

EAST KENT COLLEGE

**Report and Financial Statements
for the year ended 31 July 2015**

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The Governors present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

Introduction – Financial Statements

On 1 August 2014, East Kent College entered a significant new era in its short history. The further education campuses in Dover and Folkestone transferred to the ownership of the College and the delivery of education and skills in the districts of Dover and Shepway began.

The College structure has been re-organised to reflect the multi-campus delivery with a Corporate Services centre being created at Discovery Park, Sandwich. The College relinquished its professional training centre at Manston, replacing it with a new training centre, also at Discovery Park, and transferred its construction wet trades curriculum from Hornet Close to its campus in Broadstairs.

The education landscape continued to be challenging. Further cuts in adult funding coupled with significant new education policies required significant re-organisation. A strategy of devolving accountability to campus level was started with some initial impact now being evident. The College continued to focus on ensuring that its income was generated from a wider range of sources and opened a commercial nursery, a professional learning offer and applied and was approved to open a 14-16 Technical School in September 2015. The impact of these policies has not yet been realised but the early indications are encouraging.

The College continued to invest heavily in its estate in 2014-15. A £7.0 million capital fund was raised for the Dover and Folkestone campuses which enabled a series of projects ranging from £50,000 to £1.8 million to be completed. At the Broadstairs Campus the Yarrow, Centre for Creative Industries and the Horizon and Enterprise refurbishment were the key active projects throughout the year.

The College enjoyed another successful year. It was awarded, for the second successive year, an Association of Colleges Beacon Award, this time for the Progression Curriculum, which is designed to reduce the number of local young people not engaged in employment, education or training. The College was also re-accredited for the Matrix standard and had numerous students winning skills competitions on a local and regional level.

Mission

East Kent College is committed to developing the prosperity and wellbeing of the community it serves.

Public Benefit

East Kent College is an exempt charity under the Part 3 of the Charities Act 2011 and, from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body who are trustees of the exempt charity are disclosed on pages 12-14.

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

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

- high-quality teaching;
- widening participation and tackling social exclusion;

- strong links with the communities the College serves;
- excellent employment and progression opportunities for students, including apprenticeships;
- strong student support systems; and
- links with employers, industry and commerce.

2015-19 Strategic Plan

At the start of 2015 the College launched its strategic plan for 2015-2019. This widely consulted and endorsed plan includes five strategic goals:

- To deliver a flexible curriculum that is attractive to students and highly relevant for East Kent;
- to offer an outstanding student experience that is distinctive within East Kent;
- to maximise student progress and achievement;
- to continue a sustained and supported college-wide drive for excellence; and
- to strengthen and extend our partnerships within the communities we serve.

These goals are underpinned by objectives with a number of performance indicators being used to track and measure performance against them.

To reflect the College's intentions and ambitions a series of College strategies have also been developed to ensure that all areas of the College's work such as human resources, finance, property and curriculum have a clearly agreed direction.

Much progress has been made over the first nine months of the strategic plan. Student satisfaction levels rose for the College with significantly improved ratings on the Dover and Folkestone campuses. Staff satisfaction also increased to record levels with employer satisfaction remaining high in the College's largest sectors of delivery.

Financial Objectives

The College's financial objectives are:

- to achieve the budgeted outcome for the year;
- to maintain working capital to cover expenditure with a current ratio of more than 0.5; and
- to control expenditure on staff salaries so that the total cost represents no more than 65% of income.

The performance indicators confirm that these objectives have been monitored throughout the year by the Governors and the College's Executive Management Team. The College did not meet its budgeted outcome of an operating surplus of £139,000 for the year, but met the latter two objectives for the year ended 31 July 2015, with a current ratio of 0.76:1 and staff costs as a percentage of income of 57.4%.

Performance Indicators

The College has developed a comprehensive suite of performance indicators which are used by managers and Governors to track and monitor performance against 27 indicators. Monthly progress reports are issued for all indicators and are scrutinised at respective Management and Governor Committees. The performance indicators cover a range of measures including; student recruitment, finance, quality, staffing, safety, IT networks and Governor membership/attendance.

The FE Commissioner's review of leadership at the College in December 2014 was particularly complimentary about these:

"The Executive meets regularly with managers and assiduously monitors a comprehensive range of indicators designed to provide qualitative and quantitative measures of performance. Clear, accurate and accessible data support actions for improvement and progress is evident in the increased level of student punctuality and attendance. Challenging targets, such as those for student attendance, are determined by reference to past outcomes and are therefore suitably differentiated by campus; thus they are both realistic and uplifting." – David Collins, FE Commissioner.

Ofsted Result

The College was last inspected by Ofsted in March 2013 against the Common Inspection Framework and the grades awarded where:

Aspect	Grade
Overall effectiveness of provision	Good
Outcomes for learners	Good
Quality of teaching, learning and assessment	Good
Leadership and management	Outstanding

With the transfer of Dover and Folkestone Campus the College benefited from three support and challenge visits by Ofsted during the academic year. The purpose of these was to support and track the progress of rapid improvement of provision across Dover and Folkestone. The final visit took place in April 2015 and a flavour of their findings is provided below:

"In the four months since our last visit, good progress has continued to be made in developing a culture of high aspirations.

Effective steps have been taken to strengthen middle management.

Data on all key aspects of students' performance continues to be used rigorously to drive improvement and gauge progress.

The quality of lessons remains mixed. Some very good, and very little poor, practice was observed.

Solid progress has been made in improving English and mathematics provision, although as you recognise the predicted improvements in GCSE and functional skills results, if achieved, would still indicate provision that is not yet good enough."

Quality assurance

The College has a quality assurance framework in place which provides an annual business cycle of activities to ensure we have;

- outstanding self-assessment at programme area level and College level with improvement plans in place;
- regular review and tracking of improvement plan progress;
- systematic reporting that enables tracking and monitoring of College performance by Governors and Senior Managers;
- a culture that values staff and student feedback and actively uses this to inform improvements; and
- engagement by staff in continuous improvement and development with recognition of distance travelled.

The quality assurance framework was recognised by Ofsted as a key strength:

"Comprehensive and rigorous quality assurance drives up performance. The quality improvement strategy is supported by an annual cycle and framework, including the central role of the Principal and Senior Managers in the systematic review of performance. Staff and Managers are well aware of their responsibilities for quality assurance and improvement. A well-conceived suite of key College performance indicators facilitate the work of Managers and Governors." – Ofsted March 2013

Employer engagement

Since the acquisition of the Dover and Folkestone sites, the College has made progress in engaging with employers across East Kent. This includes signing formal agreements with the Port of Dover, DFDS Seaways, Tilmanstone Salads, and Margate Football Club.

The College has invested in the development of two new centres to increase both the range and quality of provision available to employers across East Kent.

The Centre for Apprenticeships and Workplace Learning provides support to the curriculum delivery teams by providing a full recruitment and selection service ensuring that suitable apprentices are placed with appropriate employers on industry-relevant Apprenticeship frameworks. The curriculum delivery teams are responsible for the monitoring, assessment and successful outcome of the Apprenticeships. The number of Apprenticeship starts has nearly trebled in 2014/15 compared with 2013/14 (255 starts compared with 87 in 2013/14).

The Centre for Professional Learning has developed a range of programmes to suit the needs of local employers, including bookable open courses, and bespoke courses tailored to individual needs.

FINANCIAL POSITION

Financial results

The College reports an operating deficit of £385,000 after the adjustment for FRS17 (£297,000) has been taken into the income and expenditure account. At 31 July 2015, the College had accumulated income and expenditure reserves before pension reserve of £23,016,000 and a cash at bank balance of £733,000. The impact of the FRS17 pension deficit on the Local Government Pension Scheme has been incorporated into the balance sheet and is reflected as a reduction in reserves of £10,752,000. This is an increase on the previous year-end position, with a further actuarial loss of £2,210,000 and a one-off settlement charge, arising from the liabilities and assets transferred into the scheme in respect of staff at the Dover and Folkestone campuses, of £2,405,000 being recognised in the statement of total recognised gains and losses.

Tangible fixed asset additions during the year amounted to £33,784,000. This included £17,673,000 on fixed assets inherited with the Dover and Folkestone campuses, £538,000 on the Nursery at the Broadstairs Campus, £5,000,000 spent on upgrading the Dover and Folkestone campuses, £8,228,000 on the refurbishment of the Yarrow building and £2,195,000 on the refurbishment of the Enterprise and Horizon buildings at Broadstairs.

The College has significant reliance on the Skills Funding Agency (SFA) and Education Funding Agency (EFA) for its principal funding source, largely from recurrent grants. In 2013/14 the SFA and EFA provided 81.3% of the College's total income. In 2014/15, despite the College receiving an additional £1,486,000 from the Skills Support for the Workforce ESF project during the year, there was a decrease in the reliance on SFA and EFA income to 80.1%.

Future developments

The College has received confirmation from the SFA and the EFA that the allocation of money to support Classroom-based learning, Apprenticeships and Workplace Learning in 2015/16 will be £17,735,400.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal and the Chair of the Governing Body. All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum and the College's Financial Regulations.

Cash flows

The net cash outflow for the year is £3,922,000 (2013/14: net cash inflow of £4,019,000). This is predominantly made up of an operating cash inflow of £1,553,000 (2013/14: £2,181,000), capital expenditure of £15,992,000 (2013/14: £5,241,000), capital grant receipts of £11,041,000 (2013/14: £6,824,000).

Liquidity

The size of the College's total borrowing and its approach to interest rate cover have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. The College has seen an increase in trade creditors at year end, which is the result of the large number of invoices received in July 2015 relating to the capital projects and sub-contracting.

Taxation

As an exempt charity for the purposes of the Charities Act 2011 the College is not liable to Corporation Tax.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**Student numbers**

In 2014/15 the College has delivered activity that has produced £17,216,000 in funding body main allocation funding (2013/14 - £9,901,000). The College had approximately 6,100 funded and 2,600 non-funded students.

Student achievements

The College achieved an overall success rate of 81.5% for 2014/15, against an 83.6% national average for all Colleges. The overall success rate on main courses (excluding mathematics and English) was 86.8%.

Curriculum developments

In this academic year the focus for the curriculum was to ensure that all further education study programmes delivered high quality English and mathematics and an experience of work that would ensure all graduating students would be ready for the world of work or to progress onto higher levels of study. The significant additional volumes of those students studying English and mathematics placed significant pressure on resources but the College was 100% compliant in meeting the English and mathematics condition of funding.

Curriculum development was centered on ensuring that the programmes offered on the Dover and Folkestone Campuses were closely aligned to the employment market and the economic regeneration sectors. This included introducing programmes in the creative industries, health and social care and early year's sectors at the Folkestone Campus and that curriculum development and capital works were undertaken in engineering, building services and hospitality at the Dover Campus.

The College also continued to widen its portfolio of Apprenticeship frameworks that it could support and the higher education portfolio of courses. This resulted in the College achieving its ambitious Apprenticeship growth targets and its highest level of higher education students.

In March 2015, the College launched its professional learning offer at Discovery Park. Based on the need determined by the business community, courses in social media, team leading and science technicians were developed, marketed and delivered. This suite of courses is now being further developed and enhanced in preparation for a bigger offer in 2015-16.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College does not have the ability to accurately monitor this KPI, but it does estimate that it pays the vast majority of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Going Concern

The financial statements have been prepared on a going concern basis. Despite not generating an operating surplus, the College still maintains a significant operating cash inflow, is able to invest in its estate through this healthy cash generation and has manageable levels of debt and liquidity.

The College has prepared a three-year financial plan, including a cash-flow forecast, which shows that the College will be able to meet its debts as they fall due, can deliver an operating surplus in every year of the plan and can maintain a satisfactory level of cash throughout. It is therefore appropriate for these financial statements to be prepared on a going concern basis.

RESOURCES

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

Tangible

Tangible resources include the main College site, currently stated at a net book value of £39.4 million; equipment, plant and machinery with a net book value of £6.0 million; and assets under construction with a net book value of £10.8 million.

Financial

The College has £38.9 million of net assets (after deducting a £10.8 million pension liability) and long term debt of £4.4million.

People

The College employs 476 people (expressed as full time equivalents), of whom 324 are teaching staff.

Reputation

The College has a good and improving reputation locally and nationally. The College continues to ensure that it plays a significant role in the communities that it serves and is a key partner in the shaping of the education delivery in its districts. The College's brand represents its values and is an important asset which supports its work with stakeholders and the recruitment of students.

Property

During 2014/15, the College saw significant changes to its estate namely:

1. The investment of £5 million capital funds (SFA) across the Dover and Folkestone Campuses, resulting in dramatic changes to the respective campuses, namely: Dover – new reception and learning resource centre, new student centre, tighter security of the site, new facilities for; plumbing, computing, engineering, travel and hospitality and hairdressing. Folkestone – new centre for digital and creative industries, addressing the poor condition of many buildings removing all temporary accommodation, improving security of the site, new provision for performing arts, beauty and a new student centre, multi-use games area and coffee shop.
2. The creation of a new centre at the Folkestone Campus for students with severe and profound learning difficulties/disabilities, which was part funded by the EFA and Shepway District Council.
3. The completion of the Michael Wright Centre for Creative Industries at the Broadstairs Campus which encompasses the refurbishment of an existing three storey building and a new multi-function building for performances, exhibitions, meetings and student displays.
4. The continuation of works for the conversion of the Yarrow Building into a commercial hotel.
5. The complete refurbishment of Horizon and Enterprise Buildings at the Broadstairs Campus.
6. The creation of a commercial nursery accommodating babies to 5-year-olds.
7. The completion of landscaping and car parking to the front of the Yarrow Building.
8. The vacation of College bases at Manston Business Park and Horner's Close.
9. The creation of a direct-entry Technical School for 14-16 year olds on the Broadstairs campus.
10. The creation of a suite of incubation units alongside the Yarrow Hotel complex.

STAFF AND STUDENT INVOLVEMENT

During 2014/15, the College launched its new Student Support Strategy and new arrangements for student involvement with a fully paid position of Student Union President. The Strategy places students at the heart

of the strategic direction and decision-making of the College and provides opportunities for students to develop skills and social awareness to enable them to contribute effectively to society and their communities.

The College implemented a series of "progress weeks" during which students participated in community activities and charity events. The College also introduced a Social Action Passport, which captured student activities and enabled students to gain formal recognition for their voluntary contributions.

Students were able to provide feedback on College progress through; national and College surveys, a regular student question time with Senior Managers, Student Union, curriculum walks, and the student representative structure.

The College has maintained its practices that resulted in the achievement of Investors in People Gold standard, which is the highest accolade available and reflects the College's continuing commitment to invest, develop and inspire its staff to be the best they possibly can be.

Unfortunately, it was necessary for the College to effect staffing reductions during 2014-15 and in doing so followed a full consultation process with staff.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to make significant progress in developing its systems and processes for internal controls, particularly risk management.

The College continued with the risk control system that was implemented during 2012/13. The new system links the identified high risks to the strategic aims, objectives and the annual business plan actions with progress being monitored by the key performance indicators. This direct linkage has brought a sharp focus to the high risks and has ensured that all actions are impacting on mitigating these risks.

The current risks include:

1. Government funding

The College has a dependency on government funding of 80.1%. This is above the benchmarked average for general further education colleges (76% as per the SFA Finance record 2013-14 for all General FE Colleges). The College has been following the below strategy to diversify its income:

As in 2013-14, the College continues to seek ways to diversify its income by following the below strategy:

- To develop a broader portfolio of courses in the College's specialisms to include pre 16 and higher education.
- To grow the commercial income by implementing business ventures and commercialism part of the curriculum.
- To be outstanding in all aspects of our work to raise the College profile with employers and stakeholders.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, East Kent College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

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

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS17.

4. Student Experience

With growing choice and competition for students, the experience that is delivered is often the determinant to differentiate between providers. The College is managing this with the following key strategies;

- to deliver outstanding teaching and learning making the learning experience relevant, coherent and attractive;
- to deliver an outstanding, innovative study programme which encompasses; English, mathematics, work experience alongside the main qualification aim;
- to build an estate that is safe, current and fit for the delivery of outstanding teaching and learning;
- to provide increased commercial opportunities that reflect industry standards and practices and to ensure links with employers provide relevant experience and insight;
- to deliver support services that remove all barriers to learning and embrace individuality and provide inclusivity;
- by putting learners at the heart of decision-making;
- to support students in making the right life choices for them to achieve positive progression into employment/higher level study; and
- to stretch and challenge students to be the best they possible can be.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, East Kent College has many stakeholders. These include:

- students;
- education sector funding bodies;
- staff;
- local employers;
- local schools;
- franchise partners;
- the Funding bodies;
- Local Authorities;
- Government Offices/LEPs;
- the local community;
- other FE institutions;
- Trade Unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication through the College website and by meetings.

Equal opportunities and employment of disabled persons

East Kent College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, sexual orientation, able-bodiedness, class and age. The College strives vigorously to remove conditions that place people at a disadvantage and the College will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy, is published on the College's Internet site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are accessible to all staff. The College was reassessed for its employment practices in respect to applicants with a disability and was found to have maintained its "Two Ticks" status.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Equality Act 2010 and in particular makes the following commitments;

- as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities allow access to people with a disability;
- there is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students;
- the admissions policy ensures all needs are fully assessed prior to the start of the course ensuring full inclusivity. Appeals against a decision not to offer a place are dealt with under the admissions policy;
- the College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and /or disabilities. There are a number of student support practitioners who can provide a variety of support for learning. 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;
- specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- counselling and welfare services are described on the College website.

Disclosure of information to auditors

The Governors 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 Governor 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 Governing Body on 15 December 2015 and signed on their behalf by:



Beverley Aitken – Chairman

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Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011.

The Governing Body

The composition of the Governing Body is set out in the table below. It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

<i>Name</i>	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance*</i>
Beverley Aitken	30.09.98 30.09.02 30.09.06 30.09.09 30.09.13	4 years 4 years 3 years 4 years 3 years		Governor	Chair of Governing Body from 10.07.14 Chair of: Chairs' Committee, Remuneration and Search	100%
Patrick Hollis	30.09.05 30.09.09 01.09.12	4 years 3 years 3 years		Governor	Chair: Business Member of: Chairs' Committee, Remuneration and Search	95%

Name	Date of appointment / re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Tim Kent	01.10.09 01.10.11	2 years 4 years		Governor	Chair: Education Member of: Chairs' Committee, Remuneration and Search	86%
Leyland Ridings MBE	01.09.10 31.08.14	4 years	22.05.15	Governor	Chair: Audit Member of: Chairs' Committee, Remuneration and Search	38%
Dr Sarah Kemp	01.09.10 31.08.14	4 years		Governor	Member of: Audit Committee	88%
Hilary Askew	01.09.12	4 years		Governor	Member of: Education and Audit Committee	91%
Stephanie Martin	01.09.10 31.08.14	4 years		Governor	Member of: Education Committee	100%
Revd David Roper	01.09.12	4 years	10.08.14	Governor	Member of: Education Committee	N/A
Charles Buchanan	01.12.12	4 years		Governor	Member of: Audit Committee	88%
Liz Langton-Way	01.09.11	4 years		Governor	Member of: Business Committee	89%
Jonathan Clarke	18.12.13	4 years		Governor	Member of: Audit and Search Committee	90%
Rupert Bristow	01.08.14	4 years		Governor	Member of: Education Committee	75%
Patrick Finucane	23.09.14	3 years		Governor	Member of: Education Committee	100%
Tom Price	23.09.14	4 years		Governor	Member of: Business Committee	94%
Caroline Hallett	23.09.14	4 years		Governor	Member of: Education Committee	75%

<i>Name</i>	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance*</i>
Gail Clarke	10.10.14	4 years		Governor	Member of: Business Committee	75%
Graham Razey	19.04.10			Principal	Member of: Business, Education, Chairs' and Search Committee	96%
Lewis Waitt	01.09.13	2 years		Staff Governor	Member of: Business Committee	78%
Pauline Solley	01.09.11 01.09.13	2 years 2 years		Staff Governor	Member of: Education Committee	88%
Stefan Costen	15.12.14	1 year	20.03.15	Student Governor	Member of: Education Committee	100%

SENIOR OFFICERS ATTENDING

	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance*</i>
Anne Leese	01.01.07	N/A		Deputy Principal	Education, Business	100%
Andrew Gower	25.04.11	N/A	10.04.15	Vice Principal	Education	83%
Chris Legg	01.05.12	N/A		Executive Director of Finance and Commercial Development	Audit, Business	100%
Paul Sayers	01.05.14	N/A		Executive Director of Corporate Services	Audit, Business	100%
Christine Ricketts	01.12.13	N/A		Vice Principal Curriculum	Education	100%
Lucy McLeod	01.10.14	N/A		Vice Principal Partnerships	Education	83%
Tara Ashman	Clerk appointed 03.02.14					97%

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Governing Body meets at least three times per academic year.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Audit, Business, Education, Remuneration, Chairs and Search. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body at clerk@eastkent.ac.uk or write to 'The Clerk, East Kent College, Ramsgate Road, Broadstairs, Kent. CT10 1PN.

The Clerk to the Governing Body 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 Governing Body, 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 Governing Body as a whole.

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body 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 role of the Chair of the Governing Body and Principal of the College are separate.

APPOINTMENTS TO THE GOVERNING BODY

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a Search Committee which is comprised of five members; the Chair of the Governing Body, the three Committee Chairs and the Principal. This Committee is responsible for the selection and nomination of any new members for the Governing Body's consideration, and ensuring that appropriate training is provided in accordance with a continuing review of the skills profile of the Governing Body.

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

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2015, the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2015 are set out in notes 5 and 6 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises the Chair and four other members of the Governing Body (excluding the Principal). The Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets three times per year and provides a forum for reporting by the College's financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Governing Body took the decision to manage the internal audit under the freedom and flexibilities of the Joint Audit Code of Practice to procure a wider range of internal audit services, focused on added-value

improvement reviews linked to key risks and new developments. The Audit Committee have responsibility for reviewing these reports.

The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendation have been implemented.

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

INTERNAL CONTROL

Scope of responsibility

The Governing Body 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 Governing Body 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 the College and the Skills Funding Agency and the College and the Education Funding Agency. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Kent College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body 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 2015 and up to the date of approval of the annual report and accounts. This process is reviewed regularly by the Governing Body.

The risk and control framework

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

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

The College has an internal audit service, supplemented by additional work provided by other industry practitioners, which operates in accordance with the requirements of the funding body's Joint Audit Code of Practice. The scope of this work is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Governing Body with a report on internal audit activities and will include the independent opinions on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the Executive Managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the results of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal audit and other independent advisers and approves plans to address weaknesses and ensure continuous improvement of the control systems.

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 and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body'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.

Based on the advice of the Audit Committee and the Principal, the Governing Body 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 safeguarding of the assets".

GOING CONCERN

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 15 December 2015 and signed on their behalf by:



Chair: Beverley Aitken



Principal: Graham Razey

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body terms and Conditions of Funding

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

We confirm, on behalf of the Governing Body that to the best of its knowledge the Governing Body believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's Financial Memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to-date and, if any instances are identified after the date of these statements, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Governing Body on 15 December 2015 and signed on their behalf by:



Chair: Beverley Aitken



Principal: Graham Razey

Statement of Responsibilities of the Members of the Governing Body

The members of the Governing Body 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 and the Governing Body of the College, the Governing Body, 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 2014/15 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Governing Body 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

Members of the Governing Body are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency and the Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Governing Body 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 Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Skills Funding Agency and the Education Funding Agency are not put at risk.

Approved by order of the members of the Governing Body on 15 December 2015 and signed on their behalf by:



Chair Beverley Aitken

Independent Auditor's Report to the Governing Body of East Kent College

We have audited the College's financial statements for the year ended 31 July 2015 set out on pages 23 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Governing Body, 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body of East Kent College and Auditor

As explained more fully in the Statement of the Governing Body's responsibilities set out on page 18, the Governing Body 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 Governing Body; 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 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 of the state of the College's affairs as at 31 July 2015 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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



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

17 December 2015

Reporting Accountant's Assurance Report on Regularity

To: The Governing Body of East Kent College and Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 May 2014 and further to the requirements of the financial memorandum with the Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by East Kent College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of East Kent College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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



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

Date

17 December 2015

Income and Expenditure Account

	Notes	2015 £'000	2014 £'000
INCOME			
Funding body grants	2	20,433	12,804
Tuition fees and education contracts	3	2,895	2,010
Other income		1,401	975
Investment income	4	<u>4</u>	<u>2</u>
Total income		24,733	15,791
EXPENDITURE			
Staff costs	5	14,081	8,454
Exceptional restructuring costs	5	111	-
Other operating expenses	7	8,814	6,032
Depreciation	10	2,010	1,144
Interest and other finance costs	8	<u>102</u>	<u>194</u>
Total expenditure		25,118	15,824
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(385)	(33)
Taxation	9	<u>-</u>	<u>-</u>
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(385)	(33)

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

Note of Historical Cost Surpluses and Deficits

	Notes	2015	2014
		£'000	£'000
Deficit on continuing operations before and after taxation		(385)	(33)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	201	201
		<hr/>	<hr/>
Historical cost (deficit) / surplus for the year before and after taxation		(184)	168
		<hr/>	<hr/>

Statement of Total Recognised Gains and Losses

	Notes	2015	2014
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(385)	(33)
Assets and liabilities transferred from K College:			
• Tangible fixed assets	18	17,673	-
• Deficit in respect of Local Government Pension Scheme	24	(2,405)	-
Actuarial loss in respect of pension scheme	24	(2,210)	(726)
		<hr/>	<hr/>
Total recognised gains/(losses) in the year		12,673	(759)
		<hr/>	<hr/>
Reconciliation			
Opening reserves at 1 August		3,731	4,490
Total recognised gains/(losses) for the year		12,673	(759)
		<hr/>	<hr/>
Closing reserves at 31 July		16,404	3,731
		<hr/>	<hr/>

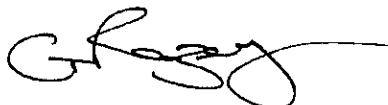
Balance sheet as at 31 July

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	10	<u>56,118</u>	<u>24,344</u>
Current assets			
Stocks		25	21
Debtors	11	5,422	587
Cash at bank and in hand		<u>733</u>	<u>4,655</u>
Total current assets		6,180	5,263
Less: Creditors – amounts falling due within one year	12	<u>(7,953)</u>	<u>(2,806)</u>
Net current (liabilities) / assets		<u>(1,773)</u>	<u>2,457</u>
Total assets less current liabilities		54,345	26,801
Less: Creditors – amounts falling due after more than one year	13	(4,405)	(4,846)
Less: Provisions for liabilities	15	(250)	(230)
Net assets excluding pension liability		<u>49,690</u>	<u>21,725</u>
Net pension liability	24	<u>(10,752)</u>	<u>(5,842)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>38,938</u>	<u>15,883</u>
 Deferred capital grants	16	<u>22,534</u>	<u>12,152</u>
Reserves			
Income and expenditure account excluding pension reserve	18	23,016	5,232
Pension reserve	24	<u>(10,752)</u>	<u>(5,842)</u>
Income and expenditure account including pension reserve	18	12,264	(610)
Revaluation reserve	17	4,140	4,341
Total reserves		<u>16,404</u>	<u>3,731</u>
TOTAL FUNDS		<u>38,938</u>	<u>15,883</u>

The financial statements on pages 23 to 43 were approved by the Governing Body on 15 December 2015 and were signed on its behalf by:



Beverley Aitken
Chair



Graham Razey
Principal

Cash Flow Statement

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	19	1,553	2,181
Returns on investments and servicing of finance	20	(188)	(80)
Capital expenditure and financial investment	21	(4,951)	1,583
Financing	22	<u>(336)</u>	<u>335</u>
(Decrease)/Increase in cash in the year	23	<u>(3,922)</u>	<u>4,019</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the year		(3,922)	4,019
Change in net debt resulting from cash flows	22	<u>336</u>	<u>(335)</u>
Movement in net debt in the period		(3,586)	3,684
Net debt at 1 August 2014		<u>(455)</u>	<u>(4,139)</u>
Net debt at 31 July 2015	23	<u>(4,041)</u>	<u>(455)</u>

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2014/15 financial statements* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and Education Funding Agency in the 2014/15 Accounts Direction Handbook.

In accordance with the 2007 SORP, the combination of the continuing College and the Dover and Folkestone Campuses of K College has been accounted for as an acquisition for nil consideration from the date of acquisition, 1 August 2014. As the acquisition has been carried out at nil consideration, there is an excess of the fair value of the assets acquired over the fair value of the liabilities assumed. The resulting gain has been treated as a gift and reflected in the Statement of Recognised Gains and Losses for the year. No goodwill has been recognised in the financial statements. This is an override of FRS 10: Goodwill and Intangible Assets which is necessary in the view of the Board of Governors in order for the financial statements to give a true and fair view.

Basis of accounting

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

Going Concern

The activities of the College, together with factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

At 31 July 2015, the College has £4,774,000 of loans outstanding with bankers, including a £4,531,000 loan taken out in 2013/14. The terms of the existing agreements are for up to 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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 SFA adult skills grant income is normally determined with the conclusion of the year end reconciliation process with the funding body mid-November following the year-end. 16-18 Apprenticeships grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. Education Funding Agency funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised 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, for example the National Health Service.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Income from grants, contracts and other services rendered is included to the extent of 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 Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Building improvements made since 1994 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 60 years. The College has a policy of depreciating major adaptations to buildings over a period of between 40 and 60 years.

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

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

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

Equipment

Equipment costing less than £2,000 per individual item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated over its useful economic life as follows:

- New Buildings – 40 to 60 years on a straight-line basis
- Building Improvements – 10 years on a straight-line basis
- General Equipment – 7 years on a straight-line basis.
- IT Equipment – 3-5 years on a straight-line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Income and Expenditure Account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets by nature.

Liquid resources

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the SFA or EFA and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 28, except for the 5 per cent of the total grant received which is available to the College to cover administration costs relating to those funds.

2 Funding body grants

	2015 £'000	2014 £'000
Main funding body recurrent grants	17,216	9,901
Main funding body non recurrent grants	2,585	2,727
Release of deferred capital grants (note 16)	632	176
Total	20,433	12,804

3 Tuition fees and education contracts

	2015 £'000	2014 £'000
Tuition fees	1,245	1,026
Education contracts	1,650	984
Total	2,895	2,010

4 Investment income

	2015 £'000	2014 £'000
Interest receivable	4	2
Total	4	2

Notes to the Financial Statements (continued)

5 Staff costs

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

	2015 No.	2014 No.
Teaching staff	324	178
Non-teaching staff	152	92
	<u>476</u>	<u>270</u>

Staff costs for the above persons

	2015 £'000	2014 £'000
Wages and salaries	11,438	6,936
Social security costs	829	503
Other pension costs (including FRS 17 adjustments of £406,000 – 2014: £225,000)	1,814	1,015
	<u>14,081</u>	<u>8,454</u>
Restructuring costs	111	-
Payroll total	14,192	8,454

The number of senior post-holders and other staff in the year ended 31 July 2015 who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Other Staff		Senior post-holders	
	2015 No.	2014 No.	2015 No.	2014 No.
£20,001 to £30,000	-	-	1	1
£60,001 to £70,000	2	2	-	-
£70,001 to £80,000	2	1	-	-
£80,001 to £90,000	-	1	-	1
£100,001 to £110,000	-	-	1	-
£130,001 to £140,000	-	-	1	1
	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>

6 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body have 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.

Notes to the Financial Statements (continued)

6 Senior post-holders' emoluments (continued)

	2015 No.	2014 No.
The number of senior post-holders including the Principal was:	<u>3</u>	<u>3</u>

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	281	271
Benefits in kind	1	1
Pension contributions	<u>49</u>	<u>38</u>
Total emoluments	<u>331</u>	<u>310</u>

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

	2015 £'000	2014 £'000
Salaries	144	133
Benefits in kind	<u>1</u>	<u>1</u>
	<u>145</u>	<u>134</u>
Pension contributions	<u>20</u>	<u>19</u>

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

The members of the Governing Body other than the Principal and the Staff Governors did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7 Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	4,422	3,306
Non-teaching costs	2,245	1,538
Premises costs	<u>2,147</u>	<u>1,188</u>
Total	<u>8,814</u>	<u>6,032</u>

Other operating expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration:		
Financial statements audit	20	18
Internal audit	10	14
Other services provided by the financial statements auditors	7	4
Hire of other assets – operating leases	<u>268</u>	<u>171</u>

Notes to the Financial Statements (continued)

8 Interest

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	192	82
Pension finance cost (Note 24)	(90)	112
Total	102	194

9 Taxation

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

10 Tangible fixed assets

	Assets under construction £000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 August 2014	3,503	25,533	5,610	34,646
Transfers	(2,396)	2,094	302	-
Assets transferred from K College (see below)	-	17,200	473	17,673
Other Additions	9,664	2,428	4,019	16,111
Disposals	-	-	-	-
At 31 July 2015	10,771	47,255	10,404	68,430
Depreciation				
At 1 August 2014	-	6,737	3,565	10,302
Charge for the year	-	1,153	857	2,010
Disposals	-	-	-	-
At 31 July 2015	-	7,890	4,422	12,312
Net book value at 31 July 2015	10,771	39,365	5,982	56,118
Net book value at 31 July 2014	3,503	18,796	2,045	24,344

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Fixed assets transferred from K College on 1 August 2014 were valued by a firm of independent chartered surveyors at 22 April 2013. The Governing Body is of the view that no material change in the value of the fixed assets occurred between 22 April 2013 and 1 August 2014.

Land and buildings with a net book value of £8,055,060 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 its Financial Memorandum, to surrender the proceeds.

Notes to the Financial Statements (continued)**11 Debtors**

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	116	92
Prepayments and accrued income	5,187	495
Funding body accrued income	119	-
Total	5,422	587

An amount of £5,575,575 was placed into a Performance Bond with Santander in March 2015. This amount related to contractor costs for the Yarrow capital project yet to be incurred. As the contractors complete the work they draw down the funds from the Performance Bond account, subject to the College being satisfied with the works. The College is not able to access the monies for alternative uses. As at 31 July 2015 £2,261,575 has been drawn down from the account and the balance of £3,314,000 is included within Prepayments and accrued income above.

12 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans (note 14)	369	264
Trade creditors	4,904	1,253
Other taxation and social security	255	148
Accruals	1,763	911
Amounts due to the SFA	662	230
Total	7,953	2,806

13 Creditors: amounts falling due after one year

	2015 £'000	2014 £'000
Bank loans (note 14)	4,405	4,846
Total	4,405	4,846

14 Borrowings**Bank loans**

Bank loans are repayable as follows:

	2015 £'000	2014 £'000
In one year or less (note 12)	369	264
Between one and two years	414	270
Between two and five years	626	809
In five years or more	3,365	3,767
Total	4,774	5,110

Bank loans at variable rates of interest between 1.25% and 5.25% repayable by instalments falling due between 1 August 2014 and 31 July 2038 and are unsecured.

Notes to the Financial Statements (continued)**15 Provisions for liabilities and charges**

	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2014	224	6	230
Expenditure in the period	(20)	-	(20)
Transferred to income and expenditure account	40	-	40
At 31 July 2015	244	6	250

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2015	2014
Price inflation	3.46%	4.06%
Discount rate	1.75%	2.25%

16 Deferred capital grants

	Funding bodies £'000	Other £'000	Total £'000
At 1 August 2014	11,510	642	12,152
Grants received	11,041	-	11,041
Released to income and expenditure account	(632)	(27)	(659)
At 31 July 2015	21,919	615	22,534

17 Revaluation reserve

	2015 £'000	2014 £'000
At 1 August 2014	4,341	4,542
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(201)	(201)
At 31 July 2015	4,140	4,341

Notes to the Financial Statements (continued)**18 Movement on general reserves**

	2015 £'000	2014 £'000
Income and expenditure account reserve		
At 1 August 2014	(610)	(52)
Deficit retained for the year	(385)	(33)
Transfer from revaluation reserve (note 17)	201	201
Assets and liabilities transferred from K College:		
• Tangible Fixed Assets	17,673	-
• Deficit in respect of Local Government Pension Scheme	(2,405)	-
Actuarial losses in respect of pension scheme (note 24)	(2,210)	(726)
	<hr/>	<hr/>
At 31 July 2015	12,264	(610)
Balance represented by:		
Pension reserve	(10,752)	(5,842)
Income and expenditure account reserve excluding pension reserve	23,016	5,232
	<hr/>	<hr/>
	12,264	(610)

19 Reconciliation of operating deficit to net cash inflow from operating activities

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation	(385)	(33)
Loss on disposal of fixed assets	-	23
Depreciation (note 10)	2,010	1,144
Deferred capital grants released to income (note 16)	(659)	(203)
Interest payable (note 8)	192	82
Interest receivable (note 4)	(4)	(2)
FRS 17 pension cost less contributions payable (notes 5 and 24)	386	225
FRS 17 pension finance (income)/costs (note 24)	(90)	112
(Increase)/decrease in stocks	(4)	9
(Increase)/decrease in debtors	(4,836)	39
Increase in creditors	4,923	785
Increase in provisions	20	-
	<hr/>	<hr/>
Net cash inflow from operating activities	1,553	2,181

Notes to the Financial Statements (continued)

20 Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Interest received	4	2
Interest paid	(192)	(82)
Net cash outflow from returns on investment and servicing of finance	(188)	(80)

21 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(15,992)	(5,241)
Deferred capital grants received	11,041	6,824
Net cash (outflow)/inflow from capital expenditure and financial investment	(4,951)	1,583

22 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
New loans acquired	-	530
Repayment of amounts borrowed	(336)	(195)
Net cash (outflow)/inflow from financing	(336)	335

23 Analysis of changes in net funds

	At 31 July 2014 £'000	Cash flows £'000	Other changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	4,655	(3,922)	-	733
Debt due within 1 year	(264)	-	(105)	(369)
Debt due after 1 year	(4,846)	336	105	(4,405)
Total net debt	(455)	(3,586)	-	(4,041)

Notes to the Financial Statements (continued)**24 Pension and similar obligations**

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

Total pension cost for the year	2015 £000	2014 £000
Teachers' Pension Scheme: contributions paid	691	415
Local Government Pension Scheme:		
Contributions paid	717	375
FRS 17 charge (note 5)		
(including £20,000 enhanced pension payment)	<u>406</u>	<u>225</u>
Charge to the Income and Expenditure Account (staff costs)	1,123	600
Total Pension Cost for Year (note 5)	<u>1,814</u>	<u>1,015</u>

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

There were contributions amounting to £88,225 (2014 - £49,327) payable to the schemes at 31 July 2015 and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Notes to the Financial Statements (continued)**24 Pension and similar obligations** (continued)**Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion; and
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £691,000 (2013-14: £415,000)

FRS 17

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

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes to the Financial Statements (continued)**24 Pension and similar obligations (continued)****Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Kent County Council. The total contributions made for the year ended 31 July 2015 were £1,014,000, of which employer's contributions totalled £717,000 and employees' contributions totalled £297,000. The agreed contribution rates for future years are 15.6% for employers and range from 5.5% to 12.5% for employees, depending on salary.

FRS 17**Principal Actuarial Assumptions**

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

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.4%	4.5%
Rate of increase for pensions in payment / inflation	2.6%	2.7%
Discount rate for scheme liabilities	3.8%	4.3%
Inflation assumption (CPI)	2.7%	2.7%

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.8	22.7
Females	25.2	25.1
<i>Retiring in 20 years</i>		
Males	25.1	24.9
Females	27.6	27.4

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

	Value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014
	£'000		£'000
Equities	18,105	6.8%	11,034
Gilts	277	3.4%	181
Bonds	2,947	4.0%	1,799
Property	3,291	5.7%	1,528
Cash	724	3.2%	467
Total market value of assets	26,493		15,690
Present value of scheme liabilities			
- Funded	(37,226)		(21,512)
- Unfunded	(19)		(20)
Deficit in the scheme	(10,752)		(5,842)

Notes to the Financial Statements (continued)**24 Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****Analysis of the amount charged to Income and Expenditure Account**

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	1,098	560
Past service loss	-	123
Total operating charge	1,098	683

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	1,489	805
Interest on pension liabilities	(1,399)	(917)
Net pension finance income/(cost)	90	(112)

Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2015 £'000	2014 £'000
Actuarial gains on pension scheme assets	691	273
Actuarial losses on scheme liabilities	(2,901)	(999)
Settlement loss in respect of pension scheme deficit transferred from K College	(2,405)	-
Actuarial loss recognised in STRGL	(4,615)	(726)

Movement in deficit during year

	2015 £'000	2014 £'000
Deficit in scheme at 1 August 2014	(5,842)	(4,779)
Movement in year:		
Employer service cost (net of employee contributions)	(1,098)	(560)
Employer contributions	711	456
Unfunded pension payments	2	2
Net interest on assets	90	(112)
Settlements or curtailments	-	(123)
Settlement loss in respect of pension scheme deficit transferred from K College	(2,405)	-
Actuarial loss	(2,210)	(726)
Deficit in scheme at 31 July 2015	(10,752)	(5,842)

Notes to the Financial Statements (continued)**24 Pension and similar obligations** (continued)**Local Government Pension Scheme** (continued)**Asset and Liability Reconciliation**

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at 1 August 2014	21,532	19,328
Current Service cost	1,098	560
Interest cost	1,399	917
Employee contributions	294	149
Actuarial loss	2,901	999
Losses on curtailments	-	123
Liabilities assumed on settlements – K College	10,678	-
Benefits paid	(655)	(542)
Unfunded pension payments	(2)	(2)
	<u>37,245</u>	<u>21,532</u>
Liabilities at 31 July 2015		
Reconciliation of Assets		
Assets at 1 August 2014	15,690	14,549
Expected return on assets	1,489	805
Actuarial gains	691	273
Employer contributions	713	458
Employee contributions	294	149
Benefits paid	(657)	(544)
Settlement prices received – K College	8,273	-
	<u>26,493</u>	<u>15,690</u>
Assets at 31 July 2015		

The estimated value of employer contributions for the year ending 31 July 2016 is £708,000.

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	691	273	1,625	(521)	153
Experience gains and (losses) on scheme liabilities:					
Amount £'000	-	907	(1)	(1)	943
Total amount recognised in STRGL:					
Amount £'000	(4,615)	(726)	1,586	(2,237)	798

Notes to the Financial Statements (continued)**25 Capital commitments**

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	1,664	2,635
Authorised but not contracted at 31 July	137	11,919

26 Financial commitments

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

	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	49	108
Expiring in two to five years	145	120
	194	228
Other		
Expiring within two to five years	53	31

27 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.

The total expenses paid to or on behalf of the Governors during the year was £785 to 3 governors (2014: £214 to 3 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2014: None). Transactions with the funding bodies are detailed in notes 2, 11, 16 and 28.

28 Amounts disbursed as agent

Learner support funds	2015 £'000	2014 £'000
Funding body grants – hardship support	1,029	494
Funding body grants – childcare	285	264
Interest earned	-	-
	1,314	758
Disbursed to students	(1,049)	(642)
Administration costs	(54)	(34)
Balance unspent as at 31 July	211	82

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 student's behalf.