



# Report and Financial Statements for the Year Ended 31 July 2014



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## **WEST THAMES COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014**

#### **NATURE, OBJECTIVES AND STRATEGIES:**

The members present their report and the audited financial statements for the year ended 31 July 2014 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 8 and 9.

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 2013/14 and achievement of those objectives are addressed below:

## **WEST THAMES COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)**

Of the eighteen objectives in the 2013-14 Development Plan, 13 were fully met, 3 have not been met and in two cases we are awaiting data.

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

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

- Improvements in the quality of teaching, learning and assessment are evident in the final analysis.
- 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.

Three targets were not achieved:

- Attendance target has not been achieved, with a final outcome of 82% against a target of 87%. The Quality and Equality Committee has analysed the impact of strategies and interventions to improve attendance on an ongoing basis, but clearly the overall result is disappointing. The same target of 87% has been set for 2014-15 and there has been significant focus on setting standards from the very start of the year – initial indications are that this is having some success.
- Overall success rate is 89% against the target of 90%.
- Both the success and timely success rates of the apprenticeship provision were below the target.

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

Four of the six objectives were met:

- Developing a cross college approach to employer engagement, ensuring our curriculum offer is relevant and meeting local employer needs and maximising opportunities for our students.
- Directly enrol 14 year olds. A planned offer for a group of 14 year olds, working with a minimum of one partner. Proposed start date of Sept 2015 now being worked to.
- Increasing the volume of activity in partnership with JCP. A new curriculum offer was developed and successfully implemented. ESOL and Basic Skills courses were developed in liaison with JCP. Income exceeded targets set.
- Implementing a process to effectively track and monitor student progression and student destination data. Positive feedback was received from Ofsted regarding progression.

Two of the objectives were not achieved:

- The first related to the new Programme of Study, and specifically the directed self-study element of this. The targets we set were around attendance and student satisfaction. Although we did not reach the targets we have made significant progress in implementing the new Programmes of Study and this was recognised by Ofsted.
- The second relates to the increase in the number of in-house apprenticeships. In this instance we did increase our numbers (more than doubled) but we did not achieve what we recognised was a stretching target. Staffing issues were a contributory factor in this, and the position is now much more stable.

#### **In Goal 3: To provide an EXCELLENT environment and resources**

All the six objectives were fully met:

- Embedding of student database ProSolution and related products. Curriculum planning based in ProResource was much more effective than in previous years and the link with MIS and the curriculum calendar has been good. Many reports and views now available but further work now needed to identify the gaps, and modifying existing reports in the light of this year's experience.
- Ensuring accurate student data through improved MIS processes and systems. New management structure for MIS/funding and planning has been in place since January 2014 and is working well. Monthly data checking meetings have been embedded in curriculum calendar. Clean ILRs were submitted to SFA.
- Achieving a balanced budget through improved financial reporting. Operating surplus exceeding budget was achieved in the year. Further work is now needed on financial reports.
- Developing a more robust financial strategy. Income from sub-contracted provision has reduced and will be reduced further in 2014-15.

## **WEST THAMES COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)**

- Developing our additional learning support provision in the light of changes to High Needs Funding. Provision has increased to 92 students from 9 LAs with a current retention rate of 99%.
- Ensuring we have high quality effective managers in post by focusing on our strategies for recruiting, succession planning and coaching new managers. Successful appointments to many posts.

#### **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 was inspected by Ofsted in 2013-14 and was graded as overall "Good" with "Outstanding" for Leadership and Management, and for Health, Care and Early Years.

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.

## **FINANCIAL POSITION**

### **Financial results**

The College generated an operating surplus in the year of £1,476k (2012/13 deficit of £777k). The result in 2013/14 is stated after accounting for the disposal of the Heath House building, which generated a surplus of £1,273k and adjustment for FRS 17 and enhanced pension charges of £269k (2012/13 - £419k).

The College had accumulated reserves of £1,411k (2012/13 - £2,851k) and cash balances of £5,177k (2012/13- £2,925k) at 31 July 2014.

Tangible fixed asset additions during the year amounted to £954k (2012/13 - £1,855k). This was split between buildings of £157k (2012/13 - £833k) and equipment (including MIS related additions of £797k) (2012/13-£1,022k). In the main, the building additions relate to improvement works at the Skills Centre site and MIS spend includes the ongoing 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 2013/14, the funding bodies provided 82% (2012/13 – 85%) of the College's total income.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **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.

## **WEST THAMES COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)**

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum agreed with the Skills Funding Agency. 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 £881k (2012/13 - £1,625k).

#### **Liquidity**

At the year end, the College had an unsecured bank loan of £9,442k (2012/13 - £9,652k) 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.

#### **Student numbers**

In 2013/14, the College delivered activity that produced £16,776k (2012/13 - £17,453k) in main funding body allocation. The College had approximately 6,124 (2012/13 - 6,590) funded students.

#### **Student achievements**

Students continue to prosper at the College. The overall student success rate in 2013/14 increased to 89% (awaiting final validation) from 86% in 2012/13.

#### **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, 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 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. 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. The work of the Trade Union Studies team continues to grow.

#### **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 have submitted a bid to the Local Enterprise Partnership (LEP) for capital funding to develop Logistics at the Skills Centre, in partnership with lead employers. 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 our classroom based ESOL provision will continue to be adapted to reflect the changes in qualifications. English and Maths for those who have not yet achieved level 2 will be a major focus in 2014-15.

## WEST THAMES COLLEGE

### OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)

#### 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 £52,810k (2012/13 - £56,486k) of net assets (including £9,353k (2012/13 - £6,176k) pension liability) at 31 July 2014. This includes the long term bank loan of £9,221k (2012/13 – £9,442k).

#### *People*

The College employed approximately 321 (2012/13 – 331) people (expressed as full-time equivalents), of whom 131 were teaching staff during 2013/14.

#### *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 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 2013/14, approximately 90% (2012/13 – 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 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.
- Changes in ESOL funding and the removal of transitional protection.
- 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.

## **WEST THAMES COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)**

- 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.
- Ensuring 24+ Advanced Learning Loans are 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 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;
- 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.

## WEST THAMES COLLEGE

### OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2014 (cont.)

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.

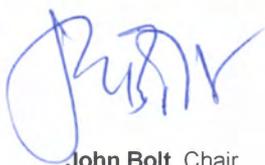
The College buildings have been substantially adapted with lifts, ramps and automatic doors to allow access for wheelchair users, and there are several adapted toilets and reserved car parking. Wheelchair access is available to all communal student facilities and to 98% of the classrooms.

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.

#### 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 17<sup>th</sup> December 2014 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

##### Bankers:

Barclays plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

##### Internal auditor:

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

##### 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 2014

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 2014. 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 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 year
Mr John Bolt (Chair)	17/12/08; re-appointed 17/12/12	4 years	-	Independent	2,3,4	6/6
Dr David Ashton (Vice Chair)	01/08/10	4 years	31/07/14	Independent	4	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
Ms Kathleen Roche	16/07/08; re-appointed 12/07/12	4 years	31/07/14	Support staff representative	1	5/6
Mr Stephen Castle	17/12/08; re-appointed 31/07/14	4 years	-	Independent	5	6/6
Ms Charanjit Singh	01/08/10 re-appointed 01/08/14	4 years	-	Independent	1,2,4	6/6
Ms Linda Graves	01/08/10 re-appointed 01/08/14	4 years	-	Independent	1,2	6/6

**WEST THAMES COLLEGE**

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2014 (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 year
Mr Tommy White	07/02/11	4 years	-	Independent	2,5	4/6
Ms Navjit Kaur	10/07/13 re-appointed 01/08/14	1 year	-	Student representative	4	4/6
Ms Alice Bradstock	16/10/13	1 year	31/07/14	Student representative	4	2/6
Ms Mary Harpley	01/02/12	4 years	-	Independent	-	3/6
Mr Martin Swain	17/10/12	4 years	-	Independent	5	4/6
Mr Anand Joshi	18/12/13	4 years	-	Independent	4	3/6
Ms Michaela Izquierdo	26/11/12	4 Years		Non Governor Co-opted Member of the Audit Committee	1	N/A
Mr Bruce Armstrong	01/08/14	4 years	-	Independent	4	N/A
Mr Simon Wilcox	15/10/14	4 years	-	Independent	5	N/A
Mr Jonathan Allen acts as a Clerk to the Corporation.						

<sup>1</sup> Member of the Audit Committee, chaired by Linda Graves

<sup>2</sup> Member of the Remuneration Committee, chaired by John Bolt

<sup>3</sup> Member of the Search Committee, chaired by David Ashton; the Chair of the Board and the Principal are ex-officio members

<sup>4</sup> Member of the Quality & Equality Advisory Group, chaired by Dr David Ashton

<sup>5</sup> Member of the Finance & Capital Projects Advisory Group, chaired by Tommy White

As at 17 December 2014 there is one student representative vacancy and the Support staff representative vacancy.

## **WEST THAMES COLLEGE**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2014 (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**

Throughout the year ended 31 July 2014, the College's Remuneration Committee Terms of Reference stated that membership comprised of up to five members of the Corporation, and for the period, there were 4 members of the Remuneration Committee. 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 2014 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 2014 (cont.)**

#### **Audit Committee**

The Audit Committee's Terms of Reference state that membership comprises of 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, 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 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 2014 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 2014 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 2014 (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 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 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Executive Team and the internal auditor, and taking account of events since 31 July 2014.

## WEST THAMES COLLEGE

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2014 (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*".

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency's terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that *to the best of its knowledge*, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

#### **Going Concern**

After making appropriate enquiries, the Corporation considers that 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 17 December 2014 and signed on its behalf by:



**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 2014

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 2013-14 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 17 December 2014 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 2014 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**

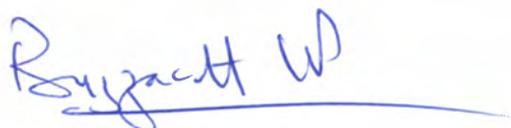
In our opinion the financial statements:

- 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 2014 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: 17 December 2014

## WEST THAMES COLLEGE

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

This report is produced in accordance with the terms of our engagement letter dated 24 June 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding Agency, in accordance with the authorities that govern them.

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

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

#### Responsibilities of the Corporation of West Thames College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

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

#### Auditor's responsibilities

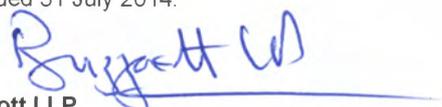
Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 24 June 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the assertion that the transactions underlying the financial statements are in all material respects regular.

#### Basis of opinion

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

#### Opinion

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



**Buzzacott LLP**  
Chartered Accountants &  
Registered Auditor

Date 17 December 2014

**WEST THAMES COLLEGE****INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000	2013 £000
<b>Income</b>			
Funding body grants	2	19,494	20,105
Tuition fees and education contracts	3	2,927	2,322
Other income	4	1,187	1,235
Investment income	5	13	14
<b>Total Income</b>		<b><u>23,621</u></b>	<b><u>23,676</u></b>
<b>Expenditure</b>			
Staff costs	6	13,365	13,912
Restructuring costs	6	83	193
Other operating expenses	8	5,989	6,386
Depreciation	11	3,303	3,279
Interest and other finance costs	9	678	683
<b>Total Expenditure</b>		<b><u>23,418</u></b>	<b><u>24,453</u></b>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>203</b>	<b>(777)</b>
Profit on disposal of tangible fixed assets	11	1,273	-
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and exceptional items but before tax</b>		<b><u>1,476</u></b>	<b><u>(777)</u></b>
Taxation	10	-	-
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax</b>		<b><u>1,476</u></b>	<b><u>(777)</u></b>

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

**WEST THAMES COLLEGE**

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS**

**FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000	2013 £000
Surplus/(deficit) on continuing operations after taxation		1,476	(777)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	32	33
<b>Historical cost surplus/ (deficit) for the year after tax</b>		<b><u>1,508</u></b>	<b><u>(744)</u></b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000	2013 £000
Surplus/ (deficit) for the year		1,476	(777)
Actuarial (loss) /gain in respect of pension scheme	26	(2,916)	1,396
<b>Total recognised (losses)/gains for the year</b>		<b><u>(1,440)</u></b>	<b><u>619</u></b>
<b>Reconciliation</b>			
Opening reserves		2,851	2,232
Total recognised (losses)/gains for the year		(1,440)	619
Closing reserves		<b><u>1,411</u></b>	<b><u>2,851</u></b>

**WEST THAMES COLLEGE**

**BALANCE SHEET AS AT 31 JULY**

		2014 £000	2013 £000
<b>Fixed assets</b>	Notes		
Tangible assets	11	<u>69,047</u>	<u>71,396</u>
<b>Current assets</b>			
Stock		30	24
Debtors	13	643	376
Assets held for re-sale	11	-	1,746
Cash at bank and in hand		5,177	2,925
Total current assets		<u>5,850</u>	<u>5,071</u>
<b>Less:</b>			
<b>Creditors: amounts falling due within one year</b>	14	(2,166)	(2,939)
<b>Net current assets</b>		<u>3,684</u>	<u>2,132</u>
<b>Total assets less current liabilities</b>		<u>72,731</u>	<u>73,528</u>
Less: Creditors - amounts falling due after more than one year	15	(9,221)	(9,442)
Less: Provisions for liabilities and charges	17	(1,347)	(1,424)
<b>NET ASSETS excluding pension liability</b>		<u>62,163</u>	<u>62,662</u>
Net pension liability	26	(9,353)	(6,176)
<b>NET ASSETS including pension asset liability</b>		<u>52,810</u>	<u>56,486</u>
<b>Deferred capital grants</b>	18	<u>51,399</u>	<u>53,635</u>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	20	7,604	5,835
Pension reserve	26	(9,353)	(6,176)
Income and expenditure account including pension reserve	20	(1,749)	(341)
Revaluation reserve	19	3,160	3,192
<b>Total reserves</b>		<u>1,411</u>	<u>2,851</u>
<b>TOTAL FUNDS</b>		<u>52,810</u>	<u>56,486</u>

The financial statements on pages 17 to 40 were approved by the governing body on 17 December 2014 and were signed on its behalf by:

  
**John Bolt**  
 Chair

  
**Marjorie Semple**  
 Chief Executive / Principal

**WEST THAMES COLLEGE****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000	2013 £000
<b>Cash inflow from operating activities</b>	21	881	1,625
Returns on investments and servicing of finance	22	(490)	(488)
Capital expenditure and financial investment	23	2,071	(1,177)
Financing	24	(210)	(209)
<b>Increase/(decrease) in cash in the year</b>	25	<u><b>2,252</b></u>	<u><b>(249)</b></u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
		£000	£000
Increase /(decrease) in cash in the year	25	2,252	(249)
Net repayment on loan	24	210	209
Movement in net funds/(debt) in the period	25	<u>2,462</u>	<u>(40)</u>
Net debt at 1 August		(6,727)	(6,687)
<b>Net debt at 31 July</b>	25	<u><b>(4,265)</b></u>	<u><b>(6,727)</b></u>

## **WEST THAMES COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

#### **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 2013-14 financial statements* and in accordance with applicable Accounting Standards.

##### **Basis of accounting**

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

##### **Going concern**

The activities of 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 £9,442k of loans outstanding at 31 July 2014 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 23 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 2014**

#### **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 2014

#### 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.

## **WEST THAMES COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

#### **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.

**WEST THAMES COLLEGE****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014****2 FUNDING BODY GRANTS**

	2014 £000	2013 £000
EFA recurrent grant	10,815	10,649
SFA recurrent grant	6,288	6,804
HEFCE recurrent grant	272	455
Release of deferred capital grants (note 18)	2,119	2,197
<b>TOTAL</b>	<b><u>19,494</u></b>	<b><u>20,105</u></b>

**3 TUITION FEES AND EDUCATION CONTRACTS**

	2014 £000	2013 £000
Tuition fees	1,908	1,564
Education contracts	1,019	758
<b>TOTAL</b>	<b><u>2,927</u></b>	<b><u>2,322</u></b>

Included within the above amounts are tuition fees funded by bursaries of £174k (2013: £119k).

**4 OTHER INCOME**

	2014 £000	2013 £000
Catering	379	387
Other income generating activities	76	86
Release from deferred capital grants (non- funding body) (note 18)	5	20
Other income	727	742
<b>TOTAL</b>	<b><u>1,187</u></b>	<b><u>1,235</u></b>

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**5 INVESTMENT INCOME**

	2014 £000	2013 £000
Interest receivable	13	14
<b>TOTAL</b>	<b><u>13</u></b>	<b><u>14</u></b>

**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:

	2014 Number	2013 Number
Teaching staff	131	153
Non - teaching staff	190	178
<b>TOTAL</b>	<b><u>321</u></b>	<b><u>331</u></b>

**Staff costs for the above persons:**

	2014 £000	2013 £000
Wages and salaries	9,944	10,231
Social security costs	679	735
Other pension costs (including FRS 17 charge of £86k; 2013 £101k)	1,229	1,267
<b>Payroll sub-total</b>	<b><u>11,852</u></b>	<b><u>12,233</u></b>
Contracted out staffing services	1,513	1,679
	<b><u>13,365</u></b>	<b><u>13,912</u></b>
Redundancy payments including severance and payments in lieu of notice	83	193
<b>TOTAL</b>	<b><u>13,448</u></b>	<b><u>14,105</u></b>

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

	2014 Number	2013 Number
£40,001 to £50,000 p.a.	1	-
£50,001 to £60,000 p.a.	-	1
£70,001 to £80,000 p.a.	1	1
£90,001 to £100,000 p.a.	-	1
£110,001 to £120,000 p.a.	1	1
	<b><u>3</u></b>	<b><u>4</u></b>

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

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**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.

	2014 Number	2013 Number
The number of senior postholders including the Principal was:	<u>3</u> *	<u>4</u> *
Senior postholders' emoluments are made up as follows:		
	£000 *	£000 *
Salaries	238	334
Benefits in kind	1	1
Pension contributions	34	46
<b>Total emoluments</b>	<b><u>273</u></b>	<b><u>381</u></b>

\* One of the Vice Principals' posts was vacant from April 2013. The post was covered by an external consultant from April 2013 to May 2014 who was not deemed to be senior post-holder.

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

	2014 £000	2013 £000
Salary	112	116
Benefits-in-kind	<u>1</u>	<u>1</u>
	<u>113</u>	<u>117</u>
Pension contributions	<u>16</u>	<u>16</u>

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. (see note 30).

**8 OTHER OPERATING EXPENSES**

	2014 £000	2013 £000
Teaching costs	1,005	996
Non teaching costs	3,435	3,812
Premises costs	1,549	1,578
<b>TOTAL</b>	<b><u>5,989</u></b>	<b><u>6,386</u></b>

**Other operating expenses include:**

	2014 £000	2013 £000
Auditor's remuneration :		
- financial statements audit	23	23
- regularity audit	4	4
- internal audit	21	24
- other services provided by the auditors	3	-
Deficit on disposal of fixed assets	-	1
Hire of plant and machinery - operating leases	<u>91</u>	<u>164</u>

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**9 INTEREST PAYABLE**

	2014 £000	2013 £000
Bank loan repayable wholly or partly in more than five years	503	502
FRS 17 pension finance costs (note 26)	175	181
TOTAL	<u><u>678</u></u>	<u><u>683</u></u>

**10 TAXATION**

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

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

11 TANGIBLE FIXED ASSETS

	Land & Buildings		Equipment & Vehicles	Total
	Freehold	Long Leasehold		
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 August 2013	71,567	1,799	9,535	82,901
Additions	76	81	797	954
<b>At 31 July 2014</b>	<b><u>71,643</u></b>	<b><u>1,880</u></b>	<b><u>10,332</u></b>	<b><u>83,855</u></b>
<b>Depreciation</b>				
At 1 August 2013	5,197	658	5,650	11,505
Charge for the year	1,459	95	1,749	3,303
<b>At 31 July 2014</b>	<b><u>6,656</u></b>	<b><u>753</u></b>	<b><u>7,399</u></b>	<b><u>14,808</u></b>
<b>Net book value At 31 July 2014</b>	<b><u>64,987</u></b>	<b><u>1,127</u></b>	<b><u>2,933</u></b>	<b><u>69,047</u></b>
<b>Net book value At 1 August 2013</b>	<b><u>66,370</u></b>	<b><u>1,141</u></b>	<b><u>3,885</u></b>	<b><u>71,396</u></b>
Inherited (note 19)	3,160	-	-	3,160
Financed by capital grant (note 18)	50,005	147	1,247	51,399
Other	11,822	980	1,686	14,488
	<b><u>64,987</u></b>	<b><u>1,127</u></b>	<b><u>2,933</u></b>	<b><u>69,047</u></b>

As stated in the policy note, the College carries inherited assets at an inherited valuation of £3,160k (note 19). The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Heath House was sold to a property developer during the year for £3,019K. The net book value at £1,746k had been transferred from fixed assets to current assets in 2012. The surplus on disposal of the property was £1,273k.

**WEST THAMES COLLEGE****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014****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 Principal of the College is the ex-officio sole member.

**13 DEBTORS**

	£000 2014	£000 2013
Trade debtors	146	195
Prepayments and accrued income	127	181
Amounts owed by the SFA	370	-
<b>TOTAL</b>	<b><u>643</u></b>	<b><u>376</u></b>

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

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £000	2013 £000
Bank loan (note 16)	221	210
Payments received in advance	95	108
Trade creditors	1,026	1,096
Other taxation and social security	310	384
Accruals	408	304
Amounts owed to the SFA	106	837
<b>TOTAL</b>	<b><u>2,166</u></b>	<b><u>2,939</u></b>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

<b>15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	2014 £000	2013 £000
Bank loan (note 16)	9,221	9,442
	<u><b>9,221</b></u>	<u><b>9,442</b></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.

<b>16 ANALYSIS OF BORROWINGS</b>	2014 £000	2013 £000
Bank loan repayable as follows:		
In one year or less (note 14)	221	210
Between one and two years	231	221
Between two and five years	779	737
In five years or more	8,211	8,484
<b>TOTAL</b>	<u><b>9,442</b></u>	<u><b>9,652</b></u>

**17 PROVISIONS FOR LIABILITIES AND CHARGES**

	2014 £000	2013 £000
<b>Enhanced Pensions</b>		
At 1 August	1,424	1,378
Expenditure in the year	(85)	(91)
Transferred from income and expenditure account	8	137
<b>At 31 July</b>	<u><b>1,347</b></u>	<u><b>1,424</b></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:

	2014	2013
Interest rate	4.06%	4.28%
Net interest rate	<u>2.25%</u>	<u>2.50%</u>

**18 DEFERRED CAPITAL GRANTS**

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2013	53,504	131	53,635
Cash receivable	-	6	6
Released to income and expenditure account			
- Annual	(2,119)	(5)	(2,124)
- Included in disposal of asset workings	-	(118)	(118)
<b>At 31 July 2014</b>	<u><b>51,385</b></u>	<u><b>14</b></u>	<u><b>51,399</b></u>

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**19 REVALUATION RESERVE**

	2014 £000	2013 £000
At 1 August	3,192	3,225
Transfer to income and expenditure account in respect of :		
Depreciation on revalued assets (note 20)	(32)	(33)
<b>At 31 July</b>	<b><u>3,160</u></b>	<b><u>3,192</u></b>

**20 MOVEMENT ON GENERAL RESERVES**

**Income and expenditure account reserve**

	2014 £000	2013 £000
At 1 August	(341)	(993)
Surplus/(deficit) retained for the year	1,476	(777)
Transfer from revaluation reserve in respect of depreciation on Inherited assets (note 19)	32	33
Actuarial (loss)/gain in respect of pension scheme (note 26)	(2,916)	1,396
<b>At 31 July</b>	<b><u>(1,749)</u></b>	<b><u>(341)</u></b>
Balance represented by:		
Pension reserve (note 26)	(9,353)	(6,176)
Income and expenditure reserve excluding pension reserve	7,604	5,835
<b>At 31 July</b>	<b><u>(1,749)</u></b>	<b><u>(341)</u></b>

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

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

	2014 £000	2013 £000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	1,476	(777)
Depreciation and impairment of assets (note 11)	3,303	3,279
Deferred capital grants released to income (note 18 )	(2,242)	(2,217)
FRS 17 charge (note 26)	261	282
(Surplus) / deficit on disposal of fixed asset	(1,273)	1
(Increase) / decrease in stock	(6)	5
Decrease in trade debtors (note 13)	49	48
Increase in amount due from SFA	(370)	-
Decrease / (increase) in prepayments and accrued income (note 13)	54	(74)
(Decrease) / increase in creditors excluding capital funding	(875)	608
(Decrease) / Increase in provisions (note 17)	(77)	46
(Decrease) / increase in payments received in advance (note 14)	(13)	29
Increase / (decrease) in accruals (note 14)	104	(93)
Interest receivable (note 5 )	(13)	(14)
Interest payable (note 9 )	503	502
<b>Net cash inflow from operating activities</b>	<b><u>881</u></b>	<b><u>1,625</u></b>

**22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2014 £000	2013 £000
Interest received (note 5)	13	14
Interest paid (note 9)	(503)	(502)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b><u>(490)</u></b>	<b><u>(488)</u></b>

**23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	2014 £000	2013 £000
Purchase of tangible fixed assets	(954)	(2,609)
Sale of tangible fixed assets (see note 11)	3,019	-
Deferred capital grants received (see note 18)	6	1,432
<b>Net cash inflow / (outflow) for capital expenditure and financial investment</b>	<b><u>2,071</u></b>	<b><u>(1,177)</u></b>

**24 FINANCING**

	2014 £000	2013 £000
Debt due beyond a year- Long term loan (see note 16): Net repayment	(210)	(209)
<b>Net cash (outflow) from financing</b>	<b><u>(210)</u></b>	<b><u>(209)</u></b>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 01/08/13 £000	Cashflows £000	At 31/07/14 £000
Cash in hand and at bank	<u>2,925</u> 2,925	<u>2,252</u> 2,252	<u>5,177</u> 5,177
Bank loan debt (note 16)	(9,652)	210	(9,442)
TOTAL	<u><u>(6,727)</u></u>	<u><u>2,462</u></u>	<u><u>(4,265)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

## 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 2014 £000	Year ended 31 July 2013 £000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions payable	573	686
Local Government Pension Scheme:		
Contributions payable	570	480
FRS17 charge	<u>86</u>	<u>101</u>
Charge to the income & expenditure account (staff costs)	<u>656</u>	<u>581</u>
Included in staff costs (note 6)	1,229	1,267
Enhanced pension charge to income and expenditure account (note 17)	<u>8</u>	<u>137</u>
	<u><u>1,237</u></u>	<u><u>1,404</u></u>

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 2013.

Contributions amounting to £58k (2013 £96k) 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, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in Part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension 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 a 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 and the subsequent consultation are:

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

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

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

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

**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 the 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 Employer pension costs paid to TPS in the year amounted to £573k (2013: £686k).

**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 2014 was £761k (2013 - £646k) of which employer's contributions totalled £570k (2013 - £480k) and employees' contributions totalled £191k (2013 - £166k). The agreed employer contribution rates for future years are 20.9% with minimum amounts applicable for deficit recovery. 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 2014 by a qualified independent actuary.

**Principal actuarial assumptions**

	2014	2013
Rate of increase in salaries	4.5%	4.8%
Rate of increase for pensions in payment	2.7%	2.6%
Discount rate for scheme liabilities	4.3%	4.7%
Inflation assumption (CPI)	2.7%	2.6%
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 2014**

**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:

	2014	2013
<i>Retiring today</i>		
Males	22.0	19.2
Females	26.5	23.2
<i>Retiring in 20 years</i>		
Males	24.1	21.1
Females	<u>28.8</u>	<u>25.1</u>

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 2014	Value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.5%	8,967	6.4%	8,887
Gilts	3.4%	516	3.4%	617
Other bonds	4.0%	1,858	4.3%	2,098
Property	5.6%	661	5.4%	247
Absolute Return Funds	6.5%	525	-	-
Cash	3.2%	340	0.5%	494
<b>Total market value of assets</b>	<b>5.9%</b>	<b><u>12,867</u></b>	<b>5.6%</b>	<b><u>12,343</u></b>

	2014 £'000	2013 £'000
College's estimated asset share	12,867	12,343
Present value of scheme liabilities		
- Funded	(22,166)	(18,464)
- Unfunded	(54)	(55)
<b>Deficit in the scheme</b>	<b><u>(9,353)</u></b>	<b><u>(6,176)</u></b>

	2014 £'000	2013 £'000
<b>Analysis of the amount charged to income and expenditure account:</b>		
Employer service cost (net of employee contributions)	661	589
<b>Total operating charge</b>	<b><u>661</u></b>	<b><u>589</u></b>

	2014 £'000	2013 £'000
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	700	510
Interest on pension liabilities	(875)	(691)
<b>Pension finance costs (note 9)</b>	<b><u>(175)</u></b>	<b><u>(181)</u></b>

WEST THAMES COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

26 PENSION AND SIMILAR OBLIGATIONS (cont.)

<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>	2014	2013
	£'000	£'000
Actuarial (loss)/gain on pension scheme assets	(349)	1,432
Experience gains and losses	211	-
Actuarial (loss) on scheme liabilities	(2,778)	(36)
<b>Actuarial (loss)/gain recognised in STRGL</b>	<u>(2,916)</u>	<u>1,396</u>
<b>Movement in deficit during the year</b>		
	2014	2013
	£'000	£'000
Deficit in scheme at 1 August	(6,176)	(7,290)
Movement in year:		
Employer service cost (net of employee contributions)	(661)	(589)
Employer contributions	570	484
Unfunded pension payments	5	4
Net interest on assets (note 9)	(175)	(181)
Actuarial (loss)/gain	(2,916)	1,396
<b>Deficit in scheme at 31 July</b>	<u>(9,353)</u>	<u>(6,176)</u>
<b>Asset and liability reconciliation</b>		
<b>Reconciliation of liabilities</b>		
	2014	2013
	£'000	£'000
<b>Liabilities at start of year</b>	18,519	17,658
Service cost	661	589
Interest cost	875	691
Employee contributions	191	167
Actuarial loss	2,595	36
Benefits paid	(616)	(618)
Unfunded pension payments	(5)	(4)
<b>Liabilities at end of year</b>	<u>22,220</u>	<u>18,519</u>
<b>Reconciliation of Assets</b>		
	2014	2013
	£'000	£'000
<b>Assets at start of year</b>	12,343	10,368
Expected return on assets	700	510
Actuarial (loss)/gain	(321)	1,432
Employer contributions	575	488
Employee contributions	191	167
Benefits paid	(621)	(622)
<b>Assets at end of year</b>	<u>12,867</u>	<u>12,343</u>

The estimated value of employer contributions for the year ended 31st July 2015 is £602k.

	31 July 2014	31 July 2013	31 July 2012	31 July 2011	31 July 2010
<b>History of experience gains and (losses)</b>					
Difference between the expected and actual return on assets: Amount £'000	(321)	1,432	(321)	(573)	769
Experience gains and (losses) on scheme liabilities: Amount £'000	183	-	-	434	-
Total amount recognised in STRGL: Amount £'000	<u>(2,916)</u>	<u>1,396</u>	<u>(1,979)</u>	<u>(322)</u>	<u>923</u>

## WEST THAMES COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

#### 27 POST BALANCE SHEET EVENTS

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

#### 28 CAPITAL COMMITMENTS

	2014 £000	2013 £000
Commitments contracted for at 31 July	<u>380</u>	<u>266</u>
Commitments under finance leases entered into but not yet provided for in the financial statements.	<u>Nil</u>	<u>Nil</u>

#### 29 FINANCIAL COMMITMENTS

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

	2014		2013	
	Land and Buildings * £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	4	-	4
Expiring in over five years	see note below*	-	see note below*	-
TOTAL	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>

\* 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 (2013 - £nil).

No expenses were paid to or on behalf of the Governors during the year (2013: Nil).

No Governor has received any remuneration or waived payments from the College (2013: Nil)

**WEST THAMES COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**31 AMOUNTS DISBURSED AS AGENT**

**LEARNER SUPPORT FUNDS**

	2014 £000	2013 £000
Funding body grants- hardship support	389	315
Funding body grants - childcare	79	84
Other funding bodies grants- HEFCE	5	4
16 - 18 Bursary funding	<u>444</u>	<u>337</u>
	917	740
Disbursed to Students	(788)	(583)
Staffing & Administration Costs	<u>(33)</u>	<u>(37)</u>
Balance unspent at 31 July	<u><u>96</u></u>	<u><u>120</u></u>

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