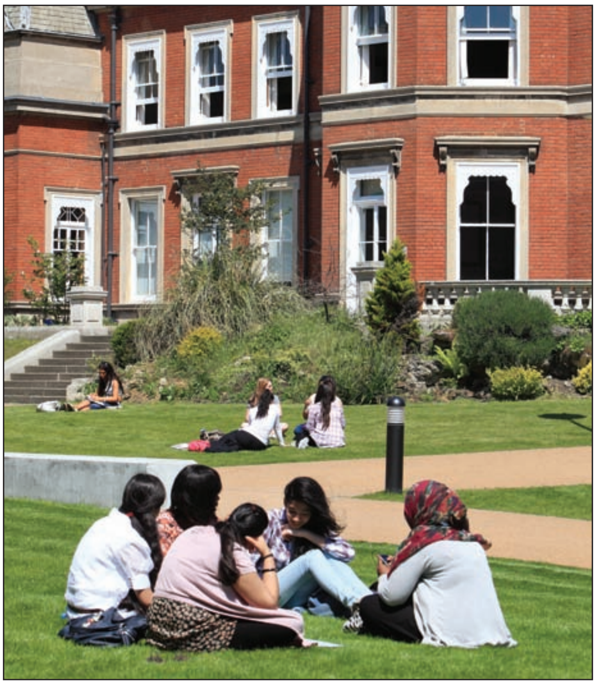
West Thames College London

Report and Financial Statements for the Year Ended 31 July 2012



POSITIVE ABOUT DISABLED PEOPLE

INVESTORS IN PEOPLE

Contents

West Thames College
London Road - Isleworth - Middlesex - TW7 4HS

Tel 020 - 8326 2000 Fax 020 - 8326 2001
email: info@west-thames.ac.uk
website : www.west-thames.ac.uk

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2012

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2012.

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting West Thames College. The College is an exempt charity for the purposes of the Charities Act 2011.

College vision, values and principles

The College's vision, values and principles were agreed in July 2009 after a six month College wide consultation process. All College managers are expected to demonstrate these values and principles through their leadership and management with the support of all members of staff. The College's vision, as approved by its members, is as follows:

West Thames will be a vibrant college, inspiring all our learners to fulfil their dreams and ambitions. Our outstanding education and training will contribute to a prosperous and cohesive community.

Underpinning this vision are our four shared values and beliefs of:

- *Integrity*
- *Excellence*
- *Equality*
- *Respect*

Implementation of strategic plan

In July 2010 the College Corporation approved a strategic development plan covering three-year goals. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year and, in the case of the strategic development plan, annual development objectives are produced. A summary of the annual development objectives is circulated to all staff. The College's strategic development objectives are:

- To provide an OUTSTANDING learning experience for all our learners
- To be INNOVATIVE and RESPONSIVE to current and future needs
- To provide an EXCELLENT environment and resources

The College's specific development objectives for 2011/12 and achievement of those objectives are addressed below:

- Raise the quality of learning and teaching through the implementation of the CILT programme - *Achieved lessons graded 1 and 2 target but lessons graded 4 target not achieved*

- Improve success rates by tackling underperforming courses - *Attendance target met while in-year retention higher than last year but below the target. Almost all courses in special measures and NTI have made improvements.*

- Improve achievement rates by implementing improved Student Learning Review and Workbook - *92% achieved against target of 90%.*

- Raise the quality of teaching and learning through re-energising the use of eLearning and the VLE (Moodle) - *A range of curriculum projects in year including "Doing it Differently" with a blended learning project attracting funding from LSIS. Four curriculum area pilots have developed the Bronze standard.*

- Support the strategy to maximise success rates in SSA14 - *Not achieved- some progress made particularly in ESOL but insufficient progress made in Functional Skills.*

- To develop a curriculum strategy which provides a framework for decisions about the curriculum offer, taking account of different client groups. - *Strategy not developed however 16-18 targets exceeded and planned Apprenticeship and HE growth delivered.*

- Review the HE Strategy to position the College to maximise growth in HE provision, working with HEFCE, local partner universities and employers, with a particular focus on Foundation Degrees/HND/Cs and flexible delivery - *HE income maintained. 28 additional directly funded numbers achieved for 12-13.*

- Develop the capacity of teaching staff and managers to deliver the curriculum more efficiently through initiatives – *Partially achieved – over 40 individual projects ran.*

- Raise the profile of the College as a key stakeholder and influencer in shaping future strategy in the wider community, and as a key partner in the shared services agenda - *Further research commissioned into collaborative options. Decision taken not to proceed with Daedalus project.*

- Expand income generating activities with employers and pre-employment work with JobCentre Plus - *Achieved the income targets on work-based learning, full cost, TUC and JobCentrePlus.*

- Position the College as a major provider of apprenticeships in West London - *Target partially achieved with improvement required in in-house delivery.*

- Further develop the budget and monitoring process, producing accessible and relevant budget reports on income and expenditure at departmental level and supporting the effective management and robust monitoring of budgets and encouraging ownership - *Achieved the operating surplus target.*

- Maximise the efficiency of curriculum delivery to seek revenue savings for 2012-13 by benchmarking and challenging the current delivery model. - *Balanced budget presented to Corporation in July 2012. Recommendations from curriculum efficiency project undertaken have been implemented*.

- Continue with the leadership and management development programme by building on the Creative Excellence Programme and roll out the customised 360 feedback programme for key managers and use this to aid succession planning for mission critical posts. – *Success rates improved but appraisal grade profile still inflated.*

- Ensure the IT platform of the College is fit for purpose and future proofed such that curriculum delivery and business processes are continuously improved. *- Partially achieved as significant work on network virtualisation was carried out. Three year strategy not yet in place.*

- Complete the very final phase of the Isleworth property project, ensuring external works satisfactorily completed whilst maintaining the College's reputation and ensuring a safe learning and working environment for all -*Project completed on time and on budget.*

- Develop a refurbishment plan for the Feltham Skills Centre ensuring sufficient staff consultation - *Rolling refurbishment plan to improve the fabric of the building costed and agreed for Summer 2012.*

Of the 17 objectives set, seven were fully met, nine were partially met and one was not met.

Financial objectives

The College's financial objectives are to manage and allocate resources so as to achieve its aims:

- Maintain the sound finances required to deliver our services.

- Meet or exceed budgeted revenue income and operate within budgeted expenditure each year.

- Increase non-SFA/EFA income through target-setting.

- Manage cash resources to minimise loan utilisation during building development period and utilise with care to meet planned improvements in buildings and facilities thereafter.

- Continue to raise the awareness of College staff of the financial constraints within which it must operate.

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

Performance indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "Learner views")
- Satisfaction survey (formerly "Employer views")

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency ("SFA"). The current rating of 'Good' is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a surplus of £259,000 (2010/11 deficit of £328,000). The surplus is after adjustment for FRS 17 and enhanced pension charge of £270,000 (2010/11 - £134,000 credit). 2010/11 deficit also included net accelerated depreciation charge caused by the planned demolition of the buildings and evaluation of the useful economic life of related equipment and furniture amounting to £305,000.

The College had accumulated reserves of £2,232,000 and cash balances of £3,174,000 at 31 July 2012.

Tangible fixed asset additions during the year amounted to £3,669,000. This was split between buildings of £2,907,000 and equipment purchased of £762,000. In the main, the building additions relate to the London Road site four year redevelopment project which completed in December 2011. The total cost of this project was £70 million and replaced a number of poor-quality 1960s blocks. The new build includes an atrium, new teaching block and learning resource centre which will enable the College to make a greater use of information technology, and to become more efficient. The new buildings were officially opened in Spring 2012.

The College significantly relies on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2011/12 the funding bodies provided 85% of the College'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.

Short term borrowing for temporary revenue purposes is authorised by the Vice Principal – Resources and Corporate Planning or the Principal. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the LSC and subsequently transferred to the SFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

At £2.2 million (2010/11 £1.8 million), the operating cash in-flow was reasonably strong reflecting a healthy performance during the year.

Liquidity

At the year end, the College had a bank loan of £9.9 million in order to help finance the new build on its main site. The loan is part of agreed long term facility with Barclays.

The size of the College's total borrowing, and its approach to interest rates, have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash-flow.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2011/12, the College delivered activity that produced £17,655,000 (2010/11 - £17,006,000) in main funding body allocation. The College had approximately 6,209 funded students.

Student achievements

The overall student success rate in 2011/12 increased to 85% from 80% in 2010/11.

Curriculum developments

The curriculum offer is reviewed annually in order to ensure that it meets the needs of the local community, and responds to identified skills gaps.

The College continued to develop its vocational offer with embedded Skills for Life to meet the needs of the community, and to develop in partnership with Hounslow its 14-19 offer. A key focus is to provide clear progression routes into employment, further training or Higher Education (HE) and many curriculum areas offer provision from Entry level through to Degree. In addition to our own directly funded HE, we continued to work in partnership with some key HE providers to ensure good progression routes.

The employer engagement activities increased with enrolments for Job Centre Plus contracts and joint initiatives with the London Borough of Hounslow (LBH) Economic Development Office well under way. The Employer Engagement Team which was set up to ensure the College was positioned to maximise funding from apprenticeship contracts and employer-responsive provision has developed several successful partnerships resulting in a substantial increase in our apprenticeship numbers.

Post-balance sheet events

There are no post balance sheet events to report.

Future developments

With regard to the improved capacity provided by the new buildings on main site, the College would like to increase student numbers over the next 3 years, including investigating the possibility of enrolling 14 year olds directly. Also, the College aims to significantly increase contribution by continuing to introduce a number of efficiency schemes across the College site. The College would like to reduce dependency on the SFA and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE. We will continue to grow our apprenticeship provision.

In reality, the impact of the October 2010 Comprehensive Spending Review has put severe financial pressure on a range of public sector organisations.

RESOURCES

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

Tangible resources include the main College site in London Road, which has under gone a four year major redevelopment and a satellite lease hold site in Feltham. Plans are in place for a capital investment programme spread over five years at the Feltham Skills Centre which hosts mainly vocational courses after a new long term lease was agreed with the local authority.

Financial
The College had £57.8 million of net assets (including £7.3 million pension liability) at 31 July 2012. This includes long term bank loan of £9.9 million.

People
The College employed approximately 350 people (expressed as full-time equivalents), of whom 171 were teaching staff during 2011/12.

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 expanding 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 Senior Management Team 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 progress against risk mitigation actions. In addition to the annual review, the College Management Team also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued Government funding through the further education sector funding bodies and through HEFCE. In 2011/12, approximately 90% of the College's revenue was ultimately public funded and this level of requirement 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:

- The demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.
- The on-going impact of the Comprehensive Spending Review will require Adult Learner Responsive funding to be cut by 25% over 2011/12 to 2014/15.
- The rebasing of learner funding where student number targets have not been met.
- The introduction of 24+ Advanced Learning Loans for Level 3 and above provision from 2013/14.
- The introduction of new funding formulas for 16-18 EFA and 19+ SFA provision.

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.
- Regular dialogue with the SFA and the EFA.
- Participating in the Hounslow 14-19 Strategic Partnership.
- Constant review of the cost base and efficiency of the organisation and participation in innovative approaches such as testing shared services models for back office processes.
- Undertaking modelling of the impact of the new funding methodologies over 2012/13.
- From April 2013 ensuring 24+ Advanced Learning Loans are well publicized and promoted.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50% in 2011/12. In line with the majority of other colleges, West Thames College will increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees are increased. 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.

3. Maintain adequate 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 17.

4. Capital project

The College commenced major development of its site in Isleworth in January 2008. The total project was worth approximately £70m and entailed demolishing the three 1960's blocks and one 1980's building and replacing them with more compact, new and state of the art facilities. A new nursery was completed in October 2008 and Phase 1 which included the atrium and reception area was completed in March 2010. Phase 2 which included the main teaching block was completed in August 2011 in time for the 2011/12 academic year. The entire project was completed by December 2011. It is financed largely by a grant from the former LSC and its successor bodies and bank borrowings with a long term loan of £9.9m.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local Authorities, particularly Hounslow;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site, bulletin publications and through various meetings and forums.

Equal opportunities and employment of disabled persons

West Thames College will seek to promote equality of opportunity and avoid discrimination on grounds of the protected characteristics as set out in the Equality Act 2010.

Equality of opportunity is an integral part of our recruitment process and the College's Equal Opportunities Policy must be adhered to at all times. The College will ensure that no job applicant is disadvantaged, or treated less favourably, because of conditions or requirements not related to the job.

The College will consider requests for part-time working, flexible working and/or job sharing on their merit taking account of the exigencies of the service.

The College has an Equality and Diversity Policy which is resourced, implemented and monitored on a planned basis.

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 and career development opportunities to meet the business needs of the organisation and reflects the College's commitment to equality and diversity. The College successfully retained its Investors in People accreditation in July 2011.

The College's Equality objectives are published annually and monitored by managers and governors. In the summer of 2005 the College was accredited with the Positive about Disabled People "two ticks" disability symbol, demonstrating its commitment to developing all members of staff and making full use of their abilities.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010. The College has produced and publicised its Disability Equality Scheme and Action Plan; this plan is currently being amended to take account of new legislation.

The College welcomes students with disabilities and has made a significant investment both in specialised equipment and in the appointment of a Disability Support Manager and specialist lecturers to support students with learning difficulties and disabilities. The College employs a number of student support assistants, who can provide a range of support for learning, and also specialist counselling and welfare staff. The College has a specialist facility for students with profound and complex learning needs.

The College buildings have been substantially adapted with lifts, ramps and automatic doors to allow access for wheelchair users, and there are several adapted toilets and reserved car parking. Wheelchair access is available to all communal student facilities and to 98% of the classrooms.

Disclosure of information to the auditor

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

Approved by order of the members of the Corporation on 12th December 2012 and signed on its behalf by:

John Bolt Chair

Professional advisers

Financial statement and regularity auditor:
Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Internal auditor:
MacIntyre Hudson LLP
Chartered Accountants
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Bankers:
Barclays plc
Level 28
1 Churchill Place
London
E14 5HP

Solicitors:
Mills & Reeve LLP
Francis House,
112 Hills Road
Cambridge
CB2 1PH

WEST THAMES COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2012

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the members of the Corporation, the College complies with all the provisions of the Code, in so far as they apply to the FE Sector, and it has complied throughout the year ended 31 July 2012. The Governing Body recognises that, as a body entrusted with both public and private funds, it has particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the English College's Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012.

The Corporation

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

	Date(s) of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served at time of approving the Financial Statements
Mr John Bolt (Chair)	17/12/08	4 years	-	Independent	2,3,4
Mr Satvinder Buttar (Vice Chair)	25/05/00 re-appointed 26/05/04 26/05/08	4 years	31/07/12	Nominee of the Hounslow Race Equality Council	2,3,5
Ms Marjorie Semple (Chief Executive)	18/08/08	Ex officio	-	Principal	3, 4, 5
Ms Alma Patterson	21/10/09	4 years	-	Teaching staff representative	3,4
Ms Kathleen Roche	16/07/08 re-appointed 12/07/12	4 years	-	Support staff representative	1
Mr Stephen Castle	17/12/08	4 years	-	Independent	5
Ms Charanjit Singh	01/08/10	4 years	-	Independent	2,4
Dr David Ashton	01/08/10	4 years	-	Independent	4
Ms Linda Graves	01/08/10	4 years	-	Independent	1,2
Mr Tommy White	07/02/11	4 years	-	Independent	2,5

	Date(s) of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served at time of approving the Financial Statements
Ms J McKillop	01/08/10	2 year	31/07/12	Student representative	4
Ms E Elhadi	01/08/11	1 year	31/07/12	Student representative	-
Ms Dale MacPhee	01/02/12	4 years	-	Independent	5
Ms Mary Harpley	01/02/12	4 years	-	Independent	-
Mr Martin Swain	17/10/12	4 years	-	Independent	-
Mr Vinod Gautam	On incorporation, re-appointed 29/03/95, 25/05/99, 07/07/03, 17/10/07	4 years	16/10/11	Business	-

Mr Jonathan Allen acts as a Clerk to the Corporation.

[1] Member of the Audit Committee, chaired by Linda Graves

[2] Member of the Remuneration Committee, chaired by John Bolt

[3] Member of the Search Committee, chaired by Satvinder Buttar up to 31/07/12 and since by Dr David Ashton; the Chair of the Board and the Principal are ex-officio members

[4] Member of the Quality & Equality Advisory Group, chaired by Dr David Ashton

[5] Member of the Finance & Capital Projects Advisory Group, chaired by Tommy White

The Audit Committee has one co-opted member who is not a member of the Board. Mr Dave Gajlewicz served up to 31/03/12. Ms Michaela Izquierdo replaced him from 17/10/12.

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

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

The Corporation conducts its business through five committees. Each committee has terms of reference, approved by the Corporation. The committees are the Quality & Equality Advisory Group, Search, Audit, Remuneration and Finance & Capital Projects Advisory Group. Full minutes of all meetings, except those deemed by the Corporation to be confidential, are published on the College website and are also available from the Clerk to the Corporation at:

West Thames College
London Road
Isleworth
Middlesex
TW7 4HS

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

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

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

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

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

Appointments to the Corporation

New appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee comprising five members, which is responsible for the selection and nomination, for the Corporation's consideration, of any new members (with the exception of elected staff and student members). The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office of up to four years. Appointments may be made for a shorter period if the Board deems it appropriate in the circumstances. Student members are appointed for one year.

Remuneration Committee

Throughout the year ended 31 July 2012, the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders and to advise on the appointment of the Clerk to the Corporation.

Details of remuneration for the year ended 31 July 2012 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Principal and Chair) and one co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee normally meets once a term and provides a forum for reports from the College's internal 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 monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the audit committee.

Management is responsible for implementing agreed recommendations and internal auditors undertake periodic follow up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

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 Principal, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between West Thames College and the funding bodies. She 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 West Thames College for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements.

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 year ended 31 July 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2012 (cont.)

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 Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

West Thames College has an internal audit service, which operates in accordance with the requirements of the former LSC's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of 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 Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

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

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

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from the internal auditors, 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 Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the Senior Management Team and the internal auditor, and taking account of events since 31 July 2012.

WEST THAMES COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2012 (cont.)

Going Concern

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

Approved by order of the members of the Corporation on 12 December 2012 and signed on its behalf by:

John Bolt
Chair

Marjorie Semple

Marjorie Semple
Principal

WEST THAMES COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE YEAR ENDED 31 JULY 2012

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

Within the terms and conditions of the Financial Memorandum agreed between the SFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the SFA and the EFA, 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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of 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 to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts 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 SFA are used only in accordance with the Financial Memorandum with SFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the SFA are not put at risk.

Approved by order of the members of the Corporation on 12 December 2012 and signed on its behalf by:

John Bolt
Chair

WEST THAMES COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WEST THAMES COLLEGE

We have audited the College financial statements ("the financial statements") of West Thames College for the year ended 31 July 2012 set out on pages 17 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE CORPORATION OF WEST THAMES COLLEGE AND THE AUDITOR

As explained more fully in the Statement of the Corporation's responsibilities set out on page 14, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2012 and of the College's surplus of income over expenditure for the year then ended;

- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

OPINION ON OTHER MATTERS PRESCRIBED BY THE REVISED JOINT AUDIT CODE OF PRACTICE (PART 1) ISSUED JOINTLY BY THE SFA AND THE EFA AND THE AUDIT CODE OF PRACTICE ISSUED BY THE LEARNING AND SKILLS COUNCIL

In our opinion:

- proper accounting records have been kept; and

- the financial statements are in agreement with the accounting records.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants &
Registered Auditor

Date: 12 December 2012

WEST THAMES COLLEGE

INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE CORPORATION OF WEST THAMES COLLEGE ("THE CORPORATION") AND THE CHIEF EXECUTIVE OF SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter and further to the requirements of the Chief Executive of SFA, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of West Thames College for the year ended 31 July 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of SFA. Our review work has been undertaken so that we might state to the Corporation and the SFA those matters we are required to state to it 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 and the Chief Executive of SFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of West Thames College and the Auditor

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the SFA. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the SFA. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants &
Registered Auditor

Date 12 December 2012

WEST THAMES COLLEGE

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Income			
Funding body grants	2	20,586	18,956
Tuition fees and education contracts	3	2,472	2,646
Other income	4	1,274	1,584
Investment income	5	9	1
Total Income		**24,341**	**23,187**
Expenditure			
Staff costs	6	14,178	15,040
Exceptional restructuring costs	6	99	318
Other operating expenses	8	5,809	4,982
Depreciation	11	3,332	2,228
Interest and other finance costs	9	664	642
Total Expenditure		**24,082**	**23,210**
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		259	(23)
Accelerated depreciation	11, 27	-	(315)
Release of capital grants related to accelerated depreciation	27	-	10
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		**259**	**(328)**
Taxation	10	-	-
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		**259**	**(328)**

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

WEST THAMES COLLEGE

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Surplus/(deficit) on continuing operations after taxation		259	(328)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	32	156
Historical cost surplus/(deficit) for the year after taxation		**291**	**(172)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		259	(328)
Actuarial loss in respect of pension scheme	28	(1,979)	(322)
Total recognised losses for the year		**(1,720)**	**(650)**
Reconciliation			
Opening reserves		3,952	4,602
Total recognised losses for the year		(1,720)	(650)
Closing reserves		**2,232**	**3,952**

WEST THAMES COLLEGE

BALANCE SHEET AS AT 31 JULY

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	11	**72,821**	**74,230**
Current assets			
Stock		29	31
Debtors	13	1,540	4,140
Assets held for re-sale	11	1,746	-
Cash at bank and in hand		3,174	1,210
Total current assets		**6,489**	**5,381**
Less: Creditors: amounts falling due within one year	14	(3,148)	(4,875)
Net current assets		**3,341**	**506**
Total assets less current liabilities		**76,162**	**74,736**
Less: Creditors - amounts falling due after more than one year	15	(9,652)	(9,851)
Less: Provisions for liabilities and charges	17	(1,378)	(1,349)
NET ASSETS excluding pension liability		**65,132**	**63,536**
Net pension liability	28	(7,290)	(5,158)
NET ASSETS including pension asset liability		**57,842**	**58,378**
Deferred capital grants	18	55,610	54,426
Reserves			
Income and expenditure Account excluding pension reserve	20	6,297	5,853
Pension reserve	28	(7,290)	(5,158)
Income and expenditure Account including pension reserve	20	(993)	695
Revaluation reserve	19	3,225	3,257
Total reserves		**2,232**	**3,952**
TOTAL FUNDS		**57,842**	**58,378**

The financial statements on pages 17 to 40 were approved by the governing body on 12 December 2012 and were signed on its behalf by:

John Bolt
Chair

Marjorie Semple

Marjorie Semple
Chief Executive / Principal

WEST THAMES COLLEGE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Cash inflow from operating activities	21	2,180	1,807
Returns on investments and servicing of finance	22	(472)	(467)
Capital expenditure and financial investment	23	754	(1,896)
Financing	24	(498)	1,371
Increase in cash in the year		**1,964**	**815**

Reconciliation of net cash flow to movement in net debt

		£000	£000
Increase in cash in the year		1,964	815
Cash inflow from new bank loan	24	498	(1,371)
Movement in net funds in period		2,462	(556)
Net debt at 1 August		(9,149)	(8,593)
Net debt at 31 July	25	**(6,687)**	**(9,149)**

1 STATEMENT OF ACCOUNTING POLICIES

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the SFA and the EFA in the 2011/12 Accounts Direction Handbook.

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. The College currently has £9.9m of loans outstanding with Barclays Bank plc on terms negotiated in 2008. Additionally, Barclays have said they will consider a request from the College for a short-term unsecured facility if needed. The terms of the existing agreement are for up to another 25 years. This is a 25 year fixed rate loan of £9.9m which converted from a revolving credit facility of £14m in April 2012. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

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

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

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

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

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

Post retirement benefits

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

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with 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 quinquennial valuations using a prospective benefit method. As stated in note 28, 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 scheme and the contributions recognised as they are paid each year.

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. 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 income and expenditure account 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.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired and building improvements since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years except for buildings which were demolished as part of the property strategy which are depreciated over their remaining useful economic life. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

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

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £250 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Motor vehicles	-	3 years on a straight-line basis
Computer equipment & software	-	4 years on a straight-line basis
Furniture, fittings and general equipment	-	5 years on a straight-line basis
Cabling equipment	-	10 years on a straight-line basis

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

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding body capital equipment grants, the associated assets are designated as grant-funded assets.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Liquid resources

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

Provisions

Provisions are recognised when 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 34, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

2 FUNDING BODY GRANTS

	2012 £000	2011 £000
EFA recurrent grant	10,603	10,484
SFA recurrent grant	7,052	6,522
HEFCE recurrent grant	714	695
SFA non-recurrent grant	-	98
Release of deferred capital grants (note 18)	2,217	1,157
TOTAL	**20,586**	**18,956**

3 TUITION FEES AND EDUCATION CONTRACTS

	2012 £000	2011 £000
Tuition fees	1,367	1,219
Education contracts	1,105	1,427
TOTAL	**2,472**	**2,646**

Included within the above amounts are tuition fees funded by bursaries of £100,000 (2011: £86,000)

4 OTHER INCOME

	2012 £000	2011 £000
Catering	390	405
Other income generating activities	76	93
Other grant income	-	25
Release from deferred capital grants (non- SFA & EFA) (note 18)	1	15
Other income *	807	1,046
TOTAL	**1,274**	**1,584**

* Included within other income for 2011 is enhanced pension credit of £262k.

5 INVESTMENT INCOME

	2012 £000	2011 £000
Interest receivable	9	1
TOTAL	**9**	**1**

6 STAFF COSTS

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

	2012 Number	2011 Number
Teaching staff	171	189
Non - teaching staff	179	200
	350	**389**

Staff costs for the above persons:

	2012 £000	2011 £000
Wages and salaries	10,705	11,799
Social security costs	762	823
Other pension costs (including FRS 17 credit of £30,000; 2011 £46,000)	1,235	1,296
Payroll sub-total	**12,702**	**13,918**
Contracted out staffing services	1,476	1,122
	14,178	**15,040**
Exceptional restructuring costs	99	318
	14,277	**15,358**

The number of senior postholders, including the Principal, and other posts receiving emoluments including pension contributions and benefits in kind, but excluding any severance payments if relevant (calculated on a full-time basis for the entire period) in the following ranges was:

	Senior postholders		Other staff	
	2012 Number	2011 Number	2012 Number	2011 Number
£60,001 to £70,000	-	-	2	4
£70,001 to £80,000	-	-	-	1
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	1	2	-	-
£100,001 to £110,000	1	-	-	-
£130,001 to £140,000	1	1		-
	4	**3**	**2**	**5**

7 SENIOR POSTHOLDERS' EMOLUMENTS

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

	2012 Number	2011 Number
The number of senior postholders including the Principal was:	4 *	3 *

Senior postholders' emoluments are made up as follows:

	£000 *	£000
Salaries	325	271
Benefits in kind	1	1
Pension contributions	50	41
Total emoluments	**376**	**313**

* One of the Vice Principals' post was vacant throughout last year and up to December 2011 in 2011/12. The post was covered by a combination of an external consultant and the Deputy Vice Principal.

The above emoluments include amounts paid to the Principal (who was also the highest paid senior postholder) of:

	2012 £000	2011 £000
Salary	114	115
Benefits-in-kind	1	1
	115	116
Pension contributions	16	16

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

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

8 OTHER OPERATING EXPENSES

	2012 £000	2011 £000 Restated
Teaching costs	1,078	1,060
Non teaching costs	3,339	2,380
Premises costs	1,392	1,542
	5,809	**4,982**

The comparative figures above have been restated. As the total expenditure has not changed, only the categorisation, this does not amount to a prior year adjustment.

Other operating expenses include:	2012 £000	2011 £000
Auditor's remuneration :		
- financial statements audit	22	21
- regularity audit	4	3
- internal audit	23	22
Hire of plant and machinery - operating leases	131	133
Hire of other assets - operating leases	- *	137

* See note 31 below

Other services provided by the auditors not included within operating expenses (see note 11).

9 INTEREST PAYABLE

Bank loan repayable wholly or partly in more than five years	481	468
FRS 17 pension finance costs (note 28)	183	174
Total	**664**	**642**

10 TAXATION

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

11 TANGIBLE FIXED ASSETS

	Land & Buildings			Equipment & Vehicles	Total
	Freehold	Assets under Construction	Long Leasehold		
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2011	48,798	28,376	765	5,657	83,596
Additions	53	2,629	225	762	3,669
Reclassification of assets under Construction	28,348	(31,005)	-	2,657	-
Transfer of asset held for re-sale	(2,031)	-	-	-	(2,031)
Disposal and write-off of assets	(3,625)	-	-	(390)	(4,015)
At 31 July 2012	**71,543**	**-**	**990**	**8,686**	**81,219**
Depreciation					
At 1 August 2011	6,197	-	595	2,574	9,366
Charge for the year					
- Normal	1,448	-	29	1,776	3,253
- Impairment charge	-	-	-	79	79
Transfer of asset held for re-sale	(285)	-	-	-	(285)
Disposal and write-off of assets	(3,625)	-	-	(390)	(4,015)
At 31 July 2012	**3,735**	**-**	**624**	**4,039**	**8,398**
Net book value At 31 July 2012	**67,808**	-	**366**	**4,647**	**72,821**
Net book value At 1 August 2011	**42,601**	**28,376**	**170**	**3,083**	**74,230**
Inherited (note 19)	3,225	-	-	-	3,225
Financed by capital grant	52,043	-	169	3,280	55,492
Other	12,540	-	197	1,367	14,104
	67,808	**-**	**366**	**4,647**	**72,821**

Included within fixed assets additions above is the amount of £916,000 in respect of refunds received in relation to costs incurred and work completed in previous years. This amount is net of professional fees of £154,000 paid to Buzzacott LLP for consultancy services provided by them and their advisors.

11 TANGIBLE FIXED ASSETS (cont.)

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

As stated in the policy note, the College carries inherited assets at an inherited valuation of £3,225,000 (note19). The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Land and buildings with a net book value of £52,043,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the former LSC, to surrender the proceeds.

£220,000 of the accelerated depreciation in 2010/11 related to a reduction in the carrying value of the Blocks B to D on the London Road campus. These buildings remained in use until July 2011 before being demolished. Last year, there was also an additional charge of £95k for the impairment to related cables and equipment. See note 27.

In 2012, the College incurred a write down of £79k on the impairment of the student database system and some IT equipment.

The new teaching block Joseph Banks Building came into use in August 2011 which was the last phase of the London Road development programme. As per the property strategy, Heath House building adjacent to the main site, is on the market to be sold and is therefore transferred from fixed assets to current assets at the net book value of £1,746,000.

12 INVESTMENTS

The College has no investments.

13 DEBTORS

	£000 2012	£000 2011
Trade debtors	229	136
Prepayments and accrued income	107	109
Amounts owed by the Skills Funding Agency	1,204	3,895
Total	**1,540**	**4,140**

There were no debtors falling due after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000	2011 £000
Bank loan (note 16)	209	508
Payments received in advance	79	122
Trade creditors	1,999	3,374
Other taxation and social security	385	428
Accruals	397	340
Amounts owed to the SFA	79	103
Total	**3,148**	**4,875**

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2012 £000	2011 £000
Bank loan (note 16)	9,652	9,851
	9,652	**9,851**

The bank loan relates to an agreed long term unsecured facility with Barclays plc until April 2037 to fund the redevelopment of the College's Isleworth campus. In April 2012 the £14m revolving loan crystallised to a £9.9m 25 year fixed term 5.18% rate loan.

16 ANALYSIS OF BORROWINGS

	2012 £000	2011 £000
Bank loan repayable as follows:		
In one year or less	209	508
Between one and two years	210	199
Between two and five years	699	662
In five years or more	8,743	8,990
	9,861	10,359

17 PROVISIONS FOR LIABILITIES AND CHARGES

	2012 £000	2011 £000
Enhanced Pensions		
At 1 August	1,349	1,695
Expenditure in the year	(88)	(84)
Transferred from / (to) income and expenditure account	117	(262)
At 31 July	**1,378**	**1,349**

The enhanced pension provision relates to former employees and has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2012	2011
Interest rate	3.89%	5.36%
Net interest rate	2.50%	2.75%

18 DEFERRED CAPITAL GRANTS

	Funding body grants £000	Other grants £000	Total £000
At 1 August	54,325	101	54,426
Cash receivable	3,402	-	3,402
Released to income and expenditure account	(2,217)	(1)	(2,218)
At 31 July	**55,510**	**100**	**55,610**

19 REVALUATION RESERVE

	2012 £000	2011 £000
At 1 August	3,257	3,413
Transfer to income and expenditure account in respect of :		
Depreciation on revalued assets	(32)	(70)
Accelerated release of revaluation reserves relating to the property strategy	-	(86)
At 31 July	**3,225**	**3,257**

20 MOVEMENT ON GENERAL RESERVES

Income and expenditure account reserve

	2012 £000	2011 £000
At 1 August	695	1,189
Surplus/(deficit) retained for the year	259	(328)
Transfer from revaluation reserve in respect of depreciation on Inherited assets (note 19)	32	156
Actuarial loss in respect of pension scheme (note 28)	(1,979)	(322)
At 31 July	**(993)**	**695**
Balance represented by:		
Pension reserve (note 28)	(7,290)	(5,158)
Income and expenditure reserve excluding pension reserve	6,297	5,853
At 31 July	**(993)**	**695**

21 RECONCILIATION OF CONSOLIDATED OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £000	2011 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	259	(328)
Depreciation & impairment of assets (note 11)	3,332	2,543
Deferred capital grants released to income (notes 18)	(2,218)	(1,182)
FRS 17 charge (note 28)	153	128
Decrease/(increase) in stocks	2	(4)
(Decrease)/increase in debtors excluding capital funding	(93)	272
(Increase) /decrease in prepayments and accrued income (note 13)	2	84
Increase in creditors excluding capital	228	135
Increase/(decrease) in provisions (note 17)	29	(346)
(Decrease)/increase in payments received in advance (note 14)	(43)	11
(Decease)/increase in accruals (note 14)	57	27
Interest receivable (note 5)	(9)	(1)
Interest payable (note 9)	481	468
Net cash inflow from operating activities	**2,180**	**1,807**

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £000	2011 £000
Interest received (note 5)	9	1
Interest paid (note 9)	(481)	(468)
Net cash outflow from returns on investments and servicing of finance	**(472)**	**(467)**

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £000	2011 £000
Purchase of tangible fixed assets	(5,339)	(21,014)
Deferred capital grants received	6,093	19,118
Net cash inflow/(outflow) for capital expenditure and financial investment	**754**	**(1,896)**

24 FINANCING

	2012 £000	2011 £000
Debt due beyond a year- Long term loan (see note 16): Net (repayment) / additional amounts borrowed	(498)	1,371
Net cash (outflow) / inflow from financing	**(498)**	**1,371**

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 01/08/11 £000	Cashflows £000	At 31/07/12 £000
Cash in hand and at bank	1,210	1,964	3,174
	1,210	1,964	3,174
Bank loan debt (note 16)	(10,359)	498	(9,861)
Total	**(9,149)**	**2,462**	**(6,687)**

26 CASH FLOW RELATING TO EXCEPTIONAL ITEMS

	2012 £000	2011 £000
Provision as at 1 August	91	90
Income and expenditure account charge	99	318
Operating cash outflow	(120)	(317)
Provision as at 31 July	**70**	**91**

The above are in respect of restructuring costs.

27 MAJOR NON-CASH TRANSACTIONS

A) Property strategy costs	2012 £000	2011 £000
Accelerated depreciation charges (note 11)	-	315
Release of capital grants related to the accelerated depreciation charges (Note 18)	-	(10)
Net charge for the year	**-**	**305**

In July 2008 the College received consent from the former LSC and approval in principle for its London Road site property strategy. Financing arrangements agreed with Barclays Bank plc met the level of borrowing set by the LSC's affordability criteria.

The strategy involved the phased demolition and rebuilding of the majority of the existing buildings at the London Road campus, with an completion time of December 2011. As a result, it was determined that the remaining net book value of the affected buildings should be eliminated over the period to 2011, a shorter useful economic life that was previously estimated, generating annual accelerated depreciation charges. These annual accelerated depreciation charges amounted to £315,000 including £95,000 for equipment in 2010/11. The release of capital grants associated with the affected buildings and equipment were also accelerated.

In line with the guidance provided in the Accounts Direction Handbook, the accelerated depreciation and associated grant release were presented separately from the remainder of the income and expenditure of the College. This presentation is necessary to better deliver a true and fair view of the results of the College for the year. Exceptional items as defined by FRS 3 paragraph 20 continue to be recorded after the operating deficit of the College.

Where appropriate, an additional release of the revaluation reserve relating to the accelerated depreciation was made to the income and expenditure reserve (notes 19 and 20).

There were no corresponding entries in 2011/12.

B) Enhanced pension costs

During the year the College increased the provision by £29,000, see note 17, (2010/11 decrease of £346,000) for future pension costs in relation to enhanced pensions. This was calculated based on the assumptions recommended by the SFA.

28 PENSION AND SIMILAR OBLIGATIONS

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

Total pension cost for the year		Year ended 31 July 2012 £000		Year ended 31 July 2011 £000
Teachers Pension Scheme: contributions payable		724		817
Local Government Pension Scheme:				
Contributions payable	541		525	
FRS17 (credit)	(30)		(46)	
Charge to the income & expenditure account (staff costs)		511		479
Included in staff costs (note 6)		1,235		1,296
Enhanced pension charge/(credit) to income and expenditure account		117		(262)
		1,352		**1,034**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and the LGPS 31 March 2010.

Contributions amounting to £100,000 (2011 £109,000) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined-benefit scheme. Contributions on a 'pay-as-you-go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows.

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teachers' Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. The employee rate was 6.4% for the period to 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1 April 2012.

FRS17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

28 PENSION AND SIMILAR OBLIGATIONS (cont.)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Hounslow Local Authority. The total contribution made for the year ended 31 July 2012 was £656,000 of which employer's contributions totalled £541,000 and employees' contributions totalled £171,000. The agreed contribution rates for future years are 18.7% to March 2013 and then 18.9% to March 2014 for employers and range from 5.5% to 7.5% for employees, depending on salary.

FRS17

The following information is based upon a full actuarial valuation of the Scheme at 31 March 2010 updated to 31 July 2012 by a qualified independent actuary.

Principal actuarial assumptions

	2012	2011
Rate of increase in salaries	4.0%	5.0%
Rate of increase for pensions in payment	1.8%	2.7%
Discount rate for scheme liabilities	3.9%	5.3%
CPI increases	1.8%	2.7%
RPI increases	2.6%	3.2%
Commutation of pensions to lump sums	50.0%	50.0%

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

	2012	2011
Retiring today		
Males	19.0	18.9
Females	23.1	23.0
Retiring in 20 years		
Males	21.0	20.9
Females	25.0	24.9

The assets and liabilities in the scheme (of which the College's share is estimated to be 2.0%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000
Equities	5.8%	7,154	7.0%	7,170
Gilts	2.8%	1,452	4.0%	1,792
Other bonds	3.9%	933	5.3%	199
Property	4.8%	311	6.0%	299
Cash	0.5%	518	3.0%	498
Total market value of assets		10,368		9,958

28 PENSION AND SIMILAR OBLIGATIONS (cont.)

	2012 £'000	2011 £'000
College's estimated asset share	10,368	9,958
Present value of scheme liabilities		
- Funded	(17,601)	(15,060)
- Unfunded	(57)	(56)
Deficit in the scheme	(7,290)	(5,158)

Analysis of the amount charged to income and expenditure account:	2012 £'000	2011 £'000
Employer service cost (net of employee contributions)	513	522
Total operating charge	513	522

Analysis of pension finance income/(costs)	2012 £'000	2011 £'000
Expected return on pension scheme assets	620	561
Interest on pension liabilities	(803)	(735)
Pension finance costs (note 9)	(183)	(174)

Amount recognised in the statement of total recognised gains and losses (STRGL)	2012 £'000	2011 £'000
Actuarial (loss) on pension scheme assets	(321)	(573)
Actuarial (loss)/gain on scheme liabilities	(1,658)	251
Actuarial (loss) recognised in STRGL	(1,979)	(322)

Movement in deficit during the year	£'000	£'000
Deficit in scheme at 1 August	(5,158)	(4,708)
Movement in year:		
Employer service cost (net of employee contributions)	(513)	(522)
Employer contributions	539	564
Unfunded pension payments	4	4
Net interest on assets (note 9)	(183)	(174)
Actuarial loss	(1,979)	(322)
Deficit in scheme at 31 July	(7,290)	(5,158)

28 PENSION AND SIMILAR OBLIGATIONS (cont.)

Asset and liability reconciliation

Reconciliation of liabilities	2012 £'000	2011 £'000
Liabilities at start of year	15,116	14,326
Service cost	513	522
Interest cost	803	735
Employee contributions	170	189
Actuarial loss/(gain)	1,658	(251)
Benefits paid	(598)	(401)
Unfunded pension payments	(4)	(4)
Liabilities at end of year	17,658	15,116

Reconciliation of Assets		
Assets at start of year	9,958	9,618
Expected return on assets	620	561
Actuarial (loss)	(321)	(573)
Employer contributions	543	568
Employee contributions	170	189
Benefits paid	(602)	(405)
Assets at end of year	10,368	9,958

The estimated value of employer contributions for the year ended 31st July 2013 is £491,000.

History of experience gains and (losses)	31 July 2012	31 July 2011	31 July 2010	31 July 2009	31 July 2008
Difference between the expected and actual return on assets:					
Amount £'000	(321)	558	769	(766)	(653)
Experience gains and (losses) on scheme liabilities:					
Amount £'000	-	(697)	-	-	(117)
Total amount recognised in STRGL:					
Amount £'000	(1,979)	(322)	923	(1,012)	(3)

29 POST BALANCE SHEET EVENTS

There are no post balance events requiring disclosure in the financial statements.

30 CAPITAL COMMITMENTS

	2012 £000	2011 £000
Commitments contracted for at 31 July	437	3,434 *

* 2010/11 =£3,008,000 relates to the London Road new build project.

Commitments under finance leases entered into but not yet provided for in the financial statements.	Nil	Nil

31 FINANCIAL COMMITMENTS

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

	2012		2011	
	Land and Buildings * £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	106	-	7
Expiring between two and five years inclusive	-	4	-	135
Expiring in over five years	* (see note below)	-	-	-
	-	**110**	**-**	**142**

* The College has provisionally agreed terms for entering into a formal lease arrangement with London Borough of Hounslow for the Skills Centre site occupied since 2004 at Feltham. The intended principal terms for the new lease will be for a 15 year term commencing April 2011. The first 10 years will be rent free, then reverting to a rack rent for the final 5 years of the term. The College will seek a licence from the Landlord to permit it to carry out works at the premises including works of repair and to fit out the premises to the College's requirements.

32 CONTINGENT LIABILITY

The Corporation is not aware of such liabilities (2011 - £ nil).

33 RELATED PARTY TRANSACTIONS

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

During the year, the College had no such type of transactions (2011 - £nil).

34 AMOUNTS DISBURSED AS AGENT

LEARNER SUPPORT FUNDS

	2012	2011
	£000	£000
Funding body grants- hardship support	279	196
Funding body grants - childcare	64	61
Other funding bodies grants- HEFCE	3	4
	346	261
Disbursed to Students	(329)	(228)
Staffing	(16)	(10)
Administration costs	(1)	(1)
Balance unspent at 31 July	0	22

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 income and expenditure account.

Any amounts due back to the funding bodies are included within creditors and the corresponding balance within cash at bank in the balance sheet.