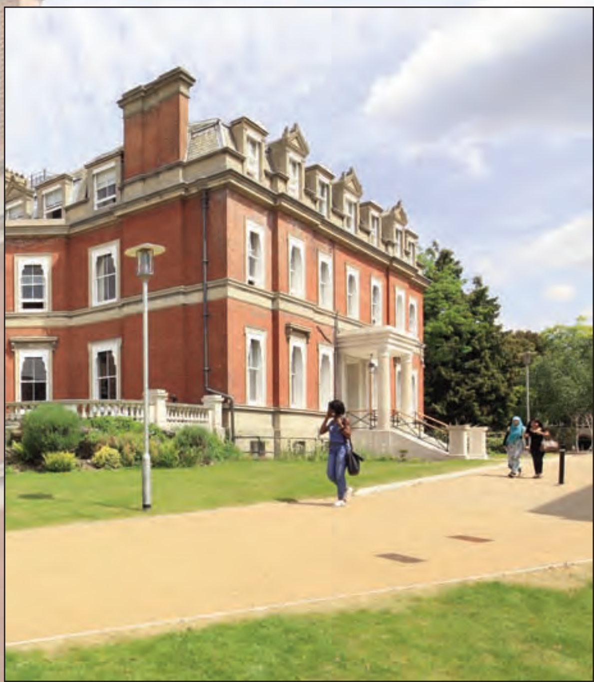
West Thames College London

Report and Financial Statements for the Year Ended 31 July 2013



POSITIVE ABOUT DISABLED PEOPLE

INVESTORS IN PEOPLE

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WEST THAMES COLLEGE

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2013

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2013 for West Thames College ("WTC").

Legal status

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

College vision, values and principles

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

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

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

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

Implementation of strategic plan

In July 2010 the 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 2012/13 and achievement of those objectives are addressed below:

Of the eighteen objectives in the 2012-13 Development Plan, ten were fully met, six were partially met, in one case we are awaiting data and in the final case this is an on-going objective.

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

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

- Improvements in the quality of teaching and learning were evident by the end of the year although the initial snapshot in February/March 2013 did not meet its target.
- The use of learning technologies in teaching and learning was further embedded with curriculum areas meeting the standards required.
- Improvements in student enrichment activities were met.

The remaining three targets were partially met:

- Punctuality improved but attendance did not meet its target. Attendance continues as a focus for improvement in 2013-14, and we are working with a group of students to identify different approaches to this.
- Assessment and feedback showed some improvement but student satisfaction on this aspect did not meet its target. We will continue to monitor this area in 2013-14 – objective 3 in the current Development Plan is around improving success rates in part through the use of ProMonitor to track progress.
- The learner voice process was strengthened with course representatives identified sooner in the year and Student Parliaments set up but student satisfaction with this aspect did not meet its target in term 2. Strengthening the learner voice is still a major focus for us, and the attendance of the Chair at the first Student Parliament was very positively received.

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

Four of the six objectives were met:

- Developing a 14-19 offer – the target was to research our options regarding direct recruitment of 14 year olds. The internal options appraisal was completed in March 2013, and recommended a pilot recruitment of one group of 14 year olds. We have not implemented this due to insufficient demand from schools.
- Developing employability skills – the outcome has been an employability strategy and recruitment of a team of employability advisers working with the re-shaped Careers and Employability Team. The establishment of a new Employability Hub at Isleworth in September 2013 will enhance this programme in 2013-14.
- Increasing the number of internal apprenticeships – we recruited 80 apprentices which was above target, and have set a challenging target for 2013-14.
- Improving the Supported Learning offer – we exceeded the target of 33% of the search students progressing to employment. A second cohort is now running. An objective in the 2013-14 Development Plan carries the Special Educational Needs (SEN) agenda forward, and in particular aims to clarify the funding model for High Needs Students in the light of changes in Government policy.

One objective was partially met:

Developing the Higher Education offer - we have established a revised HE offer for 2013-14 and recruitment is on track. We have also remodelled the HE study space. However we had set a target of 15% of our level 3 students progressing onto WTC HE courses and this was not achieved.

The final objective around developing partnerships is on-going. Governors have discussed a range of partnership options and continue to do so.

In Goal 3: To provide an EXCELLENT environment and resources

Three of the six objectives were fully met:

- Significant improvements in IT services – this area has gone from being bottom of the league table in terms of support services to near the top. The Head of IT Services has raised the profile of the service and set challenging service standards which his team is delivering against.
- Migration from Centime to ProSolution (software from Compass Computer Consultants Ltd) – we have been using ProSolution to do our returns to the Skills Funding Agency (SFA), and used it to enrol our students at the start of this academic year. There is still work to do to fully embed ProSolution and related projects and this is an objective for 2013-14.
- Establishment of the Learning Resources Centre at the Skills Centre – this was achieved in November 2012.

Two were partially met:

- Curriculum & quality and financial reporting – while curriculum & quality reporting significantly improved in 2012-13 and KPI data on attendance, retention and predicted grades was much more easily accessible, we did not manage to significantly improve our financial reporting. This is an objective for 2013-14.
- Business process improvement – several areas worked on this project and have made some improvements to processes but this was not successful in every area.

In one case it is too soon to say:

Improving performance management in targeted areas – while we have successfully tackled performance in some key areas, the measure we set was a revised appraisal grade profile. This is not yet available.

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

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

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

The College is committed to observing the importance of the measures and indicators within the Framework.

In addition to these, the College is monitoring financial health indicators through its management accounts and the completion of the annual Finance Record for the SFA. The current rating is Satisfactory. Per the latest 3 year financial forecast, the College will regain its Good or Outstanding computed health grade in 2013/14.

FINANCIAL POSITION

Financial results

The College generated a deficit of £777k (2011/12 surplus of £259k). The deficit is after adjustment for FRS 17 and enhanced pension charge of £419k (2011/12 - £270k).

The College had accumulated reserves of £2,851k (2011/12 - £2,232k) and cash balances of £2,925k (2011/12- £3,174k) at 31 July 2013.

Tangible fixed asset additions during the year amounted to £1,855k (2011/12 - £3,669k). This was split between buildings of £833k (2011/12 - £2,907k) and equipment (including MIS related additions of £1,022k) (2011/12- £762k). In the main, the building additions relate to improvement works at the Skills Centre site and MIS spend includes the investment in the new student system (ProSolution) which will enable the College to improve its income and funding reporting and other management reports.

The College significantly relies on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2012/13, the funding bodies provided 85% (2011/12 – 85%) of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Vice Principal – Resources and Corporate Planning or the Principal. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the SFA. 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

The operating cash in-flow for the year was £1,625k (2011/12- £2,180k).

Liquidity

At the year end, the College had an unsecured bank loan of £9,652k (2011/12 - £9,861k) 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 2012/13, the College delivered activity that produced £17,453k (2011/12 - £17,655k) in main funding body allocation. The College had approximately 6,590 (2011/12- 6,209) funded students.

Student achievements

Students continue to prosper at the College. The overall student success rate in 2012/13 increased to 88% from 85% in 2011/12.

Curriculum developments

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

The College continued to develop its vocational offer with embedded Skills for Life to meet the needs of the community, and to develop in partnership with Hounslow its 14-19 offer. A key focus is to provide clear progression routes into employment, further training or Higher Education (HE) and many curriculum areas offer provision from Entry level through to Degree. In addition to our own directly funded HE, we continued to work in partnership with some key HE providers to ensure good progression routes. A major development has been the introduction of the Programmes of Study for 16-18 year olds with English, Maths and employability fully embedded in the delivery model.

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

Post-balance sheet events

There are no post balance sheet events to report.

Future developments

We are now developing further our own in-house Apprenticeship offer and reducing our sub-contracted provision. We will continue to work closely with employers and aim to submit a partnership Employer Ownership Pilot bid. Development in Hounslow such as the growth of the Sky campus will provide a good opportunity to be part of a major workforce development project. In addition we will continue to explore options for direct enrolment of 14 year olds, and closer working with local schools to develop a coherent 14-19 offer in Hounslow. The impact of the 24+ loans and the reduction in funding for classroom based adult provision will be monitored and 2013/14 will be a transitional year for our classroom based ESOL provision.

RESOURCES

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

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

Financial
The College had £56,486k (2011/12 - £57,842k) of net assets (including £6,176k (2011/12 - £7,290k) pension liability) at 31 July 2013. This includes the long term bank loan of £9,652k (2011/12 – £9,861k).

People
The College employed approximately 331 (2011/12 – 350) people (expressed as full-time equivalents), of whom 153 were teaching staff during 2012/13.

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Management Team also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

1. Government funding

The College has considerable reliance on continued Government funding through the further education sector funding bodies and through HEFCE. In 2012/13, approximately 90% (2011/12 – 90%) of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The impact of new funding formulas for 16-18 EFA and 19+ SFA provision in 2013/14 may be an overall reduction in funding for similar volumes
- The on-going impact of the Comprehensive Spending Review will require Adult Learner Responsive funding to be cut by around 25% over 2011/12 to 2014/15 whilst increasing or maintaining volumes.
- The rebasing of learner funding where student number targets have not been met.
- The introduction of 24+ Advanced Learning Loans for Level 3 and above provision from 2013/14.

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.
- Regular dialogue with the SFA and the EFA.
- 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.
- Modelling of the impact of the new funding methodologies.
- From April 2013, ensuring 24+ Advanced Learning Loans have been publicised and promoted.
- Strategies to reduce dependency on income from public funded sources.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. 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.

4. Other potentially material risks include failure to recruit and retain sufficient student volumes in order to achieve funding targets, inability to recruit or retain staff within allocated pay budgets, delay in selling Heath House and the new MIS system taking longer than planned to be fully implemented. 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;
- 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 will seek to promote equality and diversity and avoid discrimination on grounds of the protected characteristics as set out in the Equality Act 2010.

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

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

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

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes and skills of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training and career development opportunities to meet the business needs of the organisation and reflects the College's commitment to equality and diversity. The College successfully retained its Investors in People accreditation in July 2011.

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

Disability statement

The College welcomes students with disabilities and/or learning difficulties and has made a significant investment both in specialised equipment and in the appointment of a Disability Support Manager and specialist lecturers to support students with learning difficulties and disabilities.

The College employs a number of student support assistants, who can provide a range of support for learning, and also specialist counselling and welfare staff. The College has a specialist facility for students with profound and complex learning needs.

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

Disclosure of information to the auditor

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

Approved by order of the members of the Corporation on 18th December 2013 and signed on its behalf by:

John Bolt Chair

Professional advisers

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2013

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

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 2013. 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 will formally adapt the Audit and Accountability Annex to the Foundation Code at its December 2013 meeting

The Corporation

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

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

	Date(s) of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served at time of approving the Financial Statements
Ms Navjit Kaur	10/07/13	1 year		Student representative	4
Ms Mariam Guled	16/10/13	1 year		Student representative	4
Ms Mary Harpley	01/02/12	4 years	-	Independent	-
Mr Martin Swain	17/10/12	4 years	-	Independent	-
Ms Yodit Solomon	01/08/12	1 year	31/07/13	Student representative	4
Mr Anand Joshi	01/08/12	1 year	31/07/13	Student representative	4
Ms Dale MacPhee	01/02/12	4 years	31/07/13	Independent	5

Mr Jonathan Allen acts as a Clerk to the Corporation.

[1] Member of the Audit Committee, chaired by Linda Graves
[2] Member of the Remuneration Committee, chaired by John Bolt
[3] Member of the Search Committee, chaired by David Ashton; the Chair of the Board and the Principal are ex-officio members
[4] Member of the Quality & Equality Advisory Group, chaired by David Ashton
[5] Member of the Finance & Capital Projects Advisory Group, chaired by Tommy White

An attendance target of 75% has been set by the Board for overall attendance at Board and Committee meetings. In 2012/13, actual attendance was 88.1% (119 actual out of a possible 135). Three governors did not achieve the target of 75%.

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 five 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

Throughout the year ended 31 July 2013, the College's Remuneration Committee comprised 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 2013 are set out in note 7 to the financial statements.

Audit Committee

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

The Audit Committee normally meets once a term and provides a forum for reports from the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between West Thames College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in West Thames College for the year ended 31 July 2013 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 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the Senior Management Team and the internal auditor, and taking account of events since 31 July 2013.

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 18 December 2013 and signed on its behalf by:

Marjorie Semple

John Bolt
Chair

Marjorie Semple
Principal

WEST THAMES COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE YEAR ENDED 31 JULY 2013

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

Within the terms and conditions of the Financial Memorandum agreed between the SFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2012-13 financial statements issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 18 December 2013 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 2013 set out on pages 17 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

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

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2013 and of the College's deficit of expenditure over income for the year then ended;

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

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

In our opinion:

- proper accounting records have been kept; and

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

Buzzacott LLP

Buzzacott LLP
Chartered Accountants &
Registered Auditor

Date: 18 December 2013

WEST THAMES COLLEGE

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

In accordance with the terms of our engagement letter and further to the requirements of the Chief Executive of SFA, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of West Thames College for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Buzzacott LLP
Chartered Accountants &
Registered Auditor

Date 18 December 2013

WEST THAMES COLLEGE

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £000	2012 £000
Income			
Funding body grants	2	20,105	20,586
Tuition fees and education contracts	3	2,322	2,472
Other income	4	1,235	1,274
Investment income	5	14	9
Total Income		**23,676**	**24,341**
Expenditure			
Staff costs	6	14,105	14,277
Other operating expenses	8	6,386	5,809
Depreciation	11	3,279	3,332
Interest and other finance costs	9	683	664
Total Expenditure		**24,453**	**24,082**
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		**(777)**	**259**
Taxation	10	-	-
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		**(777)**	**259**

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

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £000	2012 £000
(Deficit)/surplus on continuing operations after taxation		(777)	259
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	33	32
Historical cost (deficit)/surplus for the year after tax		**(744)**	**291**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £000	2012 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(777)	259
Actuarial gain/(loss) in respect of pension scheme	26	1,396	(1,979)
Total recognised gains /(losses) for the year		**619**	**(1,720)**

Reconciliation

	2013	2012
Opening reserves	2,232	3,952
Total recognised gains/(losses) for the year	619	(1,720)
Closing reserves	**2,851**	**2,232**

WEST THAMES COLLEGE

BALANCE SHEET AS AT 31 JULY

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	11	**71,396**	**72,821**
Current assets			
Stock		24	29
Debtors	13	376	1,540
Assets held for re-sale	11	1,746	1,746
Cash at bank and in hand		2,925	3,174
Total current assets		**5,071**	**6,489**
Less: Creditors: amounts falling due within one year	14	(2,939)	(3,148)
Net current assets		**2,132**	**3,341**
Total assets less current liabilities		**73,528**	**76,162**
Less: Creditors - amounts falling due after more than one year	15	(9,442)	(9,652)
Less: Provisions for liabilities and charges	17	(1,424)	(1,378)
NET ASSETS excluding pension liability		**62,662**	**65,132**
Net pension liability	26	(6,176)	(7,290)
NET ASSETS including pension asset liability		**56,486**	**57,842**
Deferred capital grants	18	53,635	55,610
Reserves			
Income and expenditure Account excluding pension reserve	20	5,835	6,297
Pension reserve	26	(6,176)	(7,290)
Income and expenditure Account including pension reserve	20	(341)	(993)
Revaluation reserve	19	3,192	3,225
Total reserves		**2,851**	**2,232**
TOTAL FUNDS		**56,486**	**57,842**

The financial statements on pages 17 to 40 were approved by the governing body on 18 December 2013 and were signed on its behalf by:

John Bolt
Chair

Marjorie Semple

Marjorie Semple
Chief Executive / Principal

WEST THAMES COLLEGE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £000	2012 £000
Cash inflow from operating activities	21	1,625	2,180
Returns on investments and servicing of finance	22	(488)	(472)
Capital expenditure and financial investment	23	(1,177)	754
Financing	24	(209)	(498)
(Decrease)/increase in cash in the year	25	**(249)**	**1,964**

Reconciliation of net cash flow to movement in net debt

		£000	£000
(Decrease)/ Increase in cash in the year	25	(249)	1,964
Net repayment on loan	24	209	498
Movement in net (debt)/funds in the period	25	(40)	2,462
Net debt at 1 August		(6,687)	(9,149)
Net debt at 31 July	25	**(6,727)**	**(6,687)**

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 2012-13 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 £9,652k of loans outstanding at 31 July 2013 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 24 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 at the end of November following the year end, and the results of any funding audits. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

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

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.

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 28, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced pensions

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

Tangible fixed assets

Land and buildings

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

Land and buildings acquired and building improvements since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. 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.

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.

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.

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

2 FUNDING BODY GRANTS

	2013 £000	2012 £000
EFA recurrent grant	10,649	10,603
SFA recurrent grant	6,804	7,052
HEFCE recurrent grant	455	714
Release of deferred capital grants (note 18)	2,197	2,217
TOTAL	**20,105**	**20,586**

3 TUITION FEES AND EDUCATION CONTRACTS

	2013 £000	2012 £000
Tuition fees	1,564	1,367
Education contracts	758	1,105
TOTAL	**2,322**	**2,472**

Included within the above amounts are tuition fees funded by bursaries of £119k (2012: £100k)

4 OTHER INCOME

	2013 £000	2012 £000
Catering	387	390
Other income generating activities	86	76
Release from deferred capital grants (non- funding body) (note 18)	20	1
Other income	742	807
TOTAL	**1,235**	**1,274**

5 INVESTMENT INCOME

	2013 £000	2012 £000
Interest receivable	14	9
TOTAL	**14**	**9**

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:

	2013 Number	2012 Number
Teaching staff	153	171
Non - teaching staff	178	179
TOTAL	**331**	**350**

Staff costs for the above persons:

	2013 £000	2012 £000
Wages and salaries	10,231	10,705
Social security costs	735	762
Other pension costs (including FRS 17 charge of £101k; 2012 credit of £30k)	1,267	1,235
Payroll sub-total	**12,233**	**12,702**
Contracted out staffing services	1,679	1,476
	13,912	**14,178**
Redundancy payments including severance and payments in lieu of notice	193	99
TOTAL	**14,105**	**14,277**

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

	Senior postholders		Other staff	
	2013 Number	2012 Number*	2013 Number	2012 Number*
£50,001 to £60,000 p.a.	1	-	6	4
£70,001 to £80,000 p.a.	1	1	-	-
£80,001 to £90,000 p.a.	-	1	-	-
£90,001 to £100,000 p.a.	1	1	-	-
£110,001 to £120,000 p.a.	1	1	-	-
	4	**4**	**0**	**4**

*2012 numbers re-stated to exclude pension contributions

7 SENIOR POSTHOLDERS' EMOLUMENTS

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

	2013 Number	2012 Number
The number of senior postholders including the Principal was:	4 *	4 **

Senior postholders' emoluments are made up as follows:		
	£000 *	£000 **
Salaries	334	325
Benefits in kind	1	1
Pension contributions	46	50
Total emoluments	**381**	**376**

* One of the Vice Principals' posts was vacant from April 2013. The post was covered by an external consultant who was not deemed to be senior post-holder.

** One of the Vice Principals' posts was vacant in year up to December 2011 in 2011/12. The post was covered by a combination of an external consultant and the Deputy Vice Principal who were not deemed to be senior post-holders.

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

	2013 £000	2012 £000
Salary	116	114
Benefits-in-kind	1	1
	117	115
Pension contributions	16	16

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

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

8 OTHER OPERATING EXPENSES

	2013 £000	2012 £000
Teaching costs	996	1,078
Non teaching costs	3,812	3,339
Premises costs	1,578	1,392
TOTAL	**6,386**	**5,809**

Other operating expenses include:

	2013 £000	2012 £000
Auditor's remuneration :		
- financial statements audit	23	22
- regularity audit	4	4
- internal audit	24	23
Deficit on disposal of fixed assets	1	-
Hire of plant and machinery - operating leases	164	131

9 INTEREST PAYABLE

	2013 £000	2012 £000
Bank loan repayable wholly or partly in more than five years	502	481
FRS 17 pension finance costs (note 26)	181	183
TOTAL	**683**	**664**

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 2012	71,543	990	8,686	81,219
Additions	24	809	1,022	1,855
Disposal and write-off of assets	-	-	(173)	(173)
At 31 July 2013	**71,567**	**1,799**	**9,535**	**82,901**
Depreciation				
At 1 August 2012	3,735	624	4,039	8,398
Charge for the year	1,462	34	1,783	3,279
Disposal and write-off of assets	-	-	(172)	(172)
At 31 July 2013	**5,197**	**658**	**5,650**	**11,505**
Net book value At 31 July 2013	**66,370**	**1,141**	**3,885**	**71,396**
Net book value At 1 August 2012	**67,808**	**366**	**4,647**	**72,821**
Inherited (note 19)	3,192	-	-	3,192
Financed by capital grant	51,136	159	2,222	53,517
Other	12,042	982	1,663	14,687
	66,370	**1,141**	**3,885**	**71,396**

As stated in the policy note, the College carries inherited assets at an inherited valuation of £3,192k (note19). The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Land and buildings with a net book value of £51,295k have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the former LSC, to surrender the proceeds.

As per the property strategy, Heath House building adjacent to the main site was on the market to be sold and contracts were exchanged with the preferred bidder in April 2013. The sale is subject to certain conditions and the transaction is envisaged to be completed in early 2014. The net book value at £1,746k was therefore transferred from fixed assets to current assets in 2012.

12 INVESTMENTS

The College has no investments.

13 DEBTORS

	£000 2013	£000 2012
Trade debtors	195	229
Prepayments and accrued income	181	107
Amounts owed by the SFA-Capital Grant	-	1,204
TOTAL	**376**	**1,540**

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

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Bank loan (note 16)	210	209
Payments received in advance	108	79
Trade creditors	1,096	1,999
Other taxation and social security	384	385
Accruals	304	397
Amounts owed to the SFA	837	79
TOTAL	**2,939**	**3,148**

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £000	2012 £000
Bank loan (note 16)	9,442	9,652
	9,442	**9,652**

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 5.18%. This loan was taken out to part fund the redevelopment of the College's Isleworth campus.

16 ANALYSIS OF BORROWINGS

	2013 £000	2012 £000
Bank loan repayable as follows:		
In one year or less (note 14)	210	209
Between one and two years	221	210
Between two and five years	737	699
In five years or more	8,484	8,743
TOTAL	**9,652**	**9,861**

17 PROVISIONS FOR LIABILITIES AND CHARGES

	2013 £000	2012 £000
Enhanced Pensions		
At 1 August	1,378	1,349
Expenditure in the year	(91)	(88)
Transferred from income and expenditure account	137	117
At 31 July	**1,424**	**1,378**

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:

	2013	2012
Interest rate	4.28%	3.89%
Net interest rate	2.50%	2.50%

18 DEFERRED CAPITAL GRANTS

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2012	55,459	151	55,610
Cash receivable	242	-	242
Released to income and expenditure account	(2,197)	(20)	(2,217)
At 31 July 2013	**53,504**	**131**	**53,635**

19 REVALUATION RESERVE

	2013 £000	2012 £000
At 1 August	3,225	3,257
Transfer to income and expenditure account in respect of :		
Depreciation on revalued assets (note 20)	(33)	(32)
At 31 July	**3,192**	**3,225**

20 MOVEMENT ON GENERAL RESERVES

Income and expenditure account reserve

	2013 £000	2012 £000
At 1 August	(993)	695
(Deficit)/surplus retained for the year	(777)	259
Transfer from revaluation reserve in respect of depreciation on Inherited assets (note 19)	33	32
Actuarial gain/(loss) in respect of pension scheme (note 26)	1,396	(1,979)
At 31 July	**(341)**	**(993)**
Balance represented by:		
Pension reserve (note 26)	(6,176)	(7,290)
Income and expenditure reserve excluding pension reserve	5,835	6,297
At 31 July	**(341)**	**(993)**

21 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £000	2012 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(777)	259
Depreciation & impairment of assets (note 11)	3,279	3,332
Deferred capital grants released to income (note 18)	(2,217)	(2,218)
FRS 17 charge (note 26)	282	153
Deficit on disposal of fixed asset	1	-
Decrease in stock	5	2
Decrease/(increase) in trade debtors (note 13)	48	(79)
(Increase)/decrease in prepayments and accrued income (note 13)	(74)	2
Increase in creditors excluding capital funding	608	214
Increase in provisions (note 17)	46	29
Increase/(decrease) in payments received in advance (note 14)	29	(43)
(Decrease)/increase in accruals (note 14)	(93)	57
Interest receivable (note 5)	(14)	(9)
Interest payable (note 9)	502	481
Net cash inflow from operating activities	**1,625**	**2,180**

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013 £000	2012 £000
Interest received (note 5)	14	9
Interest paid (note 9)	(502)	(481)
Net cash outflow from returns on investments and servicing of finance	**(488)**	**(472)**

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013 £000	2012 £000
Purchase of tangible fixed assets	(2,609)	(5,339)
Deferred capital grants received	1,432	6,093
Net cash (outflow)/ inflow for capital expenditure and financial investment	**(1,177)**	**754**

24 FINANCING

	2013 £000	2012 £000
Debt due beyond a year- Long term loan (see note 16): Net repayment	(209)	(498)
Net cash (outflow) from financing	**(209)**	**(498)**

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 01/08/12 £000	Cashflows £000	At 31/07/13 £000
Cash in hand and at bank	3,174	(249)	2,925
	3,174	(249)	2,925
Bank loan debt (note 16)	(9,861)	209	(9,652)
TOTAL	**(6,687)**	**(40)**	**(6,727)**

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.

Total pension cost for the year		Year ended 31 July 2013 £000		Year ended 31 July 2012 £000
Teachers Pension Scheme: contributions payable		686		724
Local Government Pension Scheme:				
Contributions payable	480		541	
FRS17 charge/(credit)	101		(30)	
Charge to the income & expenditure account (staff costs)		581		511
Included in staff costs (note 6)		1,267		1,235
Enhanced pension charge to income and expenditure account		137		117
		1,404		**1,352**

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

Contributions amounting to £96k (2012 £100k) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme (TPS)

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 (in excess of price increases and currently set at 3.5%), 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

Not less than every four years the Government Actuary (“GA”), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (“SCR”) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:
http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The Employer pension costs paid to TPS in the year amounted to £686k (2012: £724k).

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 2013 was £646k (2012 - £656k) of which employer's contributions totalled £480k (2012 - £541k) and employees' contributions totalled £166k (2012 - £171k). The agreed contribution rates for future years are 18.9% and range from 5.5% to 7.5% for employees, depending on salary.

FRS17

The following information is based upon a full actuarial valuation of the Scheme at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

Principal actuarial assumptions

	2013	2012
Rate of increase in salaries	4.8%	4.0%
Rate of increase for pensions in payment	2.6%	1.8%
Discount rate for scheme liabilities	4.7%	3.9%
Inflation assumption (CPI)	2.6%	1.8%
Commutation of pensions to lump sums	50.0%	50.0%

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

	2013	2012
Retiring today		
Males	19.2	19.0
Females	23.2	23.1
Retiring in 20 years		
Males	21.1	21.0
Females	25.1	25.0

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

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

	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000
Equities	6.4%	8,887	5.8%	7,154
Gilts	3.4%	617	2.8%	1,452
Other bonds	4.3%	2,098	3.9%	933
Property	5.4%	247	4.8%	311
Cash	0.5%	494	0.5%	518
Total market value of assets	**5.6%**	**12,343**	**4.9%**	**10,368**

	2013 £'000	2012 £'000
College's estimated asset share	12,343	10,368
Present value of scheme liabilities		
- Funded	(18,464)	(17,601)
- Unfunded	(55)	(57)
Deficit in the scheme	(6,176)	(7,290)

Analysis of the amount charged to income and expenditure account:	2013 £'000	2012 £'000
Employer service cost (net of employee contributions)	589	513
Total operating charge	589	513

Analysis of pension finance income/(costs)	2013 £'000	2012 £'000
Expected return on pension scheme assets	510	620
Interest on pension liabilities	(691)	(803)
Pension finance costs (note 9)	(181)	(183)

Amount recognised in the statement of total recognised gains and losses (STRGL)	2013 £'000	2012 £'000
Actuarial gain/(loss) on pension scheme assets	1,432	(321)
Actuarial (loss) on scheme liabilities	(36)	(1,658)
Actuarial gain/(loss) recognised in STRGL	1,396	(1,979)

Movement in deficit during the year	£'000	£'000
Deficit in scheme at 1 August	(7,290)	(5,158)
Movement in year:		
Employer service cost (net of employee contributions)	(589)	(513)
Employer contributions	484	539
Unfunded pension payments	4	4
Net interest on assets (note 9)	(181)	(183)
Actuarial gain/ (loss)	1,396	(1,979)
Deficit in scheme at 31 July	(6,176)	(7,290)

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

Asset and liability reconciliation

Reconciliation of liabilities	2013 £'000	2012 £'000
Liabilities at start of year	17,658	15,116
Service cost	589	513
Interest cost	691	803
Employee contributions	167	170
Actuarial loss	36	1,658
Benefits paid	(618)	(598)
Unfunded pension payments	(4)	(4)
Liabilities at end of year	18,519	17,658

Reconciliation of Assets

Assets at start of year	10,368	9,958
Expected return on assets	510	620
Actuarial gain/(loss)	1,432	(321)
Employer contributions	488	543
Employee contributions	167	170
Benefits paid	(622)	(602)
Assets at end of year	12,343	10,368

The estimated value of employer contributions for the year ended 31st July 2014 is £487k.

History of experience gains and (losses)	31 July 2013	31 July 2012	31 July 2011	31 July 2010	31 July 2009
Difference between the expected and actual return on assets:					
Amount £'000	1,432	(321)	(573)	769	(766)
Experience gains and (losses) on scheme liabilities:					
Amount £'000	-	-	434	-	-
Total amount recognised in STRGL:					
Amount £'000	1,396	(1,979)	(322)	923	(1,012)

27 POST BALANCE SHEET EVENTS

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

28 CAPITAL COMMITMENTS

	2013 £000	2012 £000
Commitments contracted for at 31 July	266	437
Commitments under finance leases entered into but not yet provided for in the financial statements.	Nil	Nil

29 FINANCIAL COMMITMENTS

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

	2013		2012	
	Land and Buildings * £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	4	-	106
Expiring between two and five years inclusive	-	-	-	4
Expiring in over five years	see note below*	-	see note below*	-
TOTAL	**-**	**4**	**-**	**110**

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

30 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 (2012 - £nil).

31 AMOUNTS DISBURSED AS AGENT

LEARNER SUPPORT FUNDS

	2013	2012
	£000	£000
		Restated
Funding body grants- hardship support	315	279
Funding body grants - childcare	84	64
Other funding bodies grants- HEFCE	4	3
16 - 18 Bursary funding	337	178
	740	524
Disbursed to Students	(583)	(494)
Staffing	(35)	(24)
Administration costs	(2)	(1)
Balance unspent at 31 July	120	5

2012 Figures are re-stated to include the 16-18 bursary funding.

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.