

**FINANCIAL STATEMENTS JULY 2014**



**Report and Financial Statements  
Year Ended 31 July 2014**

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## **OUR ACHIEVEMENTS**

The College's range of courses and apprenticeships enables learners to acquire the qualifications and skills they need in order to have a fulfilling and prosperous career. The College provides an environment for students to meet new people and make friends, while participation in courses improves learners' self-confidence and outcomes. With over 1,300 students progressing on to University every year and success rates being some of the best within the further education sector the College is proud to be the leading college within London. The College's achievements speak for themselves and are due to the hard work and commitment of staff and students.

### **Ofsted Inspection**

When City and Islington College was inspected by Ofsted in 2004, it was judged to be outstanding; 90% of the grades achieved were a grade one (Outstanding) or a two (Good).

When Ofsted returned in 2008, they concluded that the College had made further improvements and again judged the College as outstanding, awarding a grade one in every area. The College is the only FE College in London, to be judged as 'Outstanding' in every single measure.

### **Students**

City and Islington College's students achieved outstanding results on the majority of courses last year. The College has a diverse student cohort with over 65% of all students from a black or minority ethnic (BME) background. Level 3 students predominate within the College representing 72% of the full time cohort.

The College prides itself on listening and acting upon students' views. The College has a managed learning environment on its ICT network which allows students to access all of the information they need to succeed and experience everything the College has on offer. The College carries out regular student surveys which provide guidance for management around improving the learner experience. The 2013/14 student satisfaction survey results were outstanding:

- 93% of students were satisfied with the College
- 97% of students said they feel safe at the College
- 93% of students said they would recommend the course to a friend

### **Student Awards**

Each year the College celebrates the achievements of students who have shown wholehearted commitment to their studies, not simply through academic achievement, although many of the winners have achieved excellent results, but through their special efforts and in some cases by overcoming considerable obstacles to achieve success.

2013/14 has been no exception and the stories of that 'something extra' students have put in range from individuals achieving distinctions whilst competing at elite athletic level, to students giving up mending helicopters in the army in order to learn how to mend people on an Access to Biomedical and Medical Sciences course at the College.

Every year the College has a wide range of student success stories. For example, this year a former ESOL student at the College, who had arrived in London at the age of 19 speaking no English progressed onto a law degree at the University of Westminster having studied our Access to Law course.

### **QAA Review**

City and Islington College in 2013/4 became the first further education college in London to undergo the new Review of College Higher Education by the Quality Assurance Agency (QAA). The College received full assurance on all of QAA criteria and has secured QAA assured status.

### **Investors In People**

City and Islington College has Investors in People (Silver) status.

### **British Council Accreditation**

City and Islington College is accredited by the British Council to teach English as a Foreign Language. The College is also a government Tier 4 Highly Trusted Sponsor for international students.

## **OPERATING AND FINANCIAL REVIEW**

### **Nature, Objectives and Strategies**

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

### **Legal Status**

The College was established as a Corporation under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The College was formed from a merger of four separate post-16 institutions by the London Borough of Islington Local Education Authority at incorporation on 30 September 1992 and became operational from 1 April 1993.

### **Statement of Compliance with Charity Commission Guidance and the 'Public Benefit Test'**

As an exempt charity, the College has regard to the Charity Commission's guidance on public benefit and satisfies the 'public interest' test, as summarised and demonstrated below. The public interest underpins all aspects of City and Islington College's mission and activities as a Further Education Institution.

The 'advancement of education', identified as a key charitable criterion in the Charities Act 2006, underpins the College's mission as a Further Education provider delivering education and training to over 12,000 students across a full range of subject areas and levels.

### **MISSION / VISION / VALUES**

The College has developed a three year Strategic Plan for the three year period to July 2017 which sets out the mission, vision and values as:

#### **Mission**

*Exceptional education and training for every student*

#### **Vision**

*To be London's leading college*

#### **Values**

##### *Excellence*

Students and staff are dedicated to great learning; learning that is consistently high quality, relevant and focused on outcomes. The College is set up to deliver to the needs of both students and employers.

### *Ambition*

The College sees ambition as part of its DNA and continually looks for ways to grow and develop what the College does for the benefit of students. The College aims to support all students to develop and achieve their ambitions. The staff of the College have high aspirations for every student and for themselves and are encouraged to be bold and creative in their work.

### *Collaboration*

Students and staff work together to help every student achieve success. The College works closely with employers and other partners; drawing in outside expertise to help secure better outcomes for students.

### *Opportunity*

Everyone is given the best possible opportunities to learn and be successful. Each student and every member of staff is treated as an individual and with respect.

## **NEW STRATEGIC PLAN**

The Strategic Plan for the period 2014-2017 has been developed across three strategic aims:

- High quality provision and excellence for all
- Growth, responsiveness and change
- Efficiency, effectiveness and sustainability

Alongside the development of the Strategic Plan, an operational plan has been developed to support and embed the emerging vision for 2014-2017. The target is for the College to have achieved the following ambitious and aspirational targets by 2017:

- All provision will meet or exceed national benchmarks for quality and performance and the College will be in the top quartile of the provider group
- Employers will be fully engaged in all vocational provision
- Level 4 provision will grow by 20%
- Income will grow by 10%
- The College will continue to generate a healthy annual operating surplus
- The College will have achieved the Investors In People (IIP) Gold accreditation
- The College will have National College status.

The Plan is underpinned by annual operational targets that have been set by the Governing Body. Its key components for 2014/15 include:

- A curriculum review with the focus on the lines of sight to work
- Identification of new provision streams through innovation and incubator models to create specialisms
- Continuing to embed quality and develop the College's workforce
- Reviewing curriculum delivery models including the use of digital and e-

learning

- Continuing to use management information to support decision making, monitoring performance and maximising impact for learners
- Appraising and investigating new ways of working including wider partnerships and collaborations

## **PERFORMANCE AGAINST FUNDING TARGETS – 2013/14**

Agency funding is classified as being either classroom based or workplace provision.

A review of 2013/14 performance undertaken in September 2014 shows that the College recruited 4,377 (106%) 16-18 year olds against the EFA (Education Funding Agency) allocation of 4,112 for classroom based learning; this strong recruitment does not equate to increased income in-year, rather it informs the lagged learner methodology which resulted in an increase in the 2014/15 EFA allocation.

All workplace provision (including 16-18 apprentices), adult classroom based provision and the adult skills budget was funded by the SFA (Skills Funding Agency) within the Department of Business, Innovation and Skills.

SFA funding is based on learning aims and credit values rather than headcount; at year end, the College recruited 8,229 SFA-funded learners related to classroom based activity against a course file target of 5,610. Overall, the SFA funding position versus allocation indicates 98.6% delivery; the variance to allocation is attributed to the shortfall in delivery of Adult Apprenticeships within the Adult Skills budget allocation. Classroom based and other (non-apprenticeship) workplace provision delivered 102% of the College target. 2013/14 saw the introduction of the 24+ Loans Facility, for which the College received an allocation of £2.1m; the College budgeted for 65% uptake of Loans in the inaugural year and recruited 471 learners who were financed by the Student Loans Company in 2013/14. These learners generated £1.2m of Loans income, which equates to 86% of internal targets and 58% of the full Loans Facility allocation.

Overall, the College achieved 99.4% of combined EFA and SFA allocations (excluding the 24+ Loans financing element) – 100% of the EFA allocation and 98.6% of SFA allocation.

## **FINANCIAL POSITION**

### **Financial Results**

The College reports an operating surplus of £0.3m compared to £0.7m in 2012/13. During 2013/14 the College incurred £1.2m in restructuring costs (2012/13: £0.5m).

The College continues to have a strong balance sheet. The SFA financial health framework places the College in Category 'Outstanding' – strong financial health. The Corporation agrees with that classification.

During the year the net asset position decreased from £75.1m (2012/13) to £74.9m (2013/14) excluding the pension liability of £15.9m.

Fixed assets additions in the year were £5.6m for building improvements, equipment and ICT.

The College's accumulated general reserves decreased from £46.3m in 2012/13 to £42.6m in 2013/14; the change was due to general revenue reserves increasing by £0.4m and the pension reserve liability increasing by £4.1m.

The College has significant reliance on the SFA and the EFA for its principal funding, largely from recurrent grants. In 2013/14 the SFA and EFA provided 86% of the College's total income, compared to 90% in the previous year.

### **Treasury policies and objectives**

Treasury management includes the management of the College's cash balances on money markets and capital markets; 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 to support this and to ensure returns are maximised and risk appropriately assessed.

The College has adequate cash reserves to meet its normal operating and investment needs for the year ahead and does not require access to borrowing facilities. The College will ensure that it retains its investments in a suitable form so that it can honour its payment obligations as and when they fall due.

### **Cash flows**

The operating cash-inflow for the year ended 2013/14 was £2.9m, a decrease of £1.4m compared to the previous year.



## **Liquidity**

College cash investments decreased from £18.7m (2012/13) to £16.3m (2013/14). The College invests reserves and cash balances to support the strategic aims of the organisation and to maintain infrastructure requirements to support high quality teaching and learning.

## **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%. During the accounting period 1 August 2013 to 31 July 2014, the College paid 96% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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

### **Student Numbers**

In 2013/14 the College delivered activity that earned £38.1m in funding from the EFA and SFA (2012/13 - £42.3m) for over 12,000 learners.

These figures are based on the R14 Individual Learning Return (ILR) which was submitted in October 2014.

### **Student Achievement**

Students continue to succeed and the College reports a further improvement in overall student success rates. The final aggregate success rate for the 2013/14 academic year is 86% (83%: 2012/13).

### **Curriculum Developments**

City and Islington College is London's leading college, with over 12,000 full-time and part-time students of all ages, from teenagers to senior citizens. It offers nearly 2,000 courses and about 460 qualifications in many settings: in college, at work and in the community. This includes the provision of EFA, SFA and Higher Education (HE) courses.

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 the needs of its students better. A particular strength is in making students ready for the next stage of their lives either through internal progression within the College, into work or Higher Education.

The College was awarded 180 directly funded Higher Education "margin" places for

2013/14 and during the year became the first Further Education College to be confirmed as meeting the standards of the UK's HE quality code following a review of its Higher Education provision by the Quality Assurance Agency.

### **Performance against 2013/14 development plan**

The College set a strategy and development plan for the period 2011-2014. The plan for 2013/14 completes the third year of the development plan and included 21 operational targets across the three core areas of focus:

- High quality provision and excellence for all
- Innovation, responsiveness and growth
- Efficiency and Effectiveness

Performance against targets are summarised below:

- Met - 11
- Partially met - 8
- Not met - 2

The following sections summarises progress made against the three strategic aims during 2013/14:

#### **High quality provision and excellence for all**

Progress has been made in year to improve success rates at Centre level. This reflects further work by the Centres, the Teaching & Learning Unit and HR to embed/share best practice and create teaching & learning communities by using existing forums and by tracking lesson observation grades more closely. Good working partnerships have been developed with the London Borough of Islington, including a job search facility set up with the College.

A focus on using ALPs (a system for measuring value added) for Level 3 BTEC provision in tandem with ProMonitor (a performance-tracking system) has had a positive impact on setting students inspirational targets. All staff have been trained to use ProMonitor and there is good use of different features such as progress grades being matched against target grades. BKSB live (software) has been used for initial and diagnostic assessments across the vocational centres and this is providing better information about students' starting points in English and Maths.

Adapting to the government's new Study Programme requirements for all 16-19 year old students has progressed well in year. In relation to English and Maths, all students who do not have a GCSE A-C are enrolled onto an appropriate course. Work experience and work-related activity has also increased across the vocational centres: a significant number of vocational courses offer work placements.

#### **Innovation, responsiveness and growth**

Overall growth and income diversification remains the most challenging of the three core objectives. In 2013/14 the core funding from the SFA / EFA declined by £4.3m. This was partly offset by growth in L3 Loan income of £1.2m, HE growth of £0.6m and ESF income of £0.8m.

Work is being undertaken to develop and grow the College offer. A STEM Strategy Group has been set up and the outputs of the group will inform planning and the curriculum offer into 2014/15. The College has also made good progression in developing the vocational offer and linking it to the Commission on Adult Vocational Teaching and Learning (CAVTL) findings to ensure good employability outcomes can be provided to students.

### **Efficiency and Effectiveness**

All targets set under efficiency & effectiveness were met or partially met in 2013/14. These included:

- The attainment of the budget targets on financial outcomes and maintenance of the payroll ratio below the sector average
- Embedding reporting tools including ProMonitor and MI Dashboards
- The roll out of year 3 of the ICT operational plan
- Delivery of the phase 2 accommodation plan for the Angel and the attainment of a sustainable assurance in 2014 with the College awarded IS004 status
- 100% completion of student Personal Development Reports
- Premises cost savings of £0.3m in year

## ACCOMMODATION

The College is proud of its five Centres. The combination of dedicated learning centres, leading edge technology, classrooms of the future and café areas make them a great place to study. In the 1990s the College was spread across thirteen different sites and three London boroughs, and some of the buildings dated back to the 19th Century. Today the College is based entirely in Islington, in five modern and fit for purpose centres.

The five College Centres are:

- Centre for Applied Sciences
- Centre for Business, Arts and Technology
- Centre for Health, Social and Child Care
- Centre for Lifelong Learning
- City and Islington Sixth Form College

Each Centre is focused on running particular courses and qualifications and each has its own community of students, teachers and support staff. The College buildings have been designed to the highest standards to reflect the quality of the work and the success of its students – and have been featured in a number of awards.

Against a backdrop of significant changes in the sector, the College has recognised the need for flexibility to ensure it can adapt to:

- Changes in funding and policy
- Changes in the political and economic environment
- Technological advancement
- Changes in the learner numbers by cohort groups
- Changes in curriculum requirements (skills based/academic based)
- Learner delivery (location, length, time, type of course).

Consequently the College has developed an accommodation plan to respond to the above changes and also support its strategic aims by:

- Improving quality through the upgrade of the estate and provision of student facilities
- Supporting incremental growth and curriculum development particularly across HE and STEM
- Investing in the two sites at the Angel in 2013/14. This supported an extension to the Sixth Form general office and an upgrade in student space on the ground floor. At the Centre for Applied Science two additional pavilions were built in year to house classrooms and a gym. The capital program in year also resulted in the creation of a space to house the “Scenes of Crime” provision. The expansion of the space across the two sites supported growth in a new curriculum area - L3 Engineering - and enhanced the delivery of Optics, Forensics and Sports Science courses.

## **SUSTAINABILITY**

The College is committed to excellence in design and to respecting the environment - using architectural designs to create new buildings from old and using environmentally friendly materials. The College has in place a policy framework to cover sustainability from the point of view of the estate, the curriculum and the community. During the year the College was awarded the ISO 14001 accreditation. It was noted that the College had developed and maintained an Environmental System that reaches or exceeds the expected standard.

## **STAFFING**

The College employs 688 FTEs of whom 528 FTEs are teaching staff.

The College recognises the positive impact staff have in terms of developing the College's excellent reputation and has invested over £120k during 2013/4 in supporting staff training and development. 96% of the teaching and lecturing staff are studying or are qualified to the required teaching standards.

The College is pleased to note that the average day's sickness per employee was 6.5 and turnover was 18.3%. These figures are significantly below the national average for the sector and in the most recent staff survey 90% of staff rated the College as a good employer which is 7 points above the national norm for staff survey ratings. These statistics are a testament to the commitment and dedication of staff to deliver outstanding learning opportunities for the students with over 93% of staff stating they enjoy their job, which is 4 points above the national norm.

## **RISK MANAGEMENT**

The College has a well-established and embedded system of internal controls, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Risk Management Group of the College, comprising of members of the SMT (Senior Management Team), ensures that there is a clear focus on identifying, mitigating, monitoring and reporting risks at a strategic and operational level. Risks are identified and built up at a Centre / department level that inform the overall College risk register. 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.

The Audit Committee provides a level of oversight of the risk management process to provide assurance to the Corporation over the effectiveness of the risk management process. Risk at the College is reviewed across a number of categories including:

- Learner Related
- Accommodation
- Funding
- Income Diversification

- HR and Pay Costs
- Facilities
- Financial Services
- ICT
- Reputation

Risks in the register are prioritised using a consistent scoring system and are also linked to the strategic aims of the College as outlined in the three year strategy to 2017:

- High quality provision and excellence for all
- Growth, Innovation, and change
- Efficiency, effectiveness and sustainability

The most significant current risk to the College and to the Further Education sector as a whole relates to the announcement in the October 2010 Comprehensive Spending Review (CSR) that the overall budget of the Department for Business Innovation and Skills will reduce by 25% over a four year period. This has had a significant impact on the level of funding received by the College from the SFA.

The following items below have been identified as the key risks to the College:

- Impact of new and changing government priorities:
  - Increase in the number of 16-18 providers within the local catchment area which could potentially impact recruitment and retention targets
  - Continued reduction in the core allocation from the SFA. The funding statement issued for 2014/15 indicated a 12% reduction
  - Changes in funding methodologies which may impact adult outcomes and retention including ESOL reforms which will be introduced in January 2015
  - Education reforms for 16-18 year olds including an emphasis on Maths and English attainment and the inclusion of study programmes on all vocational courses
  - The introduction of loans for students aged 24 or above, on level 3 courses
- Maintaining adequate funding or pension liabilities:
  - The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17. The budget for 2013/14 includes a provision for the FRS17 pension charge reflecting the continual volatility in the markets and valuation of the pension fund.

### **Mitigation**

City and Islington College has developed strategies designed to mitigate these risks including:

- Modelling the impact of funding changes and developing an offer aligned to the funding envelope and the mission of the organisation
- Ensuring the College is rigorous in delivering high quality education and training

- Focusing on maintaining key relationships with the various funding bodies and partners
- Improving its diversification of income ratios through development of a Business to Business (B2B) strategy, an International Strategy and a Higher Education (HE) strategy
- Exploring bidding opportunities and enhancing bidding capabilities in the College
- Reviewing the efficiency and effectiveness of the College's operating activities

## **STAKEHOLDER RELATIONSHIPS**

The College recognises that collaborative working with stakeholders is key to achieving its vision and securing the best possible outcomes for students. The College looks to explore how different partnership models might improve its effectiveness. The College actively seeks to:

- Explore new models of operation
- Partner to improve curriculum delivery
- Stay locally connected

The College actively engages with a wide range of stakeholders to support the delivery of its mission of exceptional education and training for every student. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers
- The London Borough of Islington
- Neighbouring Boroughs
- Government Offices/ Regional Development Agencies/ Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- HE institutions
- Schools
- Subcontractors
- Suppliers
- Trade unions
- Professional bodies
- Students Loans Company

The College recognises the importance of these relationships and engages in regular communication with them.

## **Staff and Student Involvement**

Staff representatives are elected by College staff to serve as members of the Corporation. All staff have access to the minutes of the meetings of the Corporation and its committees apart from any section of minutes exceptionally defined as confidential by the Corporation or its committees. Information is also made available to both students and staff through the College Intranet, and a monthly college-wide newsletter.

Students are represented on the Curriculum and Quality Committee and the Corporation.

## **Equality and Diversity**

City and Islington College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief, age and socio-economic status. We strive to remove barriers which place staff and students at a disadvantage and we deal actively with any form of discrimination.

The College's commitment to equality and diversity is reflected in its successful promotion of equality through the curriculum, through additional activities and employment practices as well as the wide celebration of diversity in daily life as commended by Ofsted.

The College's Equality and Diversity Policy is published on the College's Intranet site, along with an Annual Equality Report and Equality Objectives which help to ensure compliance with the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

City and Islington College is a 'Positive about Disabled' employer and has committed to the five objectives of the two ticks standard. This includes a guaranteed interview to any disabled applicant who meets the essential criteria for the post and where an existing employee becomes disabled, to make every effort to ensure that they remain in employment in the College. City and Islington College has made a significant investment in the appointment of both specialist lecturers to support students with learning difficulties and/or disabilities and business support staff who provide counselling and welfare services. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities. The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an Equality & Diversity training programme which is mandatory for all staff to complete. The College is also a Stonewall Diversity Champion.

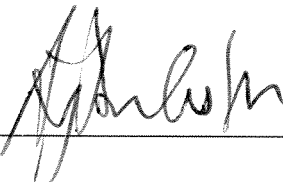
The approach to equality and diversity is implemented and monitored on a planned basis through the Senior Management Team and the Corporation.



**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 9th December 2014  
and signed on its behalf by:**



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**Alastair Da Costa  
Chair**

**Professional Advisers as at 31st July 2014**

Financial Statements and Regularity Auditors:	Buzzacott LLP 130 Wood Street London EC2V 6DC
Internal auditors:	KPMG 12 <sup>th</sup> Floor 15 Canada Square Canary Wharf E14 5GL
Solicitors:	Eversheds LLP Bridgewater Place Water lane Leeds LS11 5DR
Bankers:	Barclays Bank plc Broadgate Business Centre 155 Bishopsgate London EC2M 3XA

## **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.

The College endeavours to conduct its business:

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

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

In the opinion of the Corporation, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014.

The Corporation 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.

## The Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served (attendance)	Attendance at Corporation
Jack Morris OBE	30.9.92 Re-appointed 1.9.96 1.9.00 1.9.04 1.9.08 1.9.12	4 years	2.7.14	External	<ul style="list-style-type: none"> <li>Chair: Corporation (until 2<sup>nd</sup> July 2014)</li> <li>Remuneration (100%)</li> <li>Finance &amp; Resources (100%)</li> </ul>	100%
Kate O'Rourke	8.2.96 Re-appointed 8.2.00 8.2.04 12.3.08 7.3.12	4 years		External	<ul style="list-style-type: none"> <li>Vice Chair: Corporation</li> <li>Chair: Search &amp; Governance (100%)</li> <li>Remuneration (100%)</li> <li>Audit (67%)</li> </ul>	100%
Jackie Ballard	16/10/13	4 Years		External	<ul style="list-style-type: none"> <li>Audit (100%)</li> </ul>	75%
David Forrester	17.10.01 Re-appointed 17.10.05 21.10.09 16.10.13	4 years		External	<ul style="list-style-type: none"> <li>Curriculum &amp; Quality (100%)</li> <li>Search &amp; Governance (100%)</li> </ul>	100%
Leisha Fullick	21.10.09 16.10.13	4 years		External	<ul style="list-style-type: none"> <li>Curriculum &amp; Quality (75%)</li> <li>Search &amp; Governance (100%)</li> </ul>	75%
Anne Poulson	16/10/13	4 years	2.7.14	External	<ul style="list-style-type: none"> <li>Curriculum &amp; Quality (33%)</li> </ul>	100%
Lela Kogbara	26.5.05 Re-appointed 20.05.09 15.05.13	4 years		External	<ul style="list-style-type: none"> <li>Chair: Audit (100%)</li> <li>Employment Policy</li> </ul>	100%
Elizabeth Reid	20.10.06 Re-appointed 20.10.10	4 years		External	<ul style="list-style-type: none"> <li>Finance &amp; Resources (25%)</li> </ul>	100%
Anthony Tomei	4.12.13	4 years		External	<ul style="list-style-type: none"> <li>Finance &amp; Resources (100%)</li> </ul>	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served (attendance)	Attendance at Corporation
Fiona Thompson	20.5.09 15.05.13	4 years		External	• Finance & Resources (100%)	100%
Richard Watts	20.10.10	4 years		External		100%
Alastair Da Costa	19.10.11	4 years		External	• Chair: Finance & Resources (100%) • Chair: Corporation (from 2 <sup>nd</sup> July 2014)	75%
David Gilbertson	19.10.11	4 years		External	• Chair: Curriculum & Quality (100%) • Remuneration (100%)	100%
Rose Alexander	17.10.13	2 years	2.7.14	Elected (Support Staff)	• Finance and Resources (67%)	33%
Winston Scotland	17.10.13	4 years		Elected (Academic Staff)	• Curriculum & Quality (75%)	100%
Mal Reding	4.12.13	4 years		Elected (Whole College Staff)	• Audit (100%)	100%
Sharmin Begum	16.10.13	1 (academic) year	16.10.13	Student		50%
Richard Butler	16.10.13	1 (academic) year	3.7.14	Student	• Curriculum & Quality (75%)	50%
Frank McLoughlin CBE	5.7.02	ex-officio		Principal	• Finance & Resources (100%) • Search & Governance (100%)	100%
Mehria Fazli	2.7.14	1 (academic) year		Student	• Curriculum & Quality (100%)	100%
Louise Redmond	12.12.01 Re-appointed 12.12.05 21.10.09	4 years	17.10.13	External	• Audit (100%)	100%
Lynn Bibby-Bovell	15.11.11	2 years	17.10.13	Elected (Whole College Staff)	• Audit (0%)	0%

Graham Drummond acts as clerk to the Corporation.

At 31 July 2014 the Corporation had 3 vacancies.

The composition of the Corporation is set out on pages 20 to 21. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation meets on a termly basis with two additional meetings to approve the final accounts and the annual budget.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Corporation. These committees are: Finance and Resources, Curriculum and Quality, Remuneration, Search and Governance and Audit. All meet regularly. The agenda and full minutes, other than confidential items, of the Corporation are available from the Clerk to the Corporation at:

City and Islington College  
The Marlborough Building  
383 Holloway Road  
London N7 ORN

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

All governors 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.

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. Formal agendas, papers and reports are supplied to governors prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, which is comprised of five members of the Corporation, which 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 2014, the College's Remuneration Committee comprised the Chair and two other members of the Corporation. The Committee's responsibilities are to determine the remuneration and benefits of the Principal and other senior post-holders and report its findings to the Board.

Details of remuneration for the year ended 31 July 2014 are set out in notes 6 and 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises four members of the Corporation and a co-opted member (excluding the Principal and the Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

Management is responsible for 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 and external auditors and their remuneration for both audit and non-audit work.

## **Internal Control**

### **Scope of responsibility**

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between City and Islington College and the EFA and SFA. 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 financial control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 City and Islington College for the year ended 31 July 2014 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 2014 and up to the date of approval of the annual report and accounts. The Corporation regularly reviews the process.



## **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 and it includes:

- Comprehensive budgeting and forecasting systems with an annual budget which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which include:
  - Actual performance against budget
  - Reforecasts at a College and department level
  - Tracking of risks and opportunities
  - KPIs and benchmarking against GFE Colleges
  - Three year plans
- Approval and monitoring of capital budgets
- The adoption of formal project management disciplines where appropriate

City and Islington College has an internal audit service, which operates in accordance with the requirements of the *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 Corporation on the recommendation of the Audit Committee endorses the analysis of risks and the internal audit plans. At least annually, the head of internal audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## **Review of effectiveness**

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

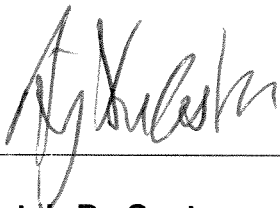
- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and the regularity auditors in their management letters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

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

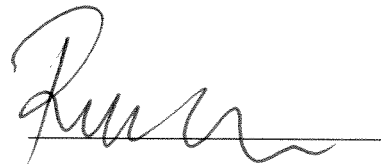
The senior management team receives reports setting out key performance and risk

indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, 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 senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 9<sup>th</sup> December 2014, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

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*".



**Alastair Da Costa**  
Chair



**Frank McLoughlin CBE**  
Principal

## **Statement of Responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency, Islington Local Authority and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2013/14 financial statements issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the results for that year.

In preparing the financial statements the Corporation is required to:

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

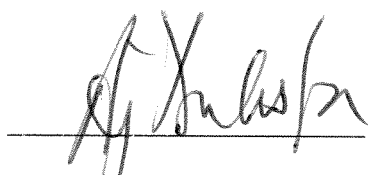
The Corporation is also required to prepare an Operating and Financial Review, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and 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 City and Islington College website is the responsibility of the College's senior management team; 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 purpose 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 Skills Funding Agency and the Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and Education Funding Agency 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 the 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 Skills Funding Agency and Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 9 December 2014 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Alastair Da Costa', is written over a horizontal line.

**Alastair Da Costa**  
**Chair**

## **Independent Auditor's Report to the Corporation of City and Islington College**

We have audited the College's financial statements of City and Islington College for the year ended 31 July 2014 set out on pages 33 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

### **Respective Responsibilities of the Members of the Corporation of City and Islington College and Auditor**

As explained more fully in the Statement of the Corporation's responsibilities set out on page 27 and 28, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

### **Scope of the audit of the financial statements**

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

### Opinion on financial statements

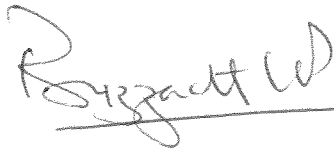
In our opinion, the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2014 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

### Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

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



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**Buzzacott LLP**  
Chartered Accountants and  
Statutory Auditors  
130 Wood Street  
London  
EC2V 6DL



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Date

## **Independent Auditor's Report on Regularity to the Corporation of City and Islington College and the Skills Funding Agency**

This report is produced in accordance with the terms of our engagement letter dated 13 May 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding Agency, in accordance with the authorities that govern them.

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

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

### **Responsibilities of the Corporation of City and Islington College**

The Corporation of City and Islington College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

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

### **Auditor's responsibilities**

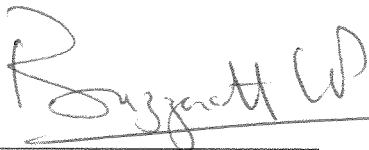
Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 13 May 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

### **Basis of opinion**

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

### **Opinion**

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



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18 December 2014

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#### **Buzzacott LLP**

Chartered Accountants and  
Statutory Auditors  
130 Wood Street  
London  
EC2V 6DL

Date



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

	Notes	2014 £000's	2013 £000's
<b>INCOME</b>			
Funding body grants	2	39,312	44,204
Tuition fees and education contracts	3	5,728	4,373
Other income	4	1,975	1,412
Investment income	5	291	378
<b>Total Income</b>		<b>47,306</b>	<b>50,367</b>
<b>EXPENDITURE</b>			
Staff costs	6	29,973	31,409
Exceptional restructuring costs	6	1,200	467
Other operating expenses	8	12,043	12,927
Depreciation	10	3,419	4,575
Interest and other finance costs	9	393	306
<b>Total Expenditure</b>		<b>47,028</b>	<b>49,684</b>
<b>Surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax</b>		278	683
Gain/(Loss) on disposal of assets		17	(4)
<b>Surplus on continuing operations retained within general reserves</b>		<b>295</b>	<b>679</b>

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

**STATEMENT OF HISTORICAL COST  
SURPLUSES  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000's	2013 £000's
Surplus on continuing operations (after taxation)		295	679
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	16	60	60
<b>Historical cost surplus for the year (after taxation)</b>		<b>355</b>	<b>739</b>

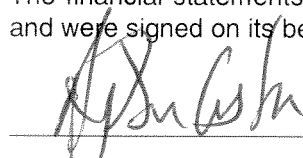
**STATEMENT OF TOTAL RECOGNISED GAINS  
AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2014**


		2014 £000's	2013 £000's
Surplus on continuing operations after depreciation of assets at valuation and tax		295	679
Actuarial gain (loss) in respect of pension scheme	19	(4,059)	4,052
<b>Total recognised gain (loss) since last report</b>		<b>(3,764)</b>	<b>4,731</b>
<b>Reconciliation:</b>			
Opening reserves		50,976	46,245
Total recognised gain (loss) for the year		(3,764)	4,731
<b>Closing reserves</b>		<b>47,212</b>	<b>50,976</b>

**BALANCE SHEET  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000's	2013 £000's
<b>Fixed assets</b>			
Tangible Assets	10	<u>62,582</u>	<u>60,450</u>
<b>Current assets</b>			
Debtors	11	2,474	2,883
Investments - short term deposits	18	16,331	18,663
Cash at bank and in hand	18	<u>10</u>	<u>10</u>
		18,815	21,556
<b>Less: Creditors - amounts falling due within one year</b>	12	<u>(6,466)</u>	<u>(6,700)</u>
<b>Net current assets</b>		<u>12,349</u>	<u>14,856</u>
<b>Total assets less current liabilities</b>		74,931	75,306
less: Provision for liabilities	13	( 54 )	( 241 )
<b>Net assets excluding pension liability</b>		<u>74,877</u>	<u>75,065</u>
Net pension liability	19	(15,888)	(11,753)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>58,989</u>	<u>63,312</u>
<b>Deferred capital grants</b>	14	<u>11,777</u>	<u>12,336</u>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	16	58,523	58,092
Pension reserve	19	(15,888)	(11,753)
Income and expenditure account including pension reserve	16	<u>42,635</u>	<u>46,339</u>
Revaluation reserve	15	4,577	4,637
<b>Total reserves</b>		<u>47,212</u>	<u>50,976</u>
<b>TOTAL FUNDS</b>		<u>58,989</u>	<u>63,312</u>

The financial statements on pages 33 to 53 were approved by the Corporation on 9 December 2014 and were signed on its behalf by:

  
Alastair Da Costa  
Chair

  
Frank McLoughlin CBE  
Principal

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2014 £000's	2013 £000's
<b>Cash inflow from operating activities</b>	17	2,912	4,348
<b>Returns on investments and servicing of finance:</b>			
Interest received	5	291	378
<b>Net cash inflow from returns on investments and servicing of finance</b>		291	378
<b>Capital expenditure and financial investment:</b>			
Purchase of tangible fixed assets	10	(5,552)	(3,964)
Sale of tangible fixed assets		17	-
<b>Net cash outflow from capital expenditure and financial investment</b>		(5,535)	(3,964)
<b>Cash inflow (outflow) before use of liquid resources and financing</b>		(2,332)	762
<b>Management of liquid resources:</b>			
Increase / (Decrease) in short-term deposits	18	2,332	(761)
<b>Increase/(Decrease) in cash in the period</b>		-	1
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(Decrease) in cash in the period		-	1
Increase (Decrease) in liquid resources	18	(2,332)	761
Movement in net funds		(2,332)	762
<b>Net funds at 1 August 2013</b>		18,673	17,911
<b>Net funds at 31 July 2014</b>	18	16,341	18,673

## **Notes to the Financial Statements**

### **1. Statement of Accounting Policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

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

#### **Recognition of income**

The recurrent grant from the funding bodies is that receivable as determined by the results of the funding audit undertaken.

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

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. The costs of any fees waived by the College are included as expenditure.

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

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

## **Post retirement benefits**

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

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 payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 18, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

## **Enhanced Pensions**

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

## **Tangible fixed assets**

### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at a valuation made by a firm of chartered surveyors in 1997 on the basis of depreciated replacement cost. Additions to land and buildings since the date of valuation are stated at cost. Freehold land is not depreciated. Freehold buildings are depreciated over 40 years expected useful economic life. Leasehold land and buildings are amortised over the period of the lease.

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

During the year Equipment assets were reviewed and £1.4m was reclassified as Building costs. The net effect of the reclassification was a reduction in depreciation charge of £63k in the year ended 31 July 2014.

#### *Assets under construction*

As part of the College's accommodation strategy a sports pavilion is being developed at the Centre for Applied Science. The construction of the pavilion commenced in May 2014 and was in operation for teaching and learning from November 2014. The costs incurred in the build as at July 2014 have been included as assets under construction. The valuation at July 2014 is based on architects' certificates and other direct costs incurred to 31 July 2014. The asset will be depreciated from the date it is brought into use.

#### *Equipment*

Equipment, furniture, fixtures and fittings inherited from the Local Education Authority are included in the balance sheet at valuation. All other equipment, furniture, fixtures and fittings are capitalised at cost. Equipment, furniture, fixtures and fittings are depreciated over a ten year period using a straight-line basis, except for ICT equipment.

During the year the estimated useful life of ICT equipment was reviewed and increased from 3 years to 5 years. The net effect of this was a reduction in the depreciation charge of £730k in the year.

Expenditure incurred on the acquisition of assets other than land and buildings is recorded in the balance sheet where the acquisition cost per item is £1,000 or more. Items that have an individual value of below £1,000 may be capitalised if the item forms part of a group of items where the cumulative value is above £1,000.

Where equipment, furniture, fixtures and fittings are acquired with the aid of specific grants, they are capitalised at cost and depreciated in accordance with the above policy. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over a period, consistent with the depreciation policy.

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. The College has no obligations under finance leases.

#### **Taxation**

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

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

### **Liquid resources**

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

### **Provisions**

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 38, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.



**2 FUNDING BODY GRANTS**

	<b>2014</b> <b>£000's</b>	<b>2013</b> <b>£000's</b>
<b>Skills Funding Agency / EFA:</b>		
Recurrent grant	37,809	41,577
Apprenticeships	243	734
European Social Fund (ESF)	763	-
Release of deferred capital grants (note 14)	497	497
Higher Apprenticeships	-	1,396
<b>Total</b>	<b>39,312</b>	<b>44,204</b>

**3 TUITION FEES AND EDUCATION CONTRACTS**

	<b>2014</b> <b>£000's</b>	<b>2013</b> <b>£000's</b>
FE loans	1,164	-
Tuition fees	1,704	2,142
Education contracts	2,860	2,231
<b>Total</b>	<b>5,728</b>	<b>4,373</b>

Included within the above amounts are tuition fees funded by bursaries of £111k (2012/13 £157k).

**4 OTHER INCOME**

	<b>2014</b> <b>£000's</b>	<b>2013</b> <b>£000's</b>
Crèche	420	329
Local Authority Income	436	-
Other income	1,119	1,083
<b>Total</b>	<b>1,975</b>	<b>1,412</b>

**5 INVESTMENT INCOME**

	<b>2014</b> <b>£000's</b>	<b>2013</b> <b>£000's</b>
Interest receivable	291	378
<b>Total</b>	<b>291</b>	<b>378</b>

**6 STAFF COSTS**

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	528	548
Non teaching staff	160	167
<b>Total</b>	<b>688</b>	<b>715</b>

**Staff costs for the above persons**

	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
Wages and salaries	23,961	24,719
Social security costs	2,044	2,071
Other pension costs/credit (including FRS17 adjustments of a credit of £317,000 (2013 charge of £211,000))	2,760	3,227
<b>Payroll sub-total</b>	<b>28,765</b>	<b>30,017</b>
Contracted out staffing services	1,208	1,392
	<b>29,973</b>	<b>31,409</b>
Exceptional restructuring costs	1,200	467
<b>Total</b>	<b>31,173</b>	<b>31,876</b>

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

	<b>Senior post-holders</b>		<b>Other Staff</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	-	-	6	4
£70,001 to £80,000	1	-	5	2
£80,001 to £90,000	-	-	1	3
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	1	-	-
£170,001 to £180,000	-	1	-	-
£180,001 to £190,000	1	-	-	-
	<b>3</b>	<b>3</b>	<b>12</b>	<b>9</b>

**7 SENIOR POST-HOLDERS' EMOLUMENTS**

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

	2014	2013
The number of senior post-holders including the Principal was	3	3
Senior post-holders' emoluments are made up as follows:	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
Salaries	383	412
Pension contributions	39	58
<b>Total Emoluments</b>	<b>422</b>	<b>470</b>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder) of:

	2014	2013
	£000's	£000's
Salaries	174	175
Pension contributions / Premiums	<b>23</b>	<b>23</b>

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

The members of the Corporation other than the Principal and staff member 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**

	2014	2013
	£000's	£000's
Teaching costs	7,179	7,931
Non teaching costs	1,999	1,886
Premises costs	2,865	3,110
<b>Total</b>	<b>12,043</b>	<b>12,927</b>
<b>Other operating expenses include:</b>	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
Auditors' remuneration:		
- Financial statements audit	34	34
- Internal audit	74	21
- Other services by the financial statements auditors	22	6
Hire of plant and machinery - operating leases	10	47
Hire of other assets - operating leases	193	228

**9 INTEREST AND OTHER FINANCE COSTS**

	2014 £000's	2013 £000's
Pension finance costs (note 19)	393	306

**10 TANGIBLE FIXED ASSETS**

	Land and buildings			Total £000's
	Freehold £000's	Long leasehold £000's	Equipment £000's	
<b>Cost or valuation</b>				
At 1 August 2013	48,159	26,344	18,696	93,199
Reclassification Adjustment	(1,420)	-	1,420	-
Additions	3,734	-	1,818	5,552
Disposals	-	-	(427)	(427)
<b>At 31 July 2014</b>	<b>50,473</b>	<b>26,344</b>	<b>21,507</b>	<b>98,324</b>
<b>Depreciation</b>				
At 1 August 2013	13,814	5,114	13,822	32,750
Reclassification Adjustment	569	(453)	(116)	-
Charge for year	1,390	453	1,576	3,419
Elimination in respect of disposals	-	-	(427)	(427)
<b>At 31 July 2014</b>	<b>15,773</b>	<b>5,114</b>	<b>14,855</b>	<b>35,742</b>
<b>Net book value</b>				
<b>At 31 July 2014</b>	<b>34,700</b>	<b>21,230</b>	<b>6,652</b>	<b>62,582</b>
<b>Net book value</b>				
<b>At 31 July 2013</b>	<b>34,345</b>	<b>21,231</b>	<b>4,874</b>	<b>60,450</b>

The assets shown under long leasehold have lease terms of 122 and 125 years expiring in 2124.

There has been a detailed review of the fixed asset register during the year and as a result some assets have been reclassified between freehold land and buildings and equipment.

Of the total additions for land and buildings freehold, £641k relates to assets under construction for the development of the sports pavilion at CAS, which became operational in November 2014, and will not be depreciated until assets have been brought into use.

During the year the estimated useful life of ICT equipment was reviewed and consequently increased from 3 years to 5 years. The net effect of this was a reduction in the depreciation charge of £730k in the year.

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

Land and buildings with a net book value of £4,479k have been partly financed by exchequer funds,

through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

The College revalued its land and buildings as at 31 July 1997. The valuation was carried out by Son and Kenyon, a firm of independent Chartered Surveyors, under RICS guidelines. The valuations, based on depreciated replacement cost, are incorporated above.

Of the total land and building net book value of £55,930k revalued inherited assets comprise £4,479k and £51,451k is based on the actual cost of asset acquisition and construction by the college since incorporation.

Land and buildings inherited from the local education authority have an historic cost value of £nil.

#### 11 DEBTORS

	2014 £000's	2013 £000's
Trade debtors	354	1,414
Prepayments and accrued income	2,009	1,347
Sundry debtors	111	122
<b>Total</b>	<b>2,474</b>	<b>2,883</b>

#### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £000's	2013 £000's
Trade creditors	821	857
Other creditors	426	404
Taxation and Social Security	630	587
Accruals and deferred income	4,128	4,371
Amounts owed to the SFA	461	481
<b>Total</b>	<b>6,466</b>	<b>6,700</b>

#### 13 PROVISION FOR LIABILITIES AND CHARGES

	Pension contribution provision £000's
At 1 August 2013	241
Released to income and expenditure account	(187)
<b>At 31 July 2014</b>	<b>54</b>

The pension contribution provision relates to outstanding claims by the TPS in respect of employees who were deemed to have opted out of the scheme during their employment with the College. It was ruled that the College should pay the teachers' pension contribution, retrospectively for the identified employees from the date of assumed auto-enrolment, plus interest. The provision has been calculated with reference to the employees' pensionable pay from the deemed date of auto-enrolment. The basis of the provision includes the employer's contribution plus interest, and employees' contribution.

**14 DEFERRED CAPITAL GRANTS**

	Funding body grants £000's	Other grants £000's	Total £000's
At 1 August 2013	11,180	1,156	12,336
Released to income and expenditure account	(497)	(62)	(559)
<b>At 31 July 2014</b>	<b>10,683</b>	<b>1,094</b>	<b>11,777</b>

**15 REVALUATION RESERVE**

	2014 £000's	2013 £000's
At 1 August 2013	4,637	4,697
Depreciation of revalued assets	(60)	(60)
<b>At 31 July 2014</b>	<b>4,577</b>	<b>4,637</b>

**16 MOVEMENTS ON GENERAL RESERVE**

	2014 £000's	2013 £000's
<b>Income and expenditure account reserve</b>		
At 1 August 2013	46,339	41,548
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	295	679
Depreciation of revalued assets	60	60
Actuarial gain/(loss) in respect of pension scheme	(4,059)	4,052
<b>At 31 July 2014</b>	<b>42,635</b>	<b>46,339</b>
<b>Balance represented by:</b>		
Pension reserve	(15,888)	(11,753)
Income and expenditure account reserve excluding pension reserve	58,523	58,092
	<b>42,635</b>	<b>46,339</b>

**17 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £000's	2013 £000's
Surplus on continuing operations after depreciation of assets at valuation, disposals of assets and tax	295	679
Depreciation (Note 10)	3,419	4,575
Deferred capital grants released to income (Note 14)	(559)	(535)
(Surplus) / Loss on disposal of tangible fixed assets	(17)	4
Interest receivable (Note 5)	(291)	(378)
FRS17 Pension costs adjustment (Notes 6 and 9)	(317)	211
FRS17 Pension finance interest (Note 9)	393	306
Decrease / (Increase) in debtors	409	(888)
(Decrease) / Increase in creditors	(234)	133
(Decrease) / Increase in provisions	(186)	241
<b>Net Cash Inflow from operating activities</b>	<b>2,912</b>	<b>4,348</b>

**18 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2013 £000's	Cashflows £000's	At 31 July 2014 £000's
Cash at bank and in hand	10	-	10
Current asset investments	18,663	(2,332)	16,331
<b>Total</b>	<b>18,673</b>	<b>( 2,332 )</b>	<b>16,341</b>

**19 PENSIONS AND SIMILAR OBLIGATIONS**

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

**Total pension cost for the year**

	2014 £000's	2013 £000's
Teachers Pension Scheme: contributions paid	1,913	1,942
Local Government Pension Scheme:		
Contributions paid	1,164	1,074
FRS17 Charge	(317)	211
	847	1,285
<b>Total Pension Cost for the Year</b>	<b>2,760</b>	<b>3,227</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries.

The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £413k (2013 £379k) were payable to the schemes at 31st July and are included within creditors.

## **Teachers' Pension Scheme**

### *Teachers' Pension Scheme (TPS)*

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

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

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

### *Valuation of the Teachers' Pension Scheme*

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial evaluation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes in public service pensions and while future scheme terms are developed as part of the reforms to public pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

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

As noted, the last formal valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at



the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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

#### *Scheme Changes*

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with employer contributions set at 14.1%. With effect from 1 April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4% depending on a member's Full Time Equivalent salary, with employer contributions set to increase to 16.4% from September 2015.

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

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The employer's pension costs paid to TPS in the year amounted to £1,913k (2013 £1,942k).

#### *FRS 17*

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

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

#### **Local Government Pension Scheme (LGPS)**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2014 was £1,573k (2013 £1,462k) of which employer's contributions totalled £1,173k (2013 £1,084k) and employees' contributions totalled £400k (2013 £378k). The agreed contribution rates for future years are 17.3% for employers and between 5.5% and 12.5% for employees depending on their individual band.

**Principal Actuarial Assumptions [sub-heading of LGPS]**

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2014 by a qualified independent actuary.

	<b>At 31 July 2014</b>	<b>At 31 July 2013</b>
Retail Price increases	3.5%	3.4%
Consumer Price increase	2.7%	2.6%
Rate of increase in salaries	4.5%	4.3%
Rate of increase for pensions in payment	2.7%	2.6%
Discount Rate for scheme liabilities	4.2%	4.8%
Commutation of pensions to lump sums	50%	50%

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

	<b>At 31 July 2014</b>	<b>At 31 July 2013</b>
Retiring today / current pensioners		
Males	21.8	21.0
Females	25.0	24.0
Retiring in 20 years / future pensioners		
Males	24.2	23.0
Females	27.3	25.9

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

	<b>Long-term rate of return expected at 31 July 2014</b>	<b>Value at 31 July 2014</b>	<b>Long-term rate of return expected at 31 July 2013</b>	<b>Value at 31 July 2013</b>
		<b>£000's</b>		<b>£000's</b>
Equities	6.7%	13,030	6.4%	13,208
Target return portfolio	6.1%	8,482	4.9%	8,150
Alternative assets	n/a	1,811	5.4%	2,248
Infrastructure	6.3%	990	n/a	n/a
Commodities	6.1%	316	n/a	n/a
Property	5.6%	813	n/a	n/a
Cash	3.2%	4,106	0.5%	281
Other Bonds	n/a	n/a	n/a	4,215
<b>Total Market Value of assets</b>		<b>29,548</b>		<b>28,102</b>
Present value of scheme liabilities				
- Funded		(45,317)		(39,747)
- Unfunded		(119)		(108)
<b>Deficit in the scheme</b>		<b>(15,888)</b>		<b>(11,753)</b>

**Analysis of the amount charged to income and expenditure account**

	2014 £000's	2013 £000's
Employer Service cost (net of employee contributions)	856	1,287
<b>Total operating charge</b>	<b>856</b>	<b>1,287</b>

**Analysis of pension finance income/(costs)**

Expected return on pension scheme assets	1,527	1,205
Interest on pension scheme liabilities	(1,920)	(1,511)
<b>Pension finance costs</b>	<b>(393)</b>	<b>(306)</b>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

	2014 £000's	2013 £000's
Actuarial losses/gains on pension scheme assets	(683)	3,193
Actuarial losses/gains on pension scheme liabilities	(3,376)	859
<b>Actuarial gain/(loss)</b>	<b>(4,059)</b>	<b>4,052</b>

**Movement in deficit during year**

	2014 £000's	2013 £000's
Deficit in scheme at 1 August	(11,753)	(15,288)
Movement in year:		
Employer service cost (net of employee contributions)	(856)	(1,287)
Employer contributions	1,164	1,074
Contributions in respect of Unfunded Benefits	9	10
Net interest	(393)	(306)
Settlements or curtailments	-	(8)
Actuarial gain or loss	(4,059)	4,052
<b>Deficit in scheme at 31 July</b>	<b>(15,888)</b>	<b>(11,753)</b>

**Asset and Liability Reconciliation**

	2014 £000's	2013 £000's
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	39,855	38,301
Service cost	856	1,287
Interest cost	1,920	1,511
Employee contributions	400	378
Actuarial (gain)/loss	3,376	(859)
Benefits paid	(971)	(771)
Losses on curtailments	-	8

<b>Liabilities at end of period</b>	<b>45,436</b>	<b>39,855</b>
Funded liabilities	45,317	39,747
Unfunded liabilities	119	108
	<b>45,436</b>	<b>39,855</b>
<b>Reconciliation of Assets</b>	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
<b>Assets at start of period</b>	28,102	23,013
Expected return on assets	1,527	1,205
Actuarial gain/ (loss)	(683)	3,193
Employer contributions	1,173	1,084
Employee contributions	400	378
Benefits paid	(971)	(771)
<b>Assets at end of period</b>	<b>29,548</b>	<b>28,102</b>

The estimated value of employer contributions for the year ended 31 July 2015 is £1,271k.

#### History of experience gains and losses

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets:	(1,052)	3,193	(1,142)	(457)	576
Experience gains / (losses) on scheme liabilities:	3,787	(4)	(5)	5,765	30
Total amount recognised in STRGL	(4,059)	4,052	(4,897)	2,506	1,094

#### 20 CAPITAL COMMITMENTS

	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
Commitments authorised at 31 July	416	1,299

#### 21 FINANCIAL COMMITMENTS

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

	<b>2014</b>	<b>2013</b>
	<b>£000's</b>	<b>£000's</b>
<b>Land and buildings</b>		
Expiring within one year	108	53
Expiring within two and five years inclusive	-	121
<b>Other leases</b>		
Expiring within two and five years inclusive	4	10

**22 RELATED PARTY TRANSACTIONS**

Owing to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the board of governors 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.

Transactions with the funding bodies and HEFCE are detailed in note 2.

**23 AMOUNTS DISBURSED AS AGENT**

	<b>2014</b> <b>£000's</b>	<b>2013</b> <b>£000's</b>
<b>Learner Support Funds</b>		
Funding body grants - Hardship Support	2,152	1,392
Funding body grants – Childcare	565	778
	<hr/> 2,717	<hr/> 2,170
Included in Income and Expenditure account	(67)	(342)
Disbursed to students	(2,333)	(1,480)
Administration costs	(140)	(96)
	<hr/> 177	<hr/> 252
<b>Balance unspent at 31 July</b>		

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent.

In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.

The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the students' behalf.