



Report and Financial Statements for the Year Ended 31 July 2015



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WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2015 for West Thames College

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

Public Benefit

West Thames College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 9 and 10.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

In July 2010 the Corporation agreed three long-term strategic goals which have been reviewed and retained as still current. The strategic goals 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

Specific annual objectives are agreed by the Corporation and circulated to all staff. The College's specific development objectives for 2014/15 and achievement of those objectives are addressed below:

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

Of the eighteen objectives in the 2014-15 Development Plan, 12 were fully met and 6 have not been met.

In Goal 1: To provide an OUTSTANDING learning experience for all our learners

Two of the six quality improvement targets from goal 1 were met:

- Increase the volume of outstanding lessons, with a focus on independent learning and areas for improvement identified through lesson observations and by OFSTED.
- Target of 65% to improve progression rates from FT level 2 programmes onto appropriate further provision in College.

Four targets were not fully achieved:

- Attendance has declined in terms 2 and 3 to 85% which is 3% higher than attendance at the same time last year but is 5% below the target. A range of attendance strategies were used with a specific focus on individual students whose attendance is below the target. An attendance project is currently underway, led by the Deputy Principal, a range of college staff and student representatives. The project covers an analysis of the end of year position and a review of strategies used across the year and will shape the attendance strategy for 2015-16. Attendance across 5 of the 6 Directorates ranges from 85% to 87%. There is only 1 Directorate where attendance is significantly lower where attendance was 77%. Punctuality was 96.4 % which is 0.6 % below the target. 5 of the 6 Directorates were on target with the remaining 1 Directorate having punctuality of 96%.
- Predicted success rates indicate that 3 out of the 4 at risk areas are on track. The area of potential concern is Functional Skills, where predicted success rates highlight some concerns and will not meet the target set.
- Increase the proportion of high grades – changes to the assessment practice for Pearson qualifications has impacted on the volume of high grades being awarded at Level 3. A move to University of the Arts London (UAL) for the Visual and Performing Arts and Media Directorate has also resulted in fewer students achieving high grades, as what constitutes a high grade for UAL is not the same as it is for Pearson qualifications. Student feedback during the course of the year has indicated that assessment and feedback is an area of concern. Assessment practices/processes are currently being revised for 2015-16. Changes were also made in term three, in response to student feedback.
- 213 Apprentices were enrolled against a target of 344. The apprenticeship project is underway which details the employers being targeted for 2015-16 as well as the student recruitment strategy for matching/meeting the 2015-16 targets.

In Goal 2: To be INNOVATIVE and RESPONSIVE to current and future needs

Five of the six objectives were met:

- Ensuring our curriculum offer is relevant and meets local employer needs, maximising opportunities for our students through embedding a cross college approach to employer engagement. The Business Development Executive Directorate was established with clear communications structures.
- Establish a long-term and sustainable vision for the Skills Centre. The LEP bid has been approved. The logistics curriculum offer has been running since mid-March in pre-employment and forklift truck driving in conjunction with JLD and a pre-employment warehousing and storage course. Plans for the colocation of Woodbridge Park are underway but with a deferred start date of September 2016.
- Develop and improve our Higher Education offer. Although HE plans are on track for 2015-16, the Year 1 enrolments in September 2014 were below the target number by 15 (114 headcount for Year 1 against a 129 target). A higher apprenticeship offer in Software and Applications is being designed in conjunction with UKTV.
- Develop a 14-16 offer with appropriate funding. We have recruited to one group of direct entry 19 year olds in Logistics. There are also over 30 ESOL directly enrolled 14 year olds at Isleworth. An additional 25 Alternative Provision places have been requested by Hounslow Local Authority.
- Further develop our Foundation learning programme to provide outstanding, responsive and flexible progression pathways into level 2 provision.

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

One of the objectives was not achieved:

- Establish a distinct "Adult" offer, tailored to employed and unemployed adults. Requires improvement – the overall income generated from this activity is predicted to be £505k against the target of £550k. This is a result of very low ESOL referrals (only £9k of activity against the planned £30k) alongside courses in Pre-employment not recruiting sufficient numbers in the latter part of the year.

In Goal 3: To provide an EXCELLENT environment and resources

Five of the six objectives were met:

- Increase the effectiveness and quality of our managers. We have successfully appointed to the Executive Director post in Funding & Finance and to the Executive Director post in Resources.
- Ensure effective and efficient deployment of staff. Staff costs maintained (excluding restructuring) at 63% of income for 15/16 budget. More work is required to obtain accurate and accessible reports on a monthly basis.
- Ensure accurate and robust student data through improved MIS processes and systems. Clean internal funding assurance audit was achieved, however exams processes and tracking achievement still require improvement.
- Develop a more robust financial strategy by achievement of budgeted income and surplus through reducing percentage of total EFA & SFA allocation delivered by sub-contractors to 5%, reducing loss on catering service in 2014/15 and eliminate for 15/16 and reviewing use of agency staff.
- Develop outstanding additional learning support provision in the light of the new Children's and Families Act by establishing revised quality assurance processes and monitor and meet QA targets. 102 High Needs Students out of the 104 HNS retained.

One target was not fully achieved:

- Ensure financial management information is accessible, timely, accurate and robust. Review of roles and responsibilities in the Finance Team completed and two new staff started in January 2015. The priority for 2015-16 will be supporting and training budget holders to better monitor their budgets. This will be based on a more robust analysis of funding income and staffing costs.

Financial objectives

The College's continuing 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-funding council income through target-setting.
- Manage cash resources to meet planned improvements in buildings and facilities.
- 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

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at:

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

The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Outstanding is considered a good outcome and is per plan.

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £23k (2013/14 surplus of £1,476k). The result in 2014/15 is stated after adjustment for FRS 17 and enhanced pension charges of £470k (2013/14 - £269k).

The College had accumulated reserves of negative £730k (2013/14 - £1,411k) and cash balances of £5,981k (2013/14- £5,177k) at 31 July 2015.

Tangible fixed asset additions during the year amounted to £1,141k (2013/14 - £954k). This was split between buildings of £324k (2013/14 - £157k) and equipment (including MIS related additions) of £817k (2013/14-£797k). In the main, the building additions relate to improvement works at the Skills Centre site.

The College significantly relies on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15, the funding bodies provided 79% (2013/14 – 82%) 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 Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. There was no short term borrowing required during the year.

Cash flows and liquidity

The operating cash in-flow for the year was £2,454k (2013/14 - £881k).

At the year end, the College had an unsecured bank loan of £9,220k (2013/14 - £9,442k) 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 2014/15, the College delivered activity that produced £15,231k (2013/14 - £16,879k) in main funding body allocation. The College had approximately 5,981 (2013/14 - 6,210) students.

Student achievements

Students continue to prosper at the College. The overall student success rate in 2014/15 for Classroom Based Learning increased to 86% (awaiting final validation) from 83% in 2013/14.

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 own in-house Apprenticeship programme to meet the needs of the community. 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 level. In addition to our own directly funded HE provision, we continued to work in partnership with some key HE providers to ensure good progression routes. Programmes of Study were further developed in 2014/15 to enhance the employability skills of the students and with an increased focus on GCSE English and Maths.

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

Employer engagement activities increased with enrolments for Job Centre Plus contracts and joint initiatives with the London Borough of Hounslow (LBH) Economic Regeneration Team well under way. The Business Development 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. One of these is the Logistics Skills Alliance, an employer-led Group Training Agency. The work of the Trade Union Studies team continues to grow.

Post-balance sheet events

In August 2015, the College received planning permission from the Local Authority for the £2.9m development of Skills Centre, and confirmation from Greater London Authority of 33.3% funding towards this project. The works began in September and will complete in May 2016.

There are no other post balance sheet events to report.

Future developments

We are now developing further our own in-house Apprenticeship offer (including Higher Apprenticeships) and reducing our sub-contracted provision. We will continue to work closely with employers and have received approval from the Local Enterprise Partnership (LEP) for capital funding to develop Logistics at the Skills Centre, in partnership with lead employers. Developments in Hounslow such as the growth of the Sky campus are providing a good opportunity to be part of a major workforce development project. In addition we will aim to expand our direct enrolment of 14 year olds, and to work with the LB Hounslow on alternative provision for pre 16s. Our SLDD area is also set to grow through external partnerships, including the further development of Project Search. We will further develop provision suitable for 24+ loans, and our classroom based ESOL provision will continue to be adapted to reflect the reductions in SFA funding for classroom based provision. English and Maths for those who have not yet achieved level 2 will be a major focus in 2015-16.

We have entered an agreement with Ambitious about Autism, a national charity for children and young people with autism, to open a new Ambitious College as part of our Isleworth campus. Ambitious College is London's only registered specialist college dedicated specifically to supporting young people with complex autism for adult life. Co-location with West Thames will provide students with the opportunity to access vocational learning and social opportunities alongside their peers. We will be working together to plan the new campus (to be called the Pears Campus) which will open for September 2017.

The present Principal will be retiring at the end of March 2016 after more than seven years in the role. Following a recruitment process in November Darrell DeSouza, currently a Vice Principal at another FE College, has been appointed to the post.

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 underwent a four year major redevelopment ending in 2011 and a satellite leasehold site in Feltham. Plans are in place for a capital investment programme spread over the next three to five years at the Feltham Skills Centre which hosts mainly vocational courses.

Financial

The College had £48,900k (2013/14 - £52,810k) of net assets (including £11,868k (2013/14 - £9,353k) pension liability) at 31 July 2015. This includes the long term bank loan of £8,989k (2013/14 - £9,221k).

People

The College employed approximately 313 (2013/14 - 321) people (expressed as full-time equivalents), of whom 111 were teaching staff during 2014/15.

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.

WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

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 College Management Team (through Executive Team + meetings) 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 2014/15, approximately 87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue.

The College is aware of several issues which may impact on future funding:

- The on-going reduction in funding for classroom based provision for adults through the SFA
- The removal of ESOL Mandation funding
- The impact of the Area Review process
- The increased allocation for 24+ Advanced Learning Loans for Level 3 and above provision

This risk is mitigated in a number of ways:

- Rigorous attention to delivering high quality education and training.
- 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.
- Participating in the Hounslow 14-19 Strategic Partnership and the Hounslow Economic Business Forum.
- 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.
- Increasing curriculum provision which can attract 24+ loans
- Strategies to reduce dependency on income from public funded sources.

2. Tuition fee policy

In line with the majority of other colleges, West Thames College will increase tuition fees in accordance with the fee assumptions. 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.

WEST THAMES COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

4. Other potentially material risks include failure to recruit and retain sufficient student volumes in order to achieve funding targets and inability to recruit or retain staff within allocated pay budgets. These risks are being actively monitored and mitigated as far as possible with contingency plans in place. In particular, attention is paid to monitoring performance against targets for enrolments and success.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner
- Staff;
- Local employers;
- Local Authorities, particularly Hounslow;
- Government Offices/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.

Equality and Diversity

West Thames College is committed to providing high quality education and training that reflects best practice in equality and diversity. We seek to promote equality and diversity and to avoid discrimination on grounds of the protected characteristics as set out in the Equality Act 2010.

Our goal is for all of our students to be successful and we provide them with the support necessary to achieve this goal. We work to ensure our students value the diversity of others and we actively promote good relations between students.

We aim to recruit staff from diverse backgrounds, provide them with rewarding work, support their professional development and value their contributions to the College. 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 needs and demands of the service.

The College encourages the active participation of all sections of the community and we work to provide learning opportunities that accommodate diversity and raise the aspirations and achievements of students and staff.

Disability statement

The College welcomes students with disabilities and/or learning difficulties and has made significant investment in specialised equipment, establishing an effective Inclusion team, and specialist lecturers to support students with learning difficulties and disabilities.

The College employs student support assistants, who 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.

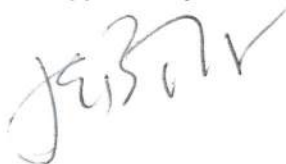
The College has been accredited since 2005 with the Positive about Disabled People "two ticks" disability symbol, demonstrating its commitment to developing all members of staff and making full use of their abilities.

WEST THAMES COLLEGE
OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2015 (cont.)

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 16th December 2015 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:

MHA MacIntyre Hudson
Chartered Accountants
New Bridge Street House
30-34 New Bridge Street
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EC4V 6BJ

Bankers:

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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 2015

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

The College endeavours to conduct its business:

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

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

In the opinion of the members of the Corporation, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2015. The 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 College formally adapted the Audit and Accountability Annex to the Foundation Code at its December 2013 meeting. The Corporation formally adopted the Code of Good Governance for English Colleges at its meeting held on 14 October 2015.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as 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	Attendance record for Corporation meetings in the academic year 01/08/14 to 31/07/15
Mr John Bolt (Chair)	17/12/08; re-appointed 17/12/12	4 years	-	Independent	2,3,4	6/6
Mr Tommy White (Vice Chair from Dec'14)	07/02/11 re-appointed 07/02/15	4 years	-	Independent	2,5	6/6
Ms Marjorie Semple (Chief Executive)	18/08/08	Ex officio	-	Principal	3, 4, 5	6/6
Ms Alma Patterson	21/10/09 re-appointed 01/04/14	4 years	-	Teaching staff representative	3,4	5/6
Stephen Castle	17/12/08; re-appointed 31/07/14	4 years	-	Independent	5	4/6

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR
ENDED 31 JULY 2015 (cont.)

	Date(s) of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served at time of approving the Financial Statements	Attendance record for Corporation meetings in the academic year 01/08/14 to 31/07/15
Ms Charanjit Singh	01/08/10 re-appointed 01/08/14	4 years	-	Independent	1,2,3,4	6/6
Ms Linda Graves	01/08/10 re-appointed 01/08/14	4 years	-	Independent	1,2	4/6
Ms Navjit Kaur	10/07/13 re-appointed 01/08/14	1 year	31/07/15	Student representative	4	4/6
Ms Mary Harpley	01/02/12	4 years	-	Independent	2	4/6
Mr Martin Swain	17/10/12	4 years	18/03/15	Independent	-	0/3
Mr Anand Joshi	18/12/13	4 years	-	Independent	4	2/6
Dr Bruce Armstrong	01/08/14	4 years	-	Independent	4	5/6
Mr Simon Wilcox	15/10/14	4 years	-	Independent	5	4/6
Mr Michael Michaelides	17/12/14	4 years	-	Staff representative	5	5/5
Mr Gurjit Singh	17/12/14	1 year	31/07/15	Student representative	4	2/4
Mr Maciej Piwowarski	01/08/15	1 year		Student representative	4	N/A
Mr Frank Spraggs	01/12/15	4 years		Independent	-	N/A
Ms Michaela Izquierdo	26/11/12	4 years		Non Governor Co-opted Member of the Audit Committee	1	N/A
Mr Jonathan Allen acts as a Clerk to the Corporation.						

¹ Member of the Audit Committee, chaired by Linda Graves² Member of the Remuneration Committee, chaired by John Bolt³ Member of the Search Committee, chaired by John Bolt⁴ Member of the Quality & Equality Advisory Group, chaired by Dr Bruce Armstrong⁵ Member of the Finance & Capital Projects Advisory Group, chaired by Tommy White

As at 16 December 2015 there is one vacancy for an Independent member.

WEST THAMES COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2015 (cont.)

The Audit Committee since 17 October 2012 has one co-opted member, Ms Michaela Izquierdo, who is not a member of the Board.

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 up to 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

The Remuneration Committee's Terms of Reference state that membership comprises of up to 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 2015 are set out in note 7 to the financial statements.

WEST THAMES COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2015 (cont.)

Audit Committee

The Audit Committee's Terms of Reference state that membership comprises of up to three members.

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, regularity 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 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 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 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 2015 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 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

WEST THAMES COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2015 (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 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. 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 other sources of assurance, 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 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 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 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Executive Team and the internal auditor, and taking account of events since 31 July 2015.

WEST THAMES COLLEGE

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE
YEAR ENDED 31 JULY 2015 (cont.)**

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

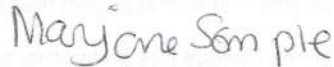
Going Concern

After making appropriate enquiries, the Corporation considers that 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 16 December 2015 and signed on its behalf by:



John Bolt
Chair



Marjorie Semple
Accounting Officer

WEST THAMES COLLEGE

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING FOR THE YEAR ENDED 31 JULY 2015


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.



John Bolt
Chair



Marjorie Semple
Accounting Officer

WEST THAMES COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE YEAR ENDED 31 JULY 2015

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 (SFA) and the Corporation of the College, the Corporation, through its Accounting Officer who is the 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 for 2014 to 2015 financial statements* issued jointly by the SFA and the Education Funding Agency (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 16 December 2015 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 2015 set out on pages 20 to 43. 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 16, 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 2015 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 ISSUED JOINTLY BY THE SFA AND THE EFA

In our opinion:

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



Buzzacott LLP
Chartered Accountants &
Registered Auditor

Date: 16 December 2015

WEST THAMES COLLEGE

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF WEST THAMES COLLEGE AND SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 24 June 2014 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 West Thames College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of West Thames College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of West Thames College 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 West Thames College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Corporation of West Thames College and the Reporting Accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

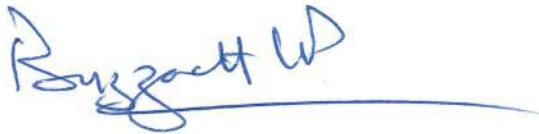
WEST THAMES COLLEGE

**REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF
WEST THAMES COLLEGE AND SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS
ACTING THROUGH THE SKILLS FUNDING AGENCY (cont.)**

Conclusion

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

Signed:

A handwritten signature in blue ink, appearing to read 'Buzzacott W', with a long horizontal line extending to the right.

Buzzacott LLP
Chartered Accountants

Date 16 December 2015

WEST THAMES COLLEGE

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2015

	Notes	2015 £000	2014 £000
Income			
Funding body grants	2	17,763	19,494
Tuition fees and education contracts	3	3,209	2,927
Other income	4	1,528	1,187
Investment income	5	16	13
Total Income		22,516	23,621
Expenditure			
Staff costs	6	13,054	13,365
Restructuring and other costs	6	144	83
Other operating expenses	8	5,393	5,989
Depreciation	11	3,211	3,303
Interest and other finance costs	9	691	678
Total Expenditure		22,493	23,418
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		23	203
Profit on disposal of tangible fixed assets	11	-	1,273
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and exceptional items but before tax		23	1,476
Taxation	10	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		23	1,476

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

WEST THAMES COLLEGE

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations after taxation		23	1,476
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	32	32
Historical cost surplus for the year after tax		<u>55</u>	<u>1,508</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2015

	Notes	2015 £000	2014 £000
Surplus for the year		23	1,476
Actuarial loss in respect of pension scheme	26	(2,164)	(2,916)
Total recognised losses for the year		<u>(2,141)</u>	<u>(1,440)</u>
Reconciliation			
Opening reserves		1,411	2,851
Total recognised losses for the year		(2,141)	(1,440)
Closing reserves		<u>(730)</u>	<u>1,411</u>

WEST THAMES COLLEGE

BALANCE SHEET AS AT 31 JULY

		2015 £000	2014 £000
Fixed assets	Notes		
Tangible assets	11	<u>66,977</u>	<u>69,047</u>
Current assets			
Stock		11	30
Debtors	13	317	643
Cash at bank and in hand		6,008	5,177
Total current assets		<u>6,336</u>	<u>5,850</u>
Less:			
Creditors: amounts falling due within one year	14	(2,173)	(2,166)
Net current assets		<u>4,163</u>	<u>3,684</u>
Total assets less current liabilities		<u>71,140</u>	<u>72,731</u>
Less: Creditors - amounts falling due after more than one year	15	(8,989)	(9,221)
Less: Provisions for liabilities and charges	17	(1,383)	(1,347)
NET ASSETS excluding pension liability		<u>60,768</u>	<u>62,163</u>
Net pension liability	26	(11,868)	(9,353)
NET ASSETS including pension asset liability		<u>48,900</u>	<u>52,810</u>
 Deferred capital grants	 18	 <u>49,630</u>	 <u>51,399</u>
Reserves			
Income and expenditure account excluding pension reserve	20	8,010	7,604
Pension reserve	26	(11,868)	(9,353)
Income and expenditure account including pension reserve	20	(3,858)	(1,749)
Revaluation reserve	19	3,128	3,160
Total reserves		<u>(730)</u>	<u>1,411</u>
TOTAL FUNDS		<u>48,900</u>	<u>52,810</u>

The financial statements on pages 20 to 43 were approved by the governing body on 16 December 2015 and were signed on its behalf by:


John Bolt
Chair


Marjorie Semple
Accounting Officer

WEST THAMES COLLEGE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities	21	2,454	881
Returns on investments and servicing of finance	22	(475)	(490)
Capital expenditure and financial investment	23	(926)	2,071
Financing	24	(222)	(210)
Increase in cash in the year	25	<u>831</u>	<u>2,252</u>

Reconciliation of net cash flow to movement in net debt

		£000	£000
Increase in cash in the year	25	831	2,252
Net repayment on loan	24	222	210
Movement in net funds/(debt) in the period	25	<u>1,053</u>	<u>2,462</u>
Net debt at 1 August		(4,265)	(6,727)
Net debt at 31 July	25	<u>(3,212)</u>	<u>(4,265)</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

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), the *Accounts Direction for 2014 to 2015 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

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

Going concern

The activities of 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 had £9,220k of loans outstanding at 31 July 2015 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 22 years. This is a 25 year fixed rate loan of £9.652k which converted from a revolving credit facility of £14,000k 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 and make repayments as they fall due.

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 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.

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.

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

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 26, 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. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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.

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

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.

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.

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.

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.

Assets held for re-sale

Assets held for re-sale are held at the lower of the net book value and the fair value less costs to sell on the date when the decision was made to sell the asset. Any selling costs incurred after the re-classification but before the sale are included in prepayments under debtors in order to match the expenditure incurred with the sales proceeds.

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

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 and bursary 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 32, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

2 FUNDING BODY GRANTS

	2015 £000	2014 £000
EFA recurrent grant	10,466	10,815
SFA recurrent grant	5,165	6,288
HEFCE recurrent grant	201	272
Release of deferred capital grants (note 18)	1,931	2,119
TOTAL	<u>17,763</u>	<u>19,494</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	2015 £000	2014 £000
Tuition fees	2,092	1,908
Education contracts	1,117	1,019
TOTAL	<u>3,209</u>	<u>2,927</u>

Included within the above amounts are tuition fees funded by bursaries of £3k (2014: £44k).

4 OTHER INCOME

	2015 £000	2014 £000
Catering	417	379
Other income generating activities	80	76
Release from deferred capital grants (non- funding body) (note 18)	8	5
Other income	1,023	727
TOTAL	<u>1,528</u>	<u>1,187</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

5 INVESTMENT INCOME

	2015 £000	2014 £000
Interest receivable	16	13
TOTAL	16	13

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:

	2015 Number	2014 Number
Teaching staff	111	131
Non - teaching staff	202	190
TOTAL	313	321

Staff costs for the above persons:

	2015 £000	2014 £000
Wages and salaries	9,642	9,944
Social security costs	641	679
Other pension costs (including FRS 17 charge of £151k; 2014 £86k)	1,314	1,229
Payroll sub-total	11,597	11,852
Contracted out staffing services	1,457	1,513
	13,054	13,365
Redundancy payments including severance and payments in lieu of notice and other settlement costs	144	83
TOTAL	13,198	13,448

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

	2015 Number	2014 Number
£40,001 to £50,000 p.a.	-	1
£70,001 to £80,000 p.a.	-	1
£90,001 to £100,000 p.a.	1	-
£110,001 to £120,000 p.a.	-	1
£120,001 to £130,000 p.a.	1	-
	2	3

No other staff received emoluments exceeding £60,000 p.a.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

7 SENIOR POSTHOLDERS' EMOLUMENTS

Senior postholders are defined as the Accounting Officer 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.

	2015 Number	2014 Number
The number of senior postholders including the Accounting Officer was:	<u>2 *</u>	<u>3</u>
Senior postholders' emoluments are made up as follows:		
	£000 *	£000
Salaries	221	238
Benefits in kind	1	1
Pension contributions	30	34
Total emoluments	<u>252</u>	<u>273</u>

* From August 2014, two posts have been designated by the Corporation to be senior posts.

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

	2015 £000	2014 £000
Salary	129	112
Benefits-in-kind	<u>1</u>	<u>1</u>
	<u>130</u>	<u>113</u>
Pension contributions	<u>18</u>	<u>16</u>

The pension contributions in respect of the Accounting Officer 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 Accounting Officer 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. (see note 31).

8 OTHER OPERATING EXPENSES

	2015 £000	2014 £000
Teaching costs	799	1,005
Non teaching costs	2,928	3,435
Premises costs	1,666	1,549
TOTAL	<u>5,393</u>	<u>5,989</u>

Other operating expenses include:

	2015 £000	2014 £000
Auditor's remuneration :		
- financial statements audit	24	23
- regularity audit	4	4
- internal audit	22	21
- other services provided by the auditors	-	3
Hire of plant and machinery - operating leases	<u>84</u>	<u>91</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

9 INTEREST PAYABLE

	2015 £000	2014 £000
Bank loan repayable wholly or partly in more than five years	491	503
FRS 17 pension finance costs (note 26)	200	175
TOTAL	<u>691</u>	<u>678</u>

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	Long Leasehold		
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2014	71,643	1,880	10,332	83,855
Additions	85	239	817	1,141
At 31 July 2015	71,728	2,119	11,149	84,996
Depreciation				
At 1 August 2014	6,656	753	7,399	14,808
Charge for the year	1,461	106	1,644	3,211
At 31 July 2015	8,117	859	9,043	18,019
Net book value				
At 31 July 2015	63,611	1,260	2,106	66,977
Net book value				
At 1 August 2014	64,987	1,127	2,933	69,047
Inherited (note 19)	3,128	-	-	3,128
Financed by capital grant (note 18)	48,793	215	470	49,478
Other	11,690	1,045	1,636	14,371
	63,611	1,260	2,106	66,977

As stated in the policy note, the College carries inherited assets at an inherited valuation of £3,128k (note 19). The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

In 2014 Heath House was sold to a property developer for £3,019K and the surplus on disposal of the property was £1,273k.

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

12 INVESTMENTS

The College has one wholly owned subsidiary company, Logistics Skills Alliance Ltd, which is a company limited by guarantee. It has been dormant since its incorporation in March 2013. The Accounting Officer of the College is the ex-officio sole member.

13 DEBTORS

	£000 2015	£000 2014
Trade debtors	248	146
Prepayments and accrued income	69	127
Amounts owed by the SFA	-	370
TOTAL	<u>317</u>	<u>643</u>

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

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Bank loan (note 16)	231	221
Payments received in advance	87	95
Trade creditors	747	1,026
Other taxation and social security	328	310
Accruals	293	408
Amounts owed to the funding bodies	487	106
TOTAL	<u>2,173</u>	<u>2,166</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015 £000	2014 £000
Bank loan (note 16)	8,989	9,221
	<u>8,989</u>	<u>9,221</u>

The bank loan relates to an agreed 25 year fixed term unsecured facility from May 2012 to April 2037 with Barclays plc with rate fixed at 5.26%. This loan was taken out to part fund the redevelopment of the College's Isleworth campus.

16 ANALYSIS OF BORROWINGS

	2015 £000	2014 £000
Bank loan repayable as follows:		
In one year or less (note 14)	231	221
Between one and two years	247	231
Between two and five years	794	779
In five years or more	7,948	8,211
TOTAL	<u>9,220</u>	<u>9,442</u>

17 PROVISIONS FOR LIABILITIES AND CHARGES

	2015 £000	2014 £000
Enhanced Pensions		
At 1 August	1,347	1,424
Expenditure in the year	(83)	(85)
Transferred from income and expenditure account	119	8
At 31 July	<u>1,383</u>	<u>1,347</u>

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:

	2015	2014
Interest rate	3.46%	4.06%
Net interest rate	<u>1.75%</u>	<u>2.25%</u>

18 DEFERRED CAPITAL GRANTS

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2014	51,385	14	51,399
Cash received	152 *	18	170
Released to income and expenditure account	(1,931)	(8)	(1,939)
At 31 July 2015	<u>49,606</u>	<u>24</u>	<u>49,630</u>

* Grant received in current year but to be spent in 2015/16

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

19 REVALUATION RESERVE

	2015 £000	2014 £000
At 1 August	3,160	3,192
Transfer to income and expenditure account in respect of:		
Depreciation on revalued assets (note 20)	(32)	(32)
At 31 July	<u>3,128</u>	<u>3,160</u>

20 MOVEMENT ON GENERAL RESERVES

Income and expenditure account reserve

	2015 £000	2014 £000
At 1 August	(1,749)	(341)
Surplus retained for the year	23	1,476
Transfer from revaluation reserve in respect of depreciation on Inherited assets (note 19)	32	32
Actuarial loss in respect of pension scheme (note 26)	(2,164)	(2,916)
At 31 July	<u>(3,858)</u>	<u>(1,749)</u>
Balance represented by:		
Pension reserve (note 26)	(11,868)	(9,353)
Income and expenditure reserve excluding pension reserve	8,010	7,604
At 31 July	<u>(3,858)</u>	<u>(1,749)</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

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

	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	23	1,476
Depreciation (note 11)	3,211	3,303
Deferred capital grants released to income (note 18)	(1,939)	(2,242)
Receipt of capital asset donation	(45)	-
FRS 17 charge (note 26)	351	261
Surplus on disposal of fixed asset	-	(1,273)
Decrease /(increase) decrease in stock	19	(6)
(Increase)/decrease in trade debtors (note 13)	(102)	49
Increase in amount due to/(from) SFA (note 13)	751	(1,101)
Decrease in prepayments and accrued income (note 13)	58	54
Decrease in creditors excluding capital funding	(261)	(144)
Increase/(decrease) in provisions (note 17)	36	(77)
Decrease in payments received in advance (note 14)	(8)	(13)
(Decrease)/increase in accruals (note 14)	(115)	104
Interest receivable (note 5)	(16)	(13)
Interest payable (note 9)	491	503
Net cash inflow from operating activities	2,454	881

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £000	2014 £000
Interest received (note 5)	16	13
Interest paid (note 9)	(491)	(503)
Net cash outflow from returns on investments and servicing of finance	(475)	(490)

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £000	2014 £000
Purchase of tangible fixed assets	(1,096)	(954)
Sale of tangible fixed assets (see note 11)	-	3,019
Deferred capital grants received (see note 18)	170	6
Net cash (outflow) /inflow for capital expenditure and financial investment	(926)	2,071

24 FINANCING

	2015 £000	2014 £000
Debt due beyond a year- Long term loan (see note 16): Net repayment	(222)	(210)
Net cash outflow from financing	(222)	(210)

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 01/08/14 £000	Cashflows £000	At 31/07/15 £000
Cash in hand and at bank	<u>5,177</u>	<u>831</u>	<u>6,008</u>
	5,177	831	6,008
Bank loan debt (note 16)	(9,442)	222	(9,220)
TOTAL	<u>(4,265)</u>	<u>1,053</u>	<u>(3,212)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

26 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.

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Total pension cost for the year		
Teachers Pension Scheme: contributions payable	552	573
Local Government Pension Scheme:		
Contributions payable	611	570
FRS17 charge	151	86
Charge to the income & expenditure account (staff costs)	762	656
Included in staff costs (note 6)	1,314	1,229
Enhanced pension charge to income and expenditure account (note 17)	119	8
	1,433	1,237

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

Contributions amounting to £79k (2014 £58k) were payable to the schemes at 31 July and are included within creditors

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although 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 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:

- employer contribution rates were set at 16.4% of pensionable pay;
- 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 will be implemented in September 2015.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £552,000 (2014: £573,000).

FRS 17

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.

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 2015 was £807k (2014 - £761k) of which employer's contributions totalled £611k (2014 - £570k) and employees' contributions totalled £196k (2014 - £191k). The agreed employer contribution rates for future years are 20.9% with minimum amounts applicable for deficit recovery per below. Employee contributions range from 5.5% to 7.5%, depending on salary.

FRS17

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

Principal actuarial assumptions

	2015	2014
Rate of increase in salaries	4.5%	4.5%
Rate of increase for pensions in payment	2.7%	2.7%
Discount rate for scheme liabilities	3.8%	4.3%
Inflation assumption (CPI)	2.7%	2.7%
Commutation of pensions to lump sums	<u>50.0%</u>	<u>50.0%</u>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

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

	2015	2014
<i>Retiring today</i>		
Males	22.1	22.0
Females	26.6	26.5
<i>Retiring in 20 years</i>		
Males	24.2	24.1
Females	<u>28.9</u>	<u>28.8</u>

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

	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014*	Value at 31 July 2014 £'000
Equities	9,627	6.5%	8,967
Gilts	755	3.4%	516
Other bonds	2,100	4.0%	1,858
Property	739	5.6%	661
Absolute Return Funds	564	6.5%	525
Cash	297	3.2%	340
Total market value of assets	<u>14,082</u>	5.9%	<u>12,867</u>
	2015 £'000		2014 £'000
College's estimated asset share	14,082		12,867
Present value of scheme liabilities			
- Funded	(25,897)		(22,166)
- Unfunded	(53)		(54)
Deficit in the scheme	<u>(11,868)</u>		<u>(9,353)</u>

* No long-term expected rate of return at 31 July 2015 has been provided, as for accounting periods beginning on or after 1 January 2015, the expected return and interest cost will be replaced with a single net interest cost. This will effectively set the expected return at a level equal to the discount rate of 3.8%.

	£'000	£'000
Analysis of the amount charged to income and expenditure account:		
Employer service cost (net of employee contributions)	763	661
Total operating charge	<u>763</u>	<u>661</u>

	2015 £'000	2014 £'000
Analysis of pension finance costs		
Expected return on pension scheme assets	763	700
Interest on pension liabilities	(963)	(875)
Pension finance costs (note 9)	<u>(200)</u>	<u>(175)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

Amount recognised in the statement of total recognised gains and losses (STRGL)	2015 £'000	2014 £'000
Actuarial gain/(loss) on pension scheme assets	234	(349)
Experience gains and losses	-	211
Actuarial loss on scheme liabilities	(2,398)	(2,778)
Actuarial loss recognised in STRGL	(2,164)	(2,916)
Movement in deficit during the year		
	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(9,353)	(6,176)
Movement in year:		
Employer service cost (net of employee contributions)	(763)	(661)
Employer contributions including unfunded	612	575
Net interest on assets (note 9)	(200)	(175)
Actuarial loss	(2,164)	(2,916)
Deficit in scheme at 31 July	(11,868)	(9,353)
Asset and liability reconciliation		
Reconciliation of liabilities	2015 £'000	2014 £'000
Liabilities at start of year	22,220	18,519
Service cost	763	661
Interest cost	963	875
Employee contributions	196	191
Actuarial loss	2,398	2,595
Benefits paid	(585)	(616)
Unfunded pension payments	(5)	(5)
Liabilities at end of year	25,950	22,220
Reconciliation of Assets	2015 £'000	2014 £'000
Assets at start of year	12,867	12,343
Expected return on assets	763	700
Actuarial gain/loss	234	(321)
Employer contributions	612	575
Employee contributions	196	191
Benefits paid including unfunded payments	(590)	(621)
Assets at end of year	14,082	12,867

The estimated value of employer contributions for the year ended 31st July 2015 is £638k.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional annual contributions of £208k in tax year 2014/15, £217k in 2015/16 and £227k in 2016/17 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
History of experience gains and (losses)					
Difference between the expected and actual return on assets: Amount £'000	234	(321)	1,432	(321)	(573)
Experience gains on scheme liabilities: Amount £'000	-	183	-	-	434
Total amount recognised in STRGL: Amount £'000	(2,164)	(2,916)	1,396	(1,979)	(322)

27 POST BALANCE SHEET EVENTS

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

28 CAPITAL COMMITMENTS

	2015 £000	2014 £000
Commitments contracted for at 31 July	<u>661</u> *	<u>380</u>

* In August 2015, the College received planning permission from the Local Authority for the £2.9m development of Skills Centre, and confirmation from Greater London Authority of 33.3% funding towards this project. The works began in September and will complete in May 2016.

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

<u>Nil</u>	<u>Nil</u>
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29 FINANCIAL COMMITMENTS

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

	2015		2014	
	Land and Buildings * £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	-	-	4
Expiring between two and five years inclusive	-	90	-	-
Expiring in over five years	see note below*	-	see note below*	-
TOTAL	<u>-</u>	<u>90</u>	<u>-</u>	<u>4</u>

* The College has a lease arrangement with London Borough of Hounslow for the Skills Centre site to 2026 with the intention of both parties to extend this further. The principal term of the current lease is a 15 year tenure which commenced in April 2011 of which the first 10 years are rent free and then revert to a rack rent for the final 5 years. The College sought permission from the landlord to carry out repair and redevelopment works at the premises and to fit out the building to the College's requirement.

30 CONTINGENT LIABILITY

A legal claim by a former staff may result in a claim which the College may be liable. It has not been practical to establish whether such a claim may result in a material settlement but a provision of £35,000 has been included in the balance sheet. The Corporation is not aware of any other such liabilities.

31 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 (2014 - £nil).

No expenses were paid to or on behalf of the Governors during the year (2014: Nil).

No Governor has received any remuneration or waived payments from the College (2014: Nil)

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

32 AMOUNTS DISBURSED AS AGENT

LEARNER SUPPORT FUNDS

	2015 £000	2014 £000
Funding body grants- hardship support	425	389
Funding body grants - childcare	70	79
Other funding bodies grants- HEFCE	-	5
16 - 18 Bursary funding	<u>427 *</u>	<u>444 *</u>
	922	917
Disbursed to Students	(801)	(788)
Staffing & Administration Costs	(34)	(33)
Balance unspent at 31 July	<u><u>87</u></u>	<u><u>96</u></u>

* Includes amount brought forward of £36k (2014 = £69k)

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.

UNITED STATES DEPARTMENT OF JUSTICE

Office of the Inspector General

Washington, D.C. 20535

TO: [Redacted]
 FROM: [Redacted]
 SUBJECT: [Redacted]
 DATE: [Redacted]
 REF: [Redacted]

Enclosed for the [Redacted] are [Redacted] copies of [Redacted] report dated [Redacted] and captioned [Redacted].

Very truly yours,
 [Redacted]

Special Agent in Charge

Enclosure

This document contains neither recommendations nor conclusions of the Office of the Inspector General. It is the property of the Department of Justice and is loaned to your agency; it and its contents are not to be distributed outside your agency.

Approved for release by the Office of the Inspector General on [Redacted] at [Redacted].

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