The WKCIC Group (formerly Westminster Kingsway College)

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

Recognition of income

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

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

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

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

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

All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of

The WKCIC Group (formerly Westminster Kingsway College)

Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings – 50 years
- Adaptations and Refurbishments – 10 to 50 years

Freehold land is not depreciated.

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 income account within creditors, and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 102, the College followed the transitional provision to revalue its land assets, at fair value, but not to adopt a policy of revaluations of these assets in the future. Building assets were retained at book value. Building assets were previously revalued in 1994, at depreciated replacement cost.

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.

The WKCIC Group (formerly Westminster Kingsway College)

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the statement of comprehensive income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Plant and equipment

Plant and equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised plant and equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- plant and technical equipment 10 to 20 years
- computer equipment 5 years
- furniture, fixtures and fittings 10 years

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

Investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income.

Stocks

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains

The WKCIC Group (formerly Westminster Kingsway College)

received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

The only provisions recognised by the College in its Financial Statements are the defined benefit obligations, arising under the Local Government Pension Scheme, and the enhanced pension benefit obligations, arising from the Teachers' Pension Scheme.

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and

The WKCIC Group (formerly Westminster Kingsway College)

residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Provision for doubtful debts*

Debts arising from trading activities are provided for on the basis that 40% of those not funded through Student Loans Company loan agreements may ultimately not be collected.

- *Land valuation*

Land has been valued for the purposes of the 2016 financial statements at fair value by Jones Lang LaSalle Limited a firm of independent chartered surveyors.

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Recurrent grants		
Skills Funding Agency	8,658	12,240
Education Funding Agency	16,241	15,645
Higher Education Funding Council	50	152
Specific Grants		
Skills Funding Agency	118	510
Education Funding Agency	30	21
Releases of government capital grants	1,214	992
HE grant	-	9
Total	<u>26,311</u>	<u>29,569</u>

3 Tuition fees and education contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Adult education fees	530	808
Apprenticeship fees and contracts	68	36
Fees for FE loan supported courses	930	862
Fees for HE loan supported courses	1,221	1,079
International students fees	50	133
Total tuition fees	<u>2,799</u>	<u>2,918</u>
Education contracts	<u>4,232</u>	<u>3,770</u>
Total	<u>7,031</u>	<u>6,688</u>

4 Other income

	Year ended 2016 College £'000	Year ended 2015 College £'000
Catering and residences	1,040	1,001
Other grant income	1	261
Non government capital grants	13	13
Miscellaneous income	1,966	1,017
Total	<u>3,020</u>	<u>2,292</u>

5 Investment income

	Year ended 2016 College £'000	Year ended 2015 College £'000
Other investment income	1	1
Other interest receivable	<u>85</u>	<u>127</u>
	<u>86</u>	<u>128</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

6 Staff costs

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

	2016	2015
	No.	No.
Teaching staff	228	239
Non teaching staff	<u>258</u>	<u>265</u>
	<u>486</u>	<u>504</u>
Staff costs for the above persons		
	2016	2015
	£'000	£'000
Wages and salaries	16,186	17,011
Social security costs	1,428	1,337
Other pension costs	<u>2,401</u>	<u>2,389</u>
Payroll sub total	20,015	20,737
Contracted out staffing services	<u>2,425</u>	<u>2,218</u>
Total staff costs excluding restructuring costs	22,440	22,955
Fundamental restructuring costs -		
Contractual	2	-
Non-contractual	163	534
	<u>22,605</u>	<u>23,489</u>

The restructuring costs were approved by the Corporation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal (Accounting Officer), Vice Principal 14-18 Pathways, Vice Principal Adult Pathways, Assistant Principal Hospitality, Business & Higher Education, Director of Finance, Director of Strategy & Performance and the Director of Human Resources. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>7</u>	<u>7</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

6 Staff costs (continued)

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

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000 p.a.	-	-	10	13
£70,001 to £80,000 p.a.	-	2	1	-
£80,001 to £90,000 p.a.	2	2	-	-
£90,001 to £100,000 p.a.	-	1	-	-
£100,001 to £110,000 p.a.	3	1	-	-
£110,001 to £120,000 p.a.	1	-	-	-
£140,001 to £150,000 p.a.	-	1	-	-
£170,001 to £180,000 p.a.	1	-	-	-
	<u>7</u>	<u>7</u>	<u>11</u>	<u>13</u>

Key management personnel compensation is made up as follows:

	2016 £'000	2015 £'000
Salaries	591	584
Performance related bonuses	89	19
Benefits in kind	6	7
	<u>686</u>	<u>610</u>
Pension contributions	81	81
Total emoluments	<u>767</u>	<u>691</u>

There were no amounts due to key management personnel that were waived in the year. One member of the key management personnel was appointed on an interim basis and was paid outside of the payroll. The College operates a number of salary sacrifice benefits with one member of key management personnel receiving childcare vouchers through a salary sacrifice arrangement during the year.

The above emoluments includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	157	149
Performance related bonuses	19	-
Benefits in kind	1	1
	<u>177</u>	<u>150</u>
Pension contributions	<u>16</u>	<u>21</u>

**The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)**

Compensation for loss of office paid to former key management personnel

	2016	2015
	£	£
Compensation paid to one former key management personnel - non contractual	<u>40,000</u>	<u>-</u>

The above individual was not a senior post-holder and as such the severance payment did not require specific approval from the College's remuneration committee. However the committee were kept informed during negotiations.

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

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

7 Other operating expenses

	Year ended 2016 £'000	Year ended 2015 £'000
Teaching costs	3,351	4,462
Non teaching costs	4,344	4,085
Premises costs	<u>2,970</u>	<u>3,069</u>
Total	<u>10,665</u>	<u>11,616</u>

Other operating expenses include:

	2016 £'000	2015 £'000
Auditors' remuneration:		
Financial statements audit	24	21
Internal audit	28	26
Other services provided by the financial statements auditors	5	7
Losses on disposal of non-current assets	94	45
Hire of assets under operating leases	<u>54</u>	<u>145</u>

8 Interest and other finance costs

	2016 £'000	Restated 2015 £'000
Enhanced pension costs (note 16)	24	43
Pension finance costs (note 16 / 22)	<u>713</u>	<u>634</u>
Total	<u>737</u>	<u>677</u>

9 Taxation

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

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings	Plant and Equipment	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	188,592	14,750	14,865	218,207
Additions	-	871	4,944	5,815
Transfers	19,742	-	(19,742)	-
Disposals	(1,985)	(559)	-	(2,544)
At 31 July 2016	206,349	15,062	67	221,478
Depreciation				
At 1 August 2015	13,039	8,492	-	21,531
Charge for the year	1,858	1,369	-	3,227
Elimination in respect of disposals	(1,978)	(473)	-	(2,451)
At 31 July 2016	12,919	9,388	-	22,307
Net book value at 31 July 2016	193,430	5,674	67	199,171
Net book value at 31 July 2015	175,553	6,258	14,865	196,676

Land has been valued for the purpose of the 2016 financial statements at fair value as at 1 August 2014 by Jones Lang LaSalle Limited a firm of independent chartered surveyors. Buildings were valued for the purposes of the 1994 financial statements at depreciated replacement costs by Messrs Franklin & Andrews, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

During the year the estimated useful life of ICT equipment was reviewed and consequently increased from 3 to 5 years. The net effect of this was a reduction in the depreciation charge of £88,745 in the year.

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

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

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

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

11 Non-current Investments

	2016	2015
	£'000	£'000
Other investments	23	23
	<hr/>	<hr/>
Total	<u>23</u>	<u>23</u>

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.

12 Debtors

	2015	2015
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,622	1,700
Prepayments and accrued income	669	1,229
Amounts owed by the Skills Funding Agency	58	148
Other debtors	234	21
	<hr/>	<hr/>
Total	<u>2,583</u>	<u>3,098</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

13 Current investments

	2016	2015
	£'000	£'000
Short term deposits	3,000	1,000
Total	<u>3,000</u>	<u>1,000</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

14 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	456	497
Other taxation and social security	783	707
Accruals and deferred income	3,400	5,066
Deferred income - government capital grants	1,110	945
Amounts owed to the Skills Funding Agency	566	132
Total	<u>6,315</u>	<u>7,347</u>

15 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Deferred income - government capital grants	25,363	26,049
Total	<u>25,363</u>	<u>26,049</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

16 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2015	18,535	1,056	19,591
Contributions and payments	(923)	(69)	(992)
Expenditure in the period	1,214	-	1,214
Finance costs	713	24	737
Other recognised losses	4,996	60	5,056
At 31 July 2015	<u>24,535</u>	<u>1,071</u>	<u>25,606</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of pensions for staff of the former Westminster and Kingsway Colleges who left the College's employment prior to the merger in 2000. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.7%	1.3%
Interest rate	3.5%	2.3%

17 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	10,283	(5,528)	4,755
Total	<u>10,283</u>	<u>(5,528)</u>	<u>4,755</u>

18 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	<u>1,218</u>	<u>3,571</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

19 Lease obligations

At 31 July 2016 the College had minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	-	17
Later than one year and not later than five years	77	38
	<u>77</u>	<u>55</u>

20 Contingent liabilities

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

21 Events after the reporting period - Transfer of undertakings

With effect from 1 August 2016, in accordance with a legal transfer of undertaking, the activities, assets and liabilities of the Corporation of City & Islington College were transferred to the Corporation of Westminster Kingsway College under a Type B merger. Simultaneously the Corporation of Westminster Kingsway College was renamed The WKCIC Group.

The following assets and liabilities were transferred in accordance with the legal transfer of undertakings:

<u>City & Islington College</u>	£'000
Non current assets	<u>134,316</u>
Debtors	1,775
Cash at bank and in hand	12,480
Creditors: amounts falling due within one year	(5,479)
Net current assets	<u>8,776</u>
Creditors: amounts falling due after more than one year	(10,491)
Provisions	(25,765)
Total net assets	<u>106,836</u>

The net assets transferred represent the following unrestricted reserves:

Income and expenditure account	32,032
Revaluation reserve	74,804
	<u>106,836</u>

The College summary income and expenditure account for the year ended 31 July 2016 was as follows:

Income	44,126
Expenditure	<u>(44,910)</u>
Surplus/(deficit)	(784)
Actuarial Losses	<u>(7,487)</u>
Total comprehensive expenditure	<u>(8,271)</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

22 Defined benefit obligations

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

Total pension cost for the year	2016	2015
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,193	1,155
Local Government Pension Scheme:		
Contributions paid	911	919
FRS 102 (28) charge	<u>291</u>	<u>309</u>
Charge to the Statement of Comprehensive Income	1,202	1,228
Enhanced pension charge to Statement of Comprehensive Income	6	6
Total pension cost for year	<u>2,401</u>	<u>2,389</u>

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

Contributions amounting to £275,015 (2015: £271,148) were payable to the scheme at 31 July and are included in creditors.

Teachers' Pension Scheme

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

The WKCIC Group (formerly Westminster Kingsway College) Notes to the Accounts (continued)

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of 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.

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,193,305 (2015: £1,155,000)

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority . The total contribution made for the year ended 31 July 2016 was £1,233,000, of which employer's contributions totalled £911,000 and employees' contributions totalled £322,000. The agreed contribution rates for future years are 13.7% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	4.0%	4.3%
Future pensions increases	2.2%	2.5%
Discount rate for scheme liabilities	2.6%	3.7%
Inflation assumption (CPI)	2.2%	2.5%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2016	At 31 July 2015
	years	years
<i>Retiring today</i>		
Males	21.6	21.6
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	24.1	23.9
Females	27.6	27.5

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2016	Fair Value at 31 July 2015
	£'000	£'000
Equities	16,323	13,308
LDI/Cashflow matching	2,772	4,351
Target return portfolio	7,714	5,847
Infrastructure	2,241	1,616
Commodities	170	135
Property	1,186	945
Cash	1,320	3,885
Total market value of assets	<u>31,726</u>	<u>30,087</u>

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

	2016 £'000	2015 £'000
Fair value of plan assets	31,726	30,087
Present value of plan liabilities	(56,179)	(48,534)
Present value of unfunded liabilities	(82)	(88)
Net pensions liability (Note 16)	<u>(24,535)</u>	<u>(18,535)</u>

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,214	1,162
Past service cost	-	98
Total	<u>1,214</u>	<u>1,260</u>

Amounts included in interest and other finance costs

Net interest payment	<u>668</u>	<u>590</u>
	<u>668</u>	<u>590</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(489)	(89)
Experience losses arising on defined benefit obligations	(1,196)	-
Changes in assumptions underlying the present value of plan liabilities	6,681	3,164
Amount recognised in Other Comprehensive Income	<u>4,996</u>	<u>3,075</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2016	2015
	£'000	£'000
Deficit in scheme at 1 August	(18,535)	(14,517)
Movement in year:		
Current service cost	(1,214)	(1,162)
Estimated employer contributions	923	951
Past service cost	-	(98)
Administration expenses	(45)	(44)
Net interest on the defined liability	(668)	(590)
Actuarial gain or loss	(4,996)	(3,075)
Net defined benefit liability at 31 July	<u>(24,535)</u>	<u>(18,535)</u>

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	48,622	43,541
Current Service cost	1,214	1,162
Interest cost	1,783	1,805
Estimated contributions by Scheme participants	320	341
Experience gains and losses on defined benefit obligations	(1,196)	-
Changes in financial assumptions	6,681	3,164
Estimated benefits paid	(1,163)	(1,489)
Past Service cost	-	98
Defined benefit obligations at end of period	<u>56,261</u>	<u>48,622</u>
Changes in fair value of plan assets		
Fair value of plan assets at start of period	30,087	29,024
Interest on plan assets	1,115	1,215
Return on plan assets	489	89
Administration expenses	(45)	(44)
Estimated employer contributions	923	951
Estimated contributions by Scheme participants	320	341
Estimated benefits paid	(1,163)	(1,489)
Fair value of plan assets at end of period	<u>31,726</u>	<u>30,087</u>

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

23 Related party transactions

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

No expenses were paid to or on behalf of the Governors during the year (2015: £Nil).

No Governor has received any remuneration or waived payments from the College during the year (2015: None).

24 Amounts disbursed as agent

Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – bursary support	365	763
Funding body grants – discretionary learner support	1,402	1,680
Other Funding body grants	<u>6</u>	<u>18</u>
	<u>1,773</u>	<u>2,461</u>
Disbursed to students	(824)	(1,242)
Administration costs	(73)	(77)
Amounts consolidated into financial statements	(408)	(432)
Balance unspent as at 31 July	<u><u>468</u></u>	<u><u>710</u></u>

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

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

The WKCIC Group (formerly Westminster Kingsway College)
Notes to the Accounts (continued)

25 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	31 July 2015 £'000	1 August 2014 £'000
Financial Position			
Total reserves under previous SORP		<u>31,116</u>	<u>34,341</u>
Revaluation of land	25e	127,228	127,228
Employee leave accrual	25a	(360)	(573)
Release of non-government capital grants	25b	122	204
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>126,990</u>	<u>126,859</u>
Total reserves under 2015 FE HE SORP		<u><u>158,106</u></u>	<u><u>161,200</u></u>
		Year ended 31st July 2015 £'000	
Financial Performance			
Surplus for the year after tax under previous SORP		390	
Release of employee leave accrual	25a	211	
Reversal of capital grants amortisation	25b	(81)	
Changes to measurement of net finance cost on defined benefit plans	25c	<u>(504)</u>	
		(374)	
Deficit for the year under FRS102 and 2015 FE HE SORP		16	
Pensions provision – actuarial loss	25d	(3,110)	
Total comprehensive expenditure for the year under 2015 FE HE SORP		<u><u>(3,094)</u></u>	
Total effect of transition to FRS 102 and 2015 FE HE SORP		(3,484)	

The WKCIC Group (formerly Westminster Kingsway College)

Notes to the Accounts (continued)

25 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for teaching and management staff and to 31 March each year for non-teaching staff meaning that, at the reporting date, there was an average of 12 days unused leave for teaching and management staff and 6 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £572,574 was recognised at 1 August 2014, £361,511 at 31 July 2015 and £328,000 at 31 July 2016. The movement on this provision of £33,511 (2015: £211,063) has been released to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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

e) Revaluation of non-current assets land

The College has previously carried land in its balance sheet at depreciated replacement cost, in accordance with a valuation undertaken in 1994. FRS102 provides a one-time opportunity, on adoption, for an institution to revalue one or more asset classes at fair value without obligating it to future revaluation exercises. Consequently the College has opted to revalue all the land assets in its books. The revaluation gain recognised at the transition date of 1 August 2014 was £127,228,000.