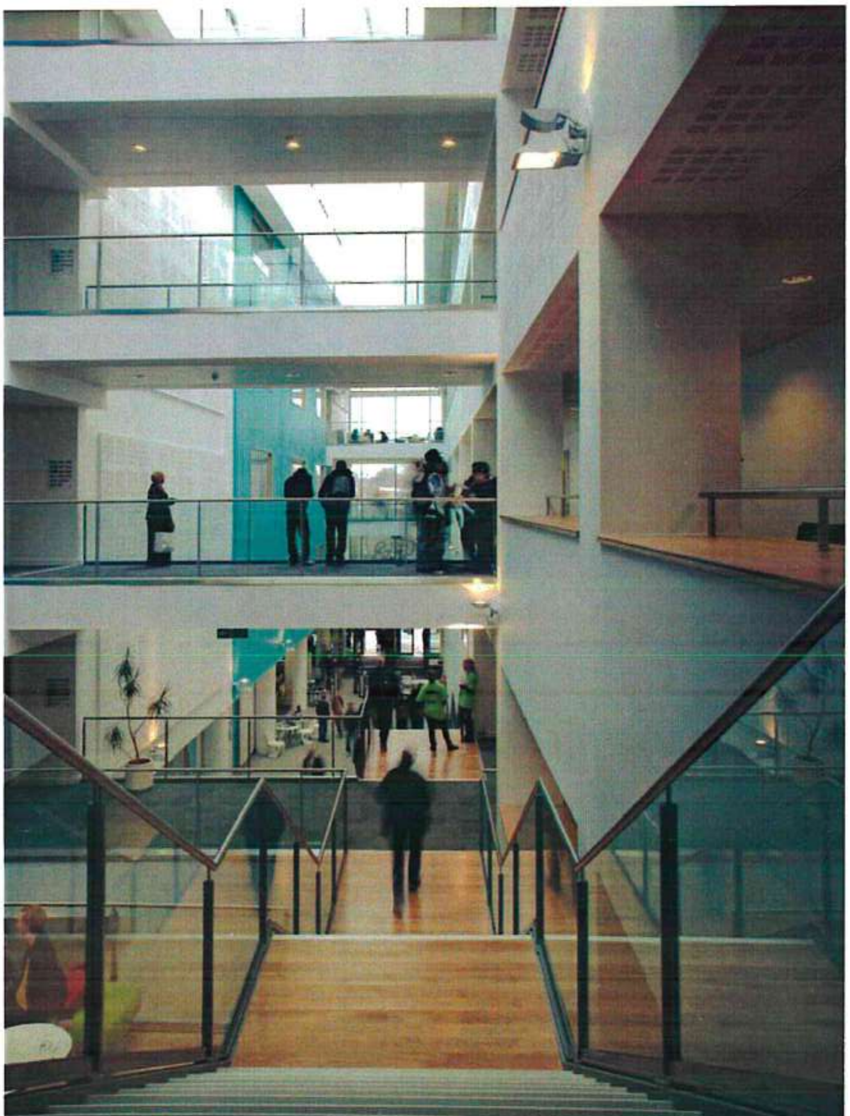
Capital City College Group

Report and Annual Accounts
2016-2017



Capital City College Group is the licensed trading name of The WKCIC Group

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2016/17:

Andy Wilson, Chief Executive and Accounting Officer
Anna Douglas, Principal City & Islington College
Kim Caplin, Principal Westminster Kingsway College
Raj Kakaiya, Managing Director, Capital City College Training (to 23 July 2017)
Paul Fegan, Managing Director, Capital City College Training (from 24 July 2017)
Nirmal Borkhataria, Group Director of Finance & Resources (to 16 August 2016; from 1 November 2017)
Paul Stephen, Group Director of Finance & Resources (to 30 June 2017)
Marcus Holder, Interim Group Director of Finance & Resources (from 12 June 2017 to 3 November 2017)
Caireen Mitchell, Group Director of Planning & Performance
Claire Collins, Group Director of Human Resources & Organisational Development
Graham Drummond, Group Director of Governance

Board of Governors

A full list of Governors is given on pages 12 and 13 of these financial statements.

Graham Drummond acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
130 Wood Street
London, EC2V 6DL

Internal auditors:

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

Bankers:

Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Solicitors:

Eversheds Sutherland (International) LLP
Bridgewater Place, Water Lane
Leeds, LS11 5DR

Bates Wells & Braithwaite London LLP
10 Queen Street Place
London, EC4R 1BE

Actuary:

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

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

On 1 August 2016, Westminster Kingsway College merged with City & Islington College. This was established through the transfer of all the assets and liabilities to Westminster Kingsway College followed by the dissolution of City & Islington College, under a Type B merger. Simultaneously Westminster Kingsway College was renamed 'The WKCIC Group' but is known under its licensed trading name of the Capital City College Group. The two individual colleges continue to operate under their own names as well as a new training arm, Capital City College Training. For financial purposes we are a single legal entity and throughout this report will be referred to as the 'College' unless stated otherwise.

The WKCIC Group has subsequently agreed to merge with the College of Haringey, Enfield and North East London ('CoNEL'). CoNEL dissolved on 1 November 2017 and its assets, rights and liabilities were transferred to The WKCIC Group. The decision was made after independent due diligence reports and responses from the consultation period which were considered and approved.

The merger with CoNEL will enhance, permanently and progressively, The WKCIC Group's ability to educate and train learners in London. This means equipping all learners with the qualifications, skills and experiences that enable them to contribute positively to society and to prosper in the developing workplace.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purposes of conducting Westminster Kingsway College. The purposes of the Corporation have expanded with the merger with City & Islington College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's purpose, as approved by the Corporation, is summarised in the Mission Statement, which states:

To inspire London's students and businesses with outstanding further and higher education and training which ensures their social and economic success

Public benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

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

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

- Delivering and quality assuring high quality teaching across a range of general and specialist curriculum areas.
- Widening participation and tackling social exclusion.

- Providing strong student support systems that promote personal and social development in addition to the achievement of specific educational goals.
- Creating pathways from education and training into sustainable employment.
- Helping businesses and individuals thrive through tailored training support.
- Meeting the training and development needs of employers, industry and commerce.
- Creating and sustaining employment through continuous professional development of our staff.
- Developing links with Local Enterprise Partnerships.

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

Implementation of strategic plan

Following the merger, The WKCIC Group agreed a new strategic plan for the period 2017-20. The following strategic priorities are being implemented across the College:

- Addressing London's need with a portfolio of courses and services of technical, professional and academic education and training.
- Fostering the best professional practice to stimulate learning and exploit emerging technologies.
- Motivating students to optimise their college experience.
- Securing financial strength to ensure the best resources are available to facilitate teaching, learning and student support.
- Working with partners to address the needs of London, Londoners and others who might benefit.

The College is on target for achieving these objectives.

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

Financial objectives

The College's financial objectives set for 2016/17 were:

- To achieve an operating surplus of at least £2.5m (3% return on total income): The operating deficit for the year before exceptional integration costs and FRS102 pension adjustments is (£1,151,000), -1.4%.
- Staff costs to be no more than 64% of income: Staff costs were 63.8% of income for the year before FRS102 pension adjustments and redundancy payments.
- To have at least 60 cash days in hand as working balances: The cash days in hand were 90 days at year end.
- To have a current ratio of at least 1.5:1: The current ratio was 2:1 at year end.
- 24% of turnover to be generated outside the EFA/SFA block allocations: The diversity of income outside of funding body income was 23.5% for the year.
- To achieve cash generated from operations of at least £8m: Cash of £2.986m was generated from operations.

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Performance indicators

The College measures its performance towards the above financial objectives within its monthly management accounts assessing each of the above as a key performance indicator. The College also regularly reviews its achievement against each of its funding contracts and the achievement rates of each programme. The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA and is pleased to note they have rated the College as having "Good" financial health grading throughout the period.

At the most recent inspections of Westminster Kingsway College and the City & Islington College by OFSTED the Colleges were graded as 'good'. As a newly merged College the historical grading is no longer applied and a new inspection will be required to determine the grade.

FINANCIAL POSITION

Financial results

The College generated a total deficit before other gains and losses in the year of £5,093,000 (2015/16 -deficit of £1,570,000), with total comprehensive expenditure of £575,000, (2015/16 - £14,113,000). The operating loss before FRS102 adjustments (£2,943,000) and merger costs (£1,000,000) is £1,151,000 (2015/6: surplus of £434,000). Whilst the deficit is disappointing the Corporation and Senior Management Team wished to ensure investment continued to enable the first year of a merger to be as successful as possible.

The College has accumulated reserves of £258,411,000 and cash and short term investment balances of £21,244,000.

Tangible fixed asset additions during the year amounted to £2,208,000. In the main, this related to the refurbishment of the first floor of the Regent's Park Centre, the 2016 summer small works programme and the 1st phase of IT investment.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 76.5% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

The College had no external debt in 2016/17.

Cash flows and liquidity

At £2,986,000 (2015/16 -£7,121,000) net cash flow from operating activities was reasonably strong.

At 31 July 2017 the College held £12,244,000 (2015/16- £11,230,000) of cash and cash equivalents with a further £9,000,000 (2015/16 - £9,000,000) in short term deposits maturing more than three months after the balance sheet date.

Reserves policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the

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Income and Expenditure account reserve stands at £50,184,000 (2015/16- £50,485,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan and by the generation of annual operating surpluses increase its ability to invest in the infrastructure. The College will be developing a new Estates Strategy in 2017-18 which will form infrastructure investment over the coming years.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £61.8m in funding body main allocation income (2015/16- £60.3m). The College had approximately 18,900 funded and 4,000 non-funded students.

Student achievements

Students continue to prosper at the College. Achievement rates in 2016/17 were 89.5% for the College, 3.1% higher than in 2015/16. Achievement rates for 16-18 year olds were 83.1%, which compares very strongly to a provider group national rate of 79.1% in 2015/16 (2016/17 rates are not yet available). Achievement rates for adults were 88.6%, also comparing well to a national provider group rate of 86.1% in 2015/16. These were particularly pleasing to note at a time of embedding new College structures and processes.

Curriculum developments

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

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

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

Other courses prepare students for university. These include:

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

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

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

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Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 84 per cent of its invoices within 30 days.

Events after the end of the reporting period

Following a final decision made by the individual corporation meetings on 19 October 2017 and 12 October 2017 respectively, The WKCIC Group and CoNEL agreed to merge with effect from 1 November 2017.

Future prospects

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

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

The Group aims to build its resilience by introducing a number of efficiency schemes across the Group's sites. The Group would like to reduce dependency on the funding bodies and is seeking opportunities.

RESOURCES

During the year ended 31 July 2017, the College had sites in central London located in close proximity to key transport hubs at King's Cross, Victoria, Angel, Finsbury Park, Holloway, Soho and Regent's Park.

Financial

As at 31 July 2017, the College had £258,411,000 of net assets (including £48,685,000 pension liability) and no external debt.

People

During the year ended 31 July 2017, the College employed 1,059 people (expressed as full time equivalents), of whom 540 were teaching staff.

Reputation

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

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PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group also considers any risks which may arise as a result of a new area of work being undertaken by the College. In 2016/17 this specifically reflected the extra risks resulting from the process of merging Westminster Kingsway and City & Islington Colleges.

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

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

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 76.5% of the College's revenue was ultimately publicly funded and this level of reliance is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeship reform. It is recognised that the introduction of the apprenticeship levy will significantly affect the marketplace though the full implications are not yet known as government policy continues to develop.

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

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies

- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

Tuition fee policy

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

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Funding of pension liabilities

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

Post-merger integration

In creating the largest FE College Group in London, The WKCIC Group aims to ensure that achievement rates are maintained or improved; the Group's reputation is enhanced; and that its financial and operational strength is developed. The post-merger integration risk is mitigated through the executive team structure and the operational plan and Group risk register, which have each been approved by the Corporation and are subject to review at meetings of the Corporation and its sub-committees.

STAKEHOLDER RELATIONSHIPS

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

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

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

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Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. The College aims to promote equality in all aspects of its activities; recognise and work to remove the institutional barriers that prevent equal access for students and staff; prevent the inappropriate prejudices of individuals being translated into institutional practice or policy; offer an environment which is safe, supportive and sensitive to the diverse needs of students and staff so that all can achieve their full potential; and to recognise and develop systems of support which will enable access for and empower staff and students. It monitors and reports on the achievement of these aims.

Disability statement

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Alastair Da Costa

Chair

Capital City College Group

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

In the opinion of the Board, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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

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The Corporation

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

Name	Status of Appointment	Date of Appointment or re-appointment	Term of office	Date Term ends *(or resignation if earlier)*	Committees Served	Attendance in 2016/17
Alastair Da Costa *(Chair)*	External	20.7.16	4 years	31.7.20	Finance and Resources Remuneration Chairs' Group (Chair)	100%
Ruth Duston *(Vice Chair)*	External	20.7.16	4 years	31.7.20	Chairs' Group Training Board (Chair)	64%
Alex Booth	Student Member	19.10.16	1 year	31.7.17	Curriculum and Performance CIC Advisory Board	31%
Catherine Boyd-Maunsell	External	20.7.16	4 years	31.7.20	WKC Advisory Board (Chair) Chairs' Group	100%
Leslie Brissett	External	20.7.16	4 years	31.7.20	Remuneration (Chair) Chairs' Group	69%
Shane Chowen	External	20.7.16	2 years	31.7.18	Curriculum and Performance WKC Advisory Board	85%
Vinny Edirimanasinghe	Student Member	19.10.16	1 year	31.7.17	Curriculum and Performance WKC Advisory Board	31%
Joel Featherman	External	20.7.16	2 years	31.7.18	Audit Training Board	92%
David Gilbertson	External	20.7.16	4 years	12.7.17	Curriculum and Performance (Chair) Chairs' Group	92%
Heather James	Staff member	20.7.16	4 years	31.7.20	Curriculum and Performance CIC Advisory Board	92%
Mike Magras	Staff member	20.7.16	4 years	31.7.20	Audit WKC Advisory Board	92%
Simon Pitkeathley	External	20.7.16	4 years	31.7.20	Finance and Resources (Chair) Chairs' Group	93%
Anthony Smith	External	20.7.16	2 years	31.7.18	Finance and Resources	82%
Amelia Sussman	External	20.7.16	4 years	31.7.20	CIC Advisory Board (Chair) Curriculum and	75%

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					Performance Chairs' Group	
Fiona Thompson	External	20.7.16	4 years	31.7.20	Audit (Chair) Chairs' Group	92%
Kay Willis	External	20.7.16	2 years	31.7.18	Finance and Resources Remuneration	100%
Martina Milburn	External	08.3.17	18 months	31.7.18	Training Board	40%
Andy Wilson	Chief Executive	20.7.16	*N/A*	*Ex officio*	Finance and Resources Curriculum and Performance	100%

Graham Drummond acts as Clerk to the Corporation.

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 meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are curriculum and performance, finance and resources, remuneration, audit, chairs' group, CIC advisory board, WKC advisory board and training board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available at www.candi.ac.uk or from the Clerk to the Corporation at:

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

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

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

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are provided on an ad hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

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Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Board as a whole. The Chairs' Group acts as the Board's search committee, consisting of the Chair of the Corporation and all committee chairs. This group is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised of the Chair, Vice Chair and two other Board members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Chief Executive and any member who serves on the resources committee).

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal audit service, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of the Group Leadership Team. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

College Advisory Boards and the Training Board

During 2016/17 the Corporation had three oversight groups whose responsibility is to advise and oversee the management of the three separate divisions of the Group: City and Islington College, Westminster Kingsway College and Capital City College Training. During 2016/17 these Boards had no delegated responsibility and their role was to provide advice with respect to strategy.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Board with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Group Leadership Team (GLT) 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 GLT and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the GLT and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the GLT and internal audit, and taking account of events since 31 July 2017.

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

Going concern

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

Capital City College Group

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 Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

Capital City College Group

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017*, issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Alastair da Costa
Chair

Capital City College Group

Independent auditor's report to the Members of the Corporation of Capital City College Group

Opinion

We have audited the financial statements of Capital City College Group (the 'College') for the year ended 31 July 2017 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of its deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members of the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the members of the Corporation

As explained more fully in the statement of responsibilities of the members of the Corporation, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Corporation either intend to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Buzzacott LLP

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

15 December 2017

Capital City College Group

Reporting accountant's assurance report on regularity

To: The Members of the Corporation of Capital City College Group and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 3 July 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Capital City College Group during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of Capital City College Group and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

Reporting accountant's assurance report on regularity (continued)

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

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

15 December 2017

Capital City College Group
Statement of Comprehensive Income and Expenditure

	Notes	Year ended 2017 £'000	Restated* Year ended 2016 £'000
INCOME			
Funding body grants	2	63,269	63,185
Tuition fees and education contracts	3	11,982	12,773
Other grants and contracts	4	1,866	1,017
Other income	5	3,452	3,428
Investment income	6	160	172
Total income		**80,729**	**80,575**
EXPENDITURE			
Staff costs	7	53,649	52,231
Other operating expenses	8	24,246	21,328
Depreciation	11	6,541	7,174
Interest and other finance costs	9	1,386	1,412
Total expenditure		**85,822**	**82,145**
Deficit for the year		**(5,093)**	**(1,570)**
Actuarial gain/(loss) in respect of pensions schemes	23	4,503	(12,483)
Actuarial gain/(loss) in respect of enhanced pensions		15	(60)
Total Comprehensive expenditure for the year		**(575)**	**(14,113)**
Represented by:			
Unrestricted comprehensive expenditure		(575)	(14,113)
		(575)	**(14,113)**

The statement of comprehensive income and expenditure is in respect of continuing activities.

* The comparative balances, set out on a number of the pages within these financial statements, have been restated to reflect the harmonisation of the differing presentational approaches used by the former Colleges. See note 26.

Capital City College Group
Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated balance at 1 August 2015 (see below)	64,461	208,638	273,099
Deficit from the income and expenditure account	(1,570)	-	(1,570)
Other comprehensive expenditure	(12,543)	-	(12,543)
Transfers between revaluation and income and expenditure reserves	137	(137)	-
Total comprehensive expenditure for the year	(13,976)	(137)	(14,113)
Restated Balance at 31 July 2016	50,485	208,501	258,986
Deficit from the income and expenditure account	(5,093)	-	(5,093)
Other comprehensive income	4,518	-	4,518
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive expenditure for the year	(301)	(274)	(575)
Balance at 31 July 2017	**50,184**	**208,227**	**258,411**

The comparative balances, set out on a number of the pages within these financial statements, have been restated to reflect the harmonisation of the differing presentational approaches used by the former Colleges. See note 26.

Capital City College Group
Balance sheet as at 31 July

	Notes	2017 £'000	Restated* 2016 £'000
Non current assets			
Tangible fixed assets	11	329,211	333,544
Investments	12	39	39
		329,250	**333,583**
Current assets			
Stocks		44	59
Trade and other receivables	13	5,018	4,174
Investments	14	9,000	9,000
Cash and cash equivalents	18	12,244	11,230
		26,306	**24,463**
Less: Creditors – amounts falling due within one year	15	(12,959)	(11,836)
Net current assets		**13,347**	**12,627**
Total assets less current liabilities		**342,597**	**346,210**
Creditors – amounts falling due after more than one year	16	(34,421)	(35,853)
Provisions			
Defined benefit obligations	17	(48,685)	(50,245)
Other provisions	17	(1,080)	(1,126)
Total net assets		**258,411**	**258,986**
Unrestricted reserves			
Income and expenditure account		50,184	50,485
Revaluation reserve		208,227	208,501
Total unrestricted reserves		**258,411**	**258,986**

* The comparative balances, set out on a number of the pages within these financial statements, have been restated to reflect the harmonisation of the differing presentational approaches used by the former Colleges. See note 26.

The financial statements on pages 23 to 49 were approved and authorised for issue by the Corporation on 13 December 2017 and were signed on its behalf on that date by:

Alastair Da Costa
Chair

Andy Wilson
Chief Executive and
Accounting Officer

Capital City College Group
Statement of Cash Flows

	Notes	2017 £'000	Restated 2016 £'000
Cash flow from operating activities			
Deficit for the year		(5,093)	(1,570)
Adjustment for non cash items			
Depreciation		6,541	7,174
Decrease/(increase) in stocks		15	(47)
(Increase)/decrease in debtors		(844)	1,815
Increase/(decrease) in creditors due within one year		1,047	(1,027)
Decrease in creditors due after one year		(1,432)	(1,097)
Decrease in provisions		(31)	(45)
Pension costs including interest less contributions payable		2,943	2,004
Adjustment for investing or financing activities			
Investment income		(160)	(185)
Loss on sale of fixed assets		-	99
Net cash flow from operating activities		**2,986**	**7,121**
Cash flows from investing activities			
Investment income		144	185
Withdrawal of deposits		14,002	1,000
New deposits		(14,002)	(3,945)
Payments made to acquire fixed assets		(2,116)	(10,753)
		(1,972)	(13,513)
Increase/(decrease) in cash and cash equivalents in the yeaı		**1,014**	**(6,392)**
Cash and cash equivalents at beginning of the year	18	11,230	17,622
Cash and cash equivalents at end of the year	18	12,244	11,230

Capital City College Group

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Merger and restatement of comparatives

Following the merger of City & Islington College and Westminster Kingsway College on 1 August 2016 to form Capital City College Group, the comparative figures have been restated to combine the results, assets and liabilities of the predecessor colleges. Minor adjustments have been made to align accounting policies. See note 26.

Basis of accounting

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

Basis of consolidation

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

Going concern

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

At 31 July 2017 Capital City College Group had £21.2m of cash at bank and current asset investments and no loans. Currently the College has £24.1m of cash at bank and current asset investments and no loans. The College's forecasts and financial projections indicate that it will be able to operate for the foreseeable future.

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

Recognition of income

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

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

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

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

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

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and until April 2016 was contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and Expenditure and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other financial costs.

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's Statement of Comprehensive Income and Expenditure 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 body.

Tangible fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

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

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

Freehold land is not depreciated as it is considered to have an infinite useful 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 income account within creditors, and are released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Plant and equipment

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

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased assets

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

Investments

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

Stocks

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions and contingent liabilities

Provisions are recognised when

- the College has a present legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefit will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Provision for doubtful debts*

Debts arising from trading activities are provided for on the basis that a proportion, between 10% and 100% dependent on debt age, of those debts not funded through Student Loans Company loan agreements may ultimately not be collected.

2 Funding body grants

	2017 College £'000	Restated 2016 College £'000
Recurrent grants		
Education and Skills Funding Agency - adult	18,597	17,664
Education and Skills Funding Agency - 16-18	38,868	40,079
Education and Skills Funding Agency - apprenticeships	2,895	3,319
Higher Education Funding Council	322	242
Specific Grants		
Education and Skills Funding Agency	1,057	268
Releases of government capital grants	1,530	1,613
Total	63,269	63,185

3 Tuition fees and education contracts

	2017 £'000	Restated 2016 £'000
Adult education fees	1,481	1,254
Apprenticeship fees and contracts	86	68
Fees for FE loan supported courses	2,209	2,325
Fees for HE loan supported courses	1,940	2,055
International students fees	187	218
Total tuition fees	5,903	5,920
Education contracts	6,079	6,853
Total	11,982	12,773

4 Other grants and contracts

	2017 £'000	Restated 2016 £'000
UK-based charities	11	12
European Commission	833	(2)
Other grants and contracts	1,022	1,007
Total	1,866	1,017

5 Other income

	2017 £'000	Restated 2016 £'000
Catering and residences	1,446	1,311
Other income generating activities	52	-
Non government capital grants	-	53
Miscellaneous income	1,954	2,064
Total	3,452	3,428

6 Investment income

	2017 £'000	Restated 2016 £'000
Other investment income	120	87
Other interest receivable	40	85
Total	160	172

Capital City College Group
Notes to the Accounts (continued)

7 Staff costs

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

	2017 No.	Restated 2016 No.
Teaching staff	540	603
Non teaching staff	519	487
	1,059	1,090

Staff costs for the above persons		2017 £'000	Restated 2016 £'000
Wages and salaries		38,774	38,312
Social security costs		3,921	3,390
Other pension costs		6,970	6,025
Payroll sub total		**49,665**	**47,727**
Contracted out staffing services		3,412	3,475
Total staff costs excluding restructuring costs		**53,077**	**51,202**
Restructuring costs -	Contractual	360	363
	Non-contractual	212	666
Total staff costs		53,649	52,231

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Group Leadership Team which comprises the Chief Executive (Accounting Officer), College Principals, Training Arm Managing Director, Group Director of Finance, Group Director of Planning & Performance , Group Director of Human Resources and the Group Director of Governance. Staff costs include compensation paid to key management personnel for loss of office. The staff numbers, below, relate to the relevant staff in post in both City & Islington and Westminster Kingsway Colleges during 2015/6.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	8	19

Capital City College Group
Notes to the Accounts (continued)

7 Staff costs (continued)

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

	Key management personnel		Other staff	
		Restated		Restated
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	-	12	15
£70,001 to £80,000 p.a.	-	6	9	2
£80,001 to £90,000 p.a.	1	5	4	-
£90,001 to £100,000 p.a.	2	-	-	-
£100,001 to £110,000 p.a.	-	4	-	-
£110,001 to £120,000 p.a.	4	2	-	-
£120,001 to £130,000 p.a.	1	-	-	-
£170,001 to £180,000 p.a.	-	1	-	-
£190,001 to £200,000 p.a.	-	1	-	-
£210,001 to £220,000 p.a.	1	-	-	-
	9	19	25	17

During the year there were two separate post-holders of the Training Arm Managing Director post. The restated staff numbers, above, relate to the relevant staff in post in both City & Islington and Westminster Kingsway Colleges during 2015/6.

Key management personnel remuneration is made up as follows:	2017	Restated 2016
	£'000	£'000
Salaries - gross of salary sacrifice	945	1,697
Performance related bonuses	-	89
Employer's National Insurance	128	210
Benefits in kind	6	6
	1,079	**2,002**
Pension contributions	106	249
Payroll sub total	**1,185**	**2,251**
Contracted out staffing services for key management personnel	53	184
Total key management personnel remuneration	**1,238**	**2,435**

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

Capital City College Group
Notes to the Accounts (continued)

The previous remuneration includes amounts payable to the Accounting Officer (who is also the highest paid officer in 2016/17) of:

	2017 £'000	Restated 2016 £'000
Salaries	210	157
Performance related bonuses	-	19
Employers National Insurance	28	21
Benefits in kind	1	1
	239	**198**
Pension contributions	-	16
Total remuneration	**239**	**214**

The above comparatives for 2016 relate to the individual who was the designated Accounting Officer in 2017.

Compensation for loss of office paid to former key management personnel

	2017 £	Restated 2016 £
Compensation paid to one former key management personnel - contractual	-	40,000

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

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

8 Other operating expenses

	2017 £'000	Restated 2016 £'000
Teaching costs	7,685	8,656
Non teaching costs	9,438	6,658
Premises costs	7,123	6,014
Total	**24,246**	**21,328**

Other operating expenses include:	2017 £'000	Restated 2016 £'000
Auditors' remuneration:		
Financial statements audit	38	60
Internal audit	33	52
Other services provided by the financial statements auditors - VAT advice	6	23
Other services provided by the internal auditors - merger advice	-	18
Losses on disposal of non-current assets	-	99
Hire of assets under operating leases	439	429

9 Interest and other finance costs

	2017 £'000	Restated 2016 £'000
On bank loans, overdrafts and other loans:	3	-
Interest cost on enhanced pension liability	21	24
Net interest on defined pension liability (note 23)	1,362	1,388
Total	**1,386**	**1,412**

10 Taxation

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

11 Tangible fixed assets

	Land and buildings Freehold	Land and buildings Long leasehold	Plant and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation as restated					
At 1 August 2016	306,197	51,191	41,264	463	399,115
Additions	-	-	727	1,481	2,208
Transfers	1,499	99	-	(1,598)	-
At 31 July 2017	**307,696**	**51,290**	**41,991**	**346**	**401,323**
Depreciation					
At 1 August 2016 as restated	31,790	6,001	27,780	-	65,571
Charge for the year	2,799	339	3,403	-	6,541
At 31 July 2017	**34,589**	**6,340**	**31,183**	**-**	**72,112**
Net book value at 31 July 2017	**273,107**	**44,950**	**10,808**	**346**	**329,211**
Net book value at 31 July 2016 as restated	274,407	45,190	13,484	463	333,544

Land has been valued for the purpose of the 2016 financial statements at fair value as at 1 August 2014 by Jones Lang LaSalle Limited a firm of independent chartered surveyors.

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

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

In April 2016 the College granted a first charge over its Victoria site to the London Pensions Fund Authority (LPFA) in return for a signifcant reduction in its ongoing pension contributions.

Capital City College Group
Notes to the Accounts (continued)

12 Investments

	2017 £'000	Restated 2016 £'000
Other non-current asset investments	39	39
Total	**39**	**39**

The bulk of other investments represent the College's prize funds. These funds are made up of a number of independent gifts. The income generated on these gifts is used to fund annual prizes in accorance with the donors' wishes.

13 Trade and other receivables

	2017 £'000	Restated 2016 £'000
Amounts falling due within one year:		
Trade receivables	2,725	2,142
Prepayments and accrued income	1,832	1,587
Amounts owed by the ESFA	268	283
Other debtors	193	162
Total	**5,018**	**4,174**

Capital City College Group
Notes to the Accounts (continued)

14 Current investments

	2017 £'000	Restated 2016 £'000
Short term deposits	9,000	9,000
Total	**9,000**	**9,000**

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

15 Creditors: amounts falling due within one year

	2017 £'000	Restated 2016 £'000
Trade payables	725	1,145
Other taxation and social security	1,681	1,830
Accruals and deferred income	6,819	6,413
Deferred income - government capital grants	1,479	1,534
Deferred income - government revenue grants	8	-
Amounts owed to the ESFA	1,448	694
Learner Support Fund (note 25)	629	-
Other creditors	170	220
Total	**12,959**	**11,836**

16 Creditors: amounts falling due after one year

	2017 £'000	Restated 2016 £'000
Deferred income - government capital grants	34,421	35,853
Total	**34,421**	**35,853**

17 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
Restated at 1 August 2016	50,245	1,071	55	51,371
Expenditure in the period	(2,294)	(58)	(55)	(2,407)
Additions in period	734	67	-	801
At 31 July 2017	48,685	1,080	-	49,765

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of pension enhancements for staff of the former Westminster, Kingsway and City & Islington Colleges who left employment prior to previous mergers. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.3%	1.3%
Interest rate	2.3%	2.3%

18 Cash and cash equivalents

	Restated At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	11,230	1,014	12,244
Total	11,230	1,014	12,244

19 Capital commitments

	2017 £'000	Restated 2016 £'000
Commitments contracted for at 31 July	455	1,563

Capital City College Group
Notes to the Accounts (continued)

20 Lease obligations

At 31 July 2017 the College had total minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	Restated 2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	109	130
Later than one year and not later than five years	-	109
	109	239
Other		
Not later than one year	348	297
Later than one year and not later than five years	661	671
	1,009	968
Total lease payments due	**1,118**	**1,207**

21 Contingencies

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

22 Events after the reporting period - Transfer of undertakings

With effect from 1 November 2017, in accordance with a legal transfer of undertaking, the activities, assets and liabilities of the Corporation of the College of Haringey, Enfield & North-East London were transferred to the Corporation of The WKCIC Group (known as Capital City College Group) under a Type B merger.

23 Defined benefit obligations

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

Total pension cost for the year		**2017 £'000**		**Restated 2016 £'000**
Teachers' Pension Scheme: contributions paid		3,115		3,029
Local Government Pension Scheme:				
Contributions paid	2,185		2,374	
FRS 102 (28) charge	1,581		616	
Charge to the Statement of Comprehensive Income		3,766		2,990
Other pension contributions paid		6		-
Enhanced pension charge to Statement of Comprehensive Income		83		6
Total pension cost for year		6,970		6,025

Contributions amounting to £589,000 (2016: £633,000) were payable to the schemes at 31 July and are included in creditors.

Teachers' Pension Scheme

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

The 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Capital City College Group
Notes to the Accounts (continued)

Valuation of the Teachers' Pension Scheme

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

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in exess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and wil be payable from 1 April 2019.

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

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

Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2016 will be fully protected.

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

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

The pension costs paid to TPS in the year amounted to £3,114,000 (2016: £3,029,000).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

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

23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2017 was £2,964,000, of which employer's contributions totalled £2,185,000 and employees' contributions totalled £779,000. The agreed contribution rates for future years are 12.54% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary:

	2017	2016
Rate of increase in salaries	4.2%	4.0%
Future pensions increases	2.7%	2.2%
Discount rate for scheme liabilities	2.7%	2.6%
Inflation assumption (CPI)	2.7%	2.2%
Commutation of pensions to lump sums	50%	50%

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

	2017 years	2016 years WKC / CIC
Retiring today		
Males	21.1	21.6 / 22.0
Females	24.2	25.3 / 25.2
Retiring in 20 years		
Males	23.5	24.1 / 24.4
Females	26.4	27.6 / 27.5

Had different assumptions been used, the impact on the projected service cost for the year ended 31 July 2018 and the present value of totals obligations are shown below:

Sensitivity analysis	Projected service cost £'000	Present value of total obligation £'000
Discount rate and mortality assumption (as above)	4,839	125,822
Discount rate +0.1%	4,726	123,447
Discount rate -0.1%	4,955	128,245
Mortality assumption - 1 year increase	4,993	130,460
Mortality assumption - 1 year decrease	4,689	124,354

The service cost for the year ended 31 July 2017 was calculated using an estimate of the total pensionable payroll during the year. From the contribution information provided to the actuary, the estimated total pensionable payroll during the year is £11,241,000. The projected service cost for the year ending 31 July 2018 has been calculated from an estimated payroll of £12,961,000, which allows for the merger of the College with the College of North East London, which took effect from 1 November 2017.

Capital City College Group
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2017 £'000	Restated Fair Value at 31 July 2016 £'000
Equities	47,290	33,717
Liability Driven Investment/Cashflow matching	-	5,727
Target return portfolio	16,001	15,936
Infrastructure	3,476	4,630
Commodities	-	351
Property	5,023	2,450
Cash	5,347	2,727
Total market value of assets	**77,137**	**65,538**

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

	2017 £'000	Restated 2016 £'000
Fair value of plan assets	77,137	65,538
Present value of plan liabilities	(125,628)	(115,580)
Present value of unfunded liabilities	(194)	(203)
Net pensions liability (Note 17)	**(48,685)**	**(50,245)**

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

	2017 £'000	Restated 2016 £'000
Amounts included in staff costs		
Current service cost	3,836	2,947
Past service cost	39	55
Total	**3,875**	**3,002**
Amounts included in interest and other finance costs		
Net interest payment	1,362	1,388
	1,362	**1,388**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(8,262)	(973)
Other actuarial gains	(1,318)	-
Experience losses arising on defined benefit obligations	(1,615)	(2,548)
Changes in assumptions underlying the present value of plan liabilities	6,692	16,004
Amount recognised in Other Comprehensive Income	(4,503)	12,483

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the yeaı

	2017 £'000	Restated 2016 £'000
Deficit in scheme at 1 August	(50,245)	(35,758)
Movement in year:		
Current service cost	(3,836)	(2,947)
Estimated employer contributions	2,294	2,386
Past service cost	(39)	(55)
Administration expenses	(85)	(92)
Net interest on the defined liability	(1,277)	(1,296)
Actuarial gain/(loss)	4,503	(12,483)
Net defined benefit liability at 31 July	**(48,685)**	**(50,245)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2017 £'000	Restated 2016 £'000
Defined benefit obligations at start of period	115,783	97,281
Current Service cost	3,836	2,947
Interest cost	2,986	3,619
Estimated contributions by Scheme participants	787	801
Experience gains and losses on defined benefit obligations	(1,615)	(2,548)
Changes in financial assumptions	9,169	16,004
Changes in demographic assumptions	(2,477)	-
Estimated benefits paid	(2,686)	(2,376)
Past Service cost	39	55
Defined benefit obligations at end of period	**125,822**	**115,783**

Changes in fair value of plan assets

	2017 £'000	Restated 2016 £'000
Fair value of plan assets at start of period	65,538	61,523
Interest on plan assets	1,709	2,323
Return on plan assets	8,262	973
Other actuarial gains	1,318	-
Administration expenses	(85)	(92)
Estimated employer contributions	2,294	2,386
Estimated contributions by Scheme participants	787	801
Estimated benefits paid	(2,686)	(2,376)
Fair value of plan assets at end of period	**77,137**	**65,538**

24 Related party transactions

Due to the nature of the College's operations and that members of the Corporation are drawn from local public 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the members of the Corporation during the year was £1,851 for 3 members (2016: £1,000 for 1 member). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending meetings of the Corporation.

No Governor has received any remuneration or waived payments from the College during the year (2016: None).

Warren Partners Limited – a company in which Mr Da Costa, the Chair of Corporation, had a significant influence.

Transactions totalling £30,000 (2016 - £Nil), relating to the supply of executive recruitment services took place. There were no amounts outstanding (2016 - £Nil).

25 Amounts disbursed as agent

Learner support funds	**2017 £'000**	**Restated 2016 £'000**
Funding body grants – bursary support	2,752	1,771
Other Funding body grants	117	2
	2,869	1,773
Disbursed to students	(1,765)	(952)
Administration costs	(70)	(69)
Amounts consolidated into financial statements	(405)	(408)
Balance unspent as at 31 July	629	344

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

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

26 Merger of Westminster Kingway and City & Islington Colleges

On 1 August 2016, Westminster Kingsway College merged with City & Islington College. This was effected through a legal transfer of undertakings whereby the activities, assets and liabilities of City & Islington College were transferred to Westminster Kingsway College. The name of the merged College was changed to The WKCIC Group but is known as Capital City College Group.

The net assets of each College at 1 August 2016 were as follows:

	City & Islington £'000	Westminster Kingsway £'000
Non current assets	134,316	199,194
Current assets	14,255	10,354
Current liabilities	(5,479)	(6,315)
Creditors fralling due after more than one year	(10,491)	(25,363)
Provisions	(25,765)	(25,606)
Total net assets	**106,836**	**152,264**

Only minor adjustments were made to align accounting policies which resulted in a net reduction in total net assets as at 1 August 2015 and 2016 of £114,000.

Total income, the net deficit for the year and total comprehensive expenditure for the year ended 31 July 2016 for each College was as follows:

	City & Islington £'000	Westminster Kingsway £'000
Total income	44,124	36,418
Deficit for the year	(784)	(786)
Total comprehensive expenditure for the year	**(8,271)**	**(5,842)**

No adjustments were required that affected total income, the deficit for the year or total comprehensive expenditure.