

EAST KENT COLLEGE
Report and Financial Statements
for the year ended 31 July 2014

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The 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

The College continued to go through transformational change during 2013/14. During the year the College was selected to be the provider of post-16 education and skills in the Dover and Shepway districts. From 1 August 2014 the assets of K College at the Dover and Folkestone campuses will be transferred to East Kent College.

The College continues to face significant financial challenges. Further reductions in the adult skills budget and the transitional protection provided by the Education Funding Agency required the College to realise cost savings to achieve a balanced budget. Young people recruitment has now stabilised. In the Thanet area, every school now has a sixth form, the demography is reducing, but the College's full-time 16-18 intake increased for the first time in five years. The College also achieved an increase in fee income through its higher education offer and the introduction of 24+ advanced learner loans. The College continues to be successful in attracting other project income from government agencies and European sources.

During 2013/14 the College continued to invest in its estate. The Centre for Environmental Technologies opened in October 2013 and the College was successful in achieving support from the Skills Funding Agency for the Yarrow training hotel, a training nursery and the re-furbishment of the Horizon and Enterprise buildings. These developments, which will be completed during 2015, will transform the Broadstairs campus and provide significant real-life training opportunities for our students.

The College was rewarded for its outstanding work with learners with learning difficulties and disabilities with the award of an Association of Colleges Beacon Award. This accolade was the first to be achieved by the College in its history. The College also achieved its highest ever employer satisfaction results and the percentage of students achieving their qualification was the highest ever at 87.3%.

Mission

The mission of the College, 'To raise aspirations, develop skills and deliver quality' is at the heart of the College's ambitious plans for the future.

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 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
- Strong student support systems
- Links with employers, industry and commerce.

2010-14 Strategic Plan

In 2013/14 the College entered the final year of its four year Strategic Plan. Building on the foundations put in place in the preceding three years the College continued to move forward in the pursuit of achieving its stated aims:

- To be outstanding in everything we do
- To meet the education and skills training needs of East Kent
- To improve the range and quality of the facilities and services we offer to students

These aims are underpinned by clear objectives and outcomes and monitored using a comprehensive set of performance indicators. The College's strategy is understood by students, staff and external stakeholders and underpins strategic and governance decision making.

Significant progress has been made against all three aims with demonstrable improvement in quality and student experience indicators and visual improvement in the College estate and services.

The College continues to implement its Curriculum Strategy with an emphasis on embedding the College's specialisms of catering and hospitality, interactive media, environmental technologies, enterprise and business finance for college-based students, and health and social care and leadership and management within work-based learning. Since a major review conducted in 2011 the College's curriculum portfolio has adapted and changed in order to provide accessible programmes of study designed to be closely aligned to the regional skills needs of East Kent, and now including a portfolio of Higher Education provision.

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 £85,000 for the year but met the latter two objectives for the year ended 31 July 2014.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

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

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
- 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

The College is investing in the development of two new centres to increase both the range and quality of provision available to employers.

The Centre for Apprenticeships and Workplace Learning will provide support to the curriculum delivery teams in delivering a full recruitment and selection service ensuring that suitable apprentices are placed with appropriate employers on industry-relevant apprenticeship frameworks. The curriculum delivery teams will then take responsibility for the monitoring, assessment and successful outcome of the apprenticeship.

The objective of the Centre for Higher and Professional Learning is to be active in influencing development of planned provision and related activity; achieving growth through student recruitment and participation; and maximising contribution, educationally and financially.

FINANCIAL POSITION

Financial results

The College reports an operating deficit of £33,000 after the adjustment for FRS17 (£337,000) has been taken into the income and expenditure account. At 31 July 2014, the College had accumulated income and expenditure reserves before pension reserve of £5,232,000 and a cash at bank balance of £4,655,000. 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 £5,842,000. This is an increase on the previous year end position, with a further actuarial loss of £726,000 being recognised in the statement of total recognised gains and losses.

Tangible fixed asset additions during the year amounted to £5,241,000. This included £1,540,000 spent on the completion of the new Centre for Environmental Technologies, £403,000 commencing work on the new Centre for Creative Industries, £1,670,000 beginning the refurbishment programme of the Enterprise, Horizon and Yarrow buildings and £498,000 creating the new training nursery. A further payment of £500,000 was made to Barclays to release their hold over the Folkestone campus assets prior to the completion of the transfer agreement.

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 2012/13 the SFA and EFA provided 86.5% of the College's total income. In 2013/14, despite the College receiving an additional £1,489,000 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 81.3%.

Future developments

The College has received confirmation from the Skills Funding Agency/EFA that the allocation of money to support Classroom-based learning, Apprenticeships and Workplace learning in 2014/15 will be £17,555,000. This is significantly higher than in previous years which is due to the acquisition of two new campuses at Folkestone and Dover and the increased student numbers from activities on these sites.

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 Business Committee. All other borrowing requires the authorisation of the Governing Body.

Cash flows

The net cash inflow for the year is £4,019,000 (2012/13: net cash inflow of £86,000). This is due to an operating cash inflow of £2,181,000 (2012/13: £524,000), capital expenditure of £5,241,000 (2012/13: £6,942,000), capital grant receipts of £6,824,000 (2012/13: £2,742,000), and loans, of which £530,000 (2012/13: £4,000,000) is a new loan for 2013/14.

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 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 2013/4 the College has delivered activity that has produced £9,201,515 in funding body main allocation funding (2012/13 - £9,738,775). The College had approximately 4,700 funded and 1,100 non-funded students.

Student achievements

The College achieved an overall success rate of 90% for 2012/13 which is 2% above national averages for all Colleges. The overall success rate on long courses was 81%. The three year trend for long courses currently shows a 3% increase over the period.

Curriculum developments

The management and development of the College's Curriculum is shaped and directed by the College's Curriculum Strategy (2010-2014). The Strategy has a number of general aims including to meet local and regional education and skills needs and thereby contribute to economic growth; grow the numbers of students, including non-Thanet residents; enhance the career-related focus of its programmes of study; ensure high-quality teaching and learning which integrates best-practice in the use of technology; strengthen links with industry and relevant professional bodies.

The College remains committed to providing a broad-based, general Further Education curriculum which serves a wide range of students, including students with learning difficulties/disabilities and those students engaged through community-based groups. But in order to enhance the shape and character of the curriculum the College continues to develop specialist areas of the Curriculum including Business and Finance, Catering and Hospitality, Interactive Media and Environmental Technologies. Within the current planning period (to 2014) the College continues to seek to grow its professional training portfolio with a distinctive specialism in Health and Social Care and Leadership and Management.

The curriculum delivered during 2013/14 built on a curriculum review of long-courses (those of 24 weeks or more) and short-courses (those under 24 weeks) conducted during 2011-2012. The Review provided a valuable opportunity for focused discussion, at the subject level, of the means by which to achieve a "responsive, progressive and innovative curriculum", acknowledging the strategic aim to establish areas of curricular specialism. The result of this comprehensive review was a substantial revision to the College's curricular offer for 2012/13, with the range of provision marketed externally including twenty-three new long-courses, thirty-one new short-courses and, in addition, nine new Higher National Certificate programmes in collaboration with the College's partner university, Canterbury Christ Church University.

In preparation for 2013 the College was active in response to Professor Alison Wolf's review of vocational education (Department for Education and Department for Business, Innovation and Skills, 2011) and the related introduction of the new 'study programme' model of curriculum design and delivery. Each student's main level 2 or 3 vocational qualification remained at the core of their studies, but was now enhanced through opportunities to gain experience of work, and to undertake another related qualification or to fulfil the statutory requirement to continue English and maths GCSE until gaining a C grade in both. The programmes of study seek to provide a broad study experience that balance academic development with readiness for employment, and the College continues to seek to refine and enhance this integration, particularly in terms of supporting students in the acquisition of their qualifications in English and maths.

The College continues to be successful in delivering qualifications in all national priority areas identified by the Skills Funding Agency and the Education Funding Agency.

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. The College continues to generate an operating surplus, is able to invest in its estate through healthy cash generation and has good balance sheet strength, including a high net current assets position due to large capital grant receipts that will be expended during 2014/15.

The College has prepared a five 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 continue to 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 £18.8 million; equipment, plant and machinery with a net book value of £2.0 million; and assets under construction with a net book value of £3.5 million.

Financial

The College has £15.9million of net assets (after deducting a £5.8 million pension liability) and long term debt of £4.9million.

People

The College employs 270 people (expressed as full time equivalents), of whom 178 are teaching staff.

Property

During 2013/14 the College saw significant changes to its estate namely:

1. The opening of a new £6.5 million Centre for Environmental Technologies which has been shortlisted for a Kent Design Award and for a national award for the building's green credentials for educational purposes
2. The creation of a new student centre that was designed by students
3. An additional workshop for Motor Vehicle to enable the delivery of motorsports
4. The creation of new areas for construction on the Broadstairs campus with all curriculum now having vacated Hornet's Close
5. Funding and planning secured for the Michael Wright Centre for Creative Industries which encompasses the refurbishment of an existing three story building and a new multi-function building for performances, exhibitions, meetings, student displays etc.
6. Funding secured and work commenced for the conversion of the Yarrow Building into a commercial Hotel
7. Funding secured and works completed on a commercial nursery accommodating babies to 8 year olds

8. Funding secured and work underway on the refurbishment of Horizon and Enterprise Buildings
9. Planning approved for new landscaping and car parking in front of the Yarrow Building
10. The vacating of the College base at Manston with relocation to Discovery Park, Sandwich

The College also undertook significant work as part of due diligence in respect to the transfer of Dover and Folkestone campus to the College's estate. The effective date of the transfer being 1 August 2014.

STAFF AND STUDENT INVOLVEMENT

During 2013/14, the College continued to embed its 'Student Involvement Strategy' which places students at the heart of the strategic direction and decision making of the College and to develop the skills and social awareness of students to enable them to contribute effectively to society and their communities.

The College implemented a number of Community Days where staff and students contributed to the local community through putting their skills and expertise to good use, giving their time to support the voluntary sector and putting on events to encourage partnership working.

Students were able to provide feedback on College progress through; surveys, Student Council, Student Union, curriculum walks, their annual conference and question time for senior managers 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.

Following staff feedback the College implemented a new Reward Strategy during 2013/14 which introduced: fixed salary points, the "living wage" as the minimum rate of pay, a reduced lecturer scale, bonus payments based on College level performance and in-service awards in respect to length of service.

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 over 81%. This is still above the benchmarked average for general further education colleges (78% as per the SFA Finance record 2011-12 for all General FE Colleges). The College has been following the below strategy to diversify its income, but the College was successful in acquiring a large ESF project in 2013/14, which has increased the overall percentage.

As in 2012/13, 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. 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 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
- 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

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 Council;
- 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 Internet site 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:

- a) 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;
- b) There is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students;
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) 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 assistants 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;
- e) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- f) Counselling and welfare services are described in the College charter.

Disclosure of information to auditors

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

Approved by order of the members of the Governing Body on 16 December 2014 and signed on their behalf by:



Beverley Aitken – Chairman

PROFESSIONAL ADVISERS

Auditors

Financial statements and regularity auditors

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EC2V 6DL

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62-63 Threadneedle Street
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EC2R 8LA

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:

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

The College is committed to exhibiting best practice in all aspects of corporate governance. 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 2014. 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>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>
Professor Michael Wright CBE DL	30.09.98 30.09.02 30.09.06 30.09.08 30.09.10 30.09.14	4 years 4 years 2 years 2 years 4 years	10.07.14	Governor	Chair of Governing Body from 11.12.09 Member of: Chairs' Committee, Remuneration	100%
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 Vice Chair: Governing Body Chair: Business, Member of: Chairs' Committee, Remuneration	93%

	<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>
Patrick Hollis	30.09.05 30.09.09 01.09.12	4 years 3 years 3 years		Governor	Chair: Education Vice Chair: Business Member of: Chairs' Committee, Remuneration	100%
Dr Sue McGonigal	01.01.13	4 years	09.05.14	Governor	Member of: Audit Committee	29%
Tim Kent	06.09.10 01.09.12	2 years 3 years		Governor	Vice Chair: Education	30%
Leyland Ridings MBE	01.09.10 31.08.14	4 years		Governor	Chair: Audit Member of: Chairs' Committee, Remuneration	71%
Dr Sarah Kemp	01.09.10 31.08.14	4 years		Governor	Member of: Audit Committee	90%
Hilary Askew	01.09.12	4 years		Governor	Member of: Education Committee	100%
Stephanie Martin	01.09.10 31.08.14	4 years		Governor	Member of: Education Committee	100%
Charles Buchanan	01.12.12	4 years		Governor	Member of: Business Committee	45%
Revd David Roper	01.09.12	4 years		Governor	Member of: Education Committee	80%
Liz Langton-Way	01.09.11	4 years		Governor	Member of: Business Committee	91%
Jonathan Clarke	18.12.2013	4 years		Governor	Member of: Audit Committee	100%
Graham Razey	19.04.10			Principal	Member of: Business, Education, Chairs' Committee	89%
Lewis Waitt	01.09.13	2 years		Staff Governor	Member of: Education Committee	93%

	<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>
Pauline Solley	01.09.11 01.09.13	2 years 2 years		Staff Governor	Member of: Education Committee	93%
Reuben King	01.09.13	1 year	25.04.14	Student Governor	Member of: Education Committee	71%

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		Vice Principal	Education	100%
Chris Legg	01.05.12	N/A		Strategic Director of Finance and Commercial Development	Audit, Business	100%
Paul Sayers	01.05.2014	N/A		Strategic Director of Corporate Services	Audit	100%
Sandy Foster	Clerk and College Solicitor appointed 07.01.11, resignation 18.02.2014					100%
Tara Ashman	Clerk appointed 03.02.14					100%

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 3 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, and Chairs' (includes Search). Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available in the Governor Area for members or for the public on the College website or 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 Chairs' 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 2014, 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 2014 are set out in notes 5 and 6 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises the Chair and two other members of the Governing Body (excluding the Principal). There is one vacancy. 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 3 times per year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business. 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 and financial statements auditors and their remuneration for both audit and non-audit work.

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 break downs 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 2014 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 ending 31 July 2014 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, which operates in accordance with the requirements of the funding body's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- ◆ the work of the internal 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 (no audit in 2013/14) 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 auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The 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 body and the safeguarding of the assets".

The Governing Body has considered its responsibility to notify the Skills Funding Agency/Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency/Education Funding Agency terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency/Education 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 further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

GOING CONCERN

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

Approved by order of the members of the Governing Body on 16 December 2014 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 / Education 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 2013/14 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
- 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 Annual 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 / Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency / Education 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 / Education Funding Agency are not put at risk.

Approved by order of the members of the Governing Body on 16 December 2014 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 2014 set out on pages 22 to 44. 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2014 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

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

In our opinion:

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

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

Independent Auditors' Report on Regularity to the Governing Body of East Kent College ('the Governing Body') and the Skills Funding Agency

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

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

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

Responsibilities of the Governing Body of East Kent College

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

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

Auditor's responsibilities

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

Basis of opinion

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

Opinion

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

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

Income and Expenditure Account

	Notes	2014 £'000	2013 £'000
INCOME			
Funding body grants	2	12,804	13,066
Tuition fees and education contracts	3	2,010	1,160
Other income		975	908
Investment income	4	2	1
Total income		15,791	15,135
EXPENDITURE			
Staff costs	5	8,454	8,967
Exceptional restructuring costs	5	-	223
Other operating expenses	7	6,032	5,060
Depreciation	10	1,144	959
Interest and other finance costs	8	194	124
Total expenditure		15,824	15,333
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(33)	(198)
Taxation	9	-	-
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(33)	(198)

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

Statement of Historical Cost Surpluses and Deficits

	Notes	2014	2013
		£'000	£'000
Deficit on continuing operations before and after taxation		(33)	(198)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	201	204
		<hr/>	<hr/>
Historical cost surplus for the year before and after taxation		168	6
		<hr/>	<hr/>

Statement of Total Recognised Gains and Losses

	Notes	2014	2013
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(33)	(198)
Actuarial (loss)/gain in respect of pension scheme	24	(726)	1,586
		<hr/>	<hr/>
Total recognised losses/gains in the year		(759)	1,388
		<hr/>	<hr/>
Reconciliation			
Opening reserves at 1 August 2013		4,490	3,102
Total recognised (losses)/gains for the year		(759)	1,388
		<hr/>	<hr/>
Closing reserves at 31 July 2014		3,731	4,490
		<hr/>	<hr/>

Balance sheet as at 31 July

	Notes	2014	2013
		£'000	£'000
Fixed assets			
Tangible assets	10	<u>24,344</u>	<u>20,270</u>
Current assets			
Stocks		21	30
Debtors	11	587	626
Cash at bank and in hand		<u>4,655</u>	<u>636</u>
Total current assets		5,263	1,292
Less: Creditors – amounts falling due within one year	12	<u>(2,806)</u>	<u>(1,952)</u>
Net current assets / (liabilities)		<u>2,457</u>	<u>(660)</u>
Total assets less current liabilities		26,801	19,610
Less: Creditors – amounts falling due after more than one year	13	(4,846)	(4,580)
Less: Provisions for liabilities	15	(230)	(230)
Net assets excluding pension liability		<u>21,725</u>	<u>14,800</u>
Net pension liability	24	<u>(5,842)</u>	<u>(4,779)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>15,883</u>	<u>10,021</u>
Deferred capital grants	16	<u>12,152</u>	<u>5,531</u>
Reserves			
Income and expenditure account excluding pension reserve	18	5,232	4,727
Pension reserve	24	<u>(5,842)</u>	<u>(4,779)</u>
Income and expenditure account including pension reserve	18	(610)	(52)
Revaluation reserve	17	4,341	4,542
Total reserves		<u>3,731</u>	<u>4,490</u>
TOTAL FUNDS		<u>15,883</u>	<u>10,021</u>

The financial statements on pages 22 to 44 were approved by the Governing Body on 16 December 2014 and were signed on its behalf by:



Beverley Aitken
Chair



Graham Razey
Principal

Cash Flow Statement

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	19	2,181	524
Returns on investments and servicing of finance	20	(80)	(11)
Capital expenditure and financial investment	21	1,583	(4,200)
Financing	22	<u>335</u>	<u>3,773</u>
Increase in cash in the year	23	<u>4,019</u>	<u>86</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		4,019	86
Change in net debt resulting from cash flows	22	<u>(335)</u>	<u>(3,773)</u>
Movement in net debt in the period		3,684	(3,687)
Net debt at 1 August 2013		<u>(4,139)</u>	<u>(452)</u>
Net debt at 31 July 2014		<u>(455)</u>	<u>(4,139)</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 2013/14 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 2013/14 Accounts Direction Handbook.

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 cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £5,110,000 of loans outstanding with bankers on terms negotiated in 2008, including a £4,531,000 loan taken out in 2013/14. The terms of the existing agreements are for up to another 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 grant income is normally determined with the conclusion of the year end reconciliation process with the funding body mid-November following the year-end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

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

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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 40 years. The College has a policy of depreciating major adaptations to buildings over a period of up to 40 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 if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, 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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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 inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from Incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – up to 40 years on a straight-line basis
- furniture, fixtures and fittings – 3 to 15 years on a straight-line basis.
- motor vehicles and general equipment – 3 to 15 years on a straight-line basis
- computer equipment – 3 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.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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

	2014 £'000	2013 £'000
Main funding body recurrent grant	9,901	11,667
Main funding body non recurrent	2,727	1,280
Release of deferred capital grants (note 16)	176	119
Total	<u>12,804</u>	<u>13,066</u>

3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition fees	1,026	632
Education contracts	984	528
Total	<u>2,010</u>	<u>1,160</u>

4 Investment income

	2014 £'000	2013 £'000
Interest receivable	2	1
Total	<u>2</u>	<u>1</u>

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:

	2014 No.	2013 No.
Teaching staff	178	175
Non teaching staff	92	113
	<u>270</u>	<u>288</u>
Staff costs for the above persons		
	2014 £'000	2013 £'000
Wages and salaries	6,936	7,458
Social security costs	503	522
Other pension costs (including FRS 17 adjustments of £225,000 – 2013: £165,000)	1,015	987
	<u>8,454</u>	<u>8,967</u>
Restructuring costs	-	223
Payroll total	<u>8,454</u>	<u>9,190</u>

The number of senior post-holders and other staff as at 31 July 2014 who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Other Staff		Senior post-holders	
	2014 No.	2013 No.	2014 No.	2013 No.
£10,001 to £20,000			1	-
£20,001 to £30,000			1	-
£40,001 to £50,000			-	1
£60,001 to £70,000	2	-	-	-
£70,001 to £80,000	1	-	-	1
£80,001 to £90,000	-	-	1	-
£90,001 to £100,000	-	-	1	1
£120,001 to £130,000	-	-	-	1
£130,001 to £140,000	-	-	1	-
	<u>3</u>	<u>-</u>	<u>5</u>	<u>4</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 has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body. One of the senior post holders also held another role for part of the year but only the senior post values have been included above.

Notes to the Financial Statements (continued)

6 Senior post-holders' emoluments (continued)

	2014 No.	2013 No.
The number of senior post-holders including the Principal was:	<u>5</u>	<u>4</u>
Senior post-holders' emoluments are made up as follows:		
	2014 £'000	2013 £'000
Salaries	351	357
Benefits in kind	1	1
Pension contributions	<u>51</u>	<u>45</u>
Total emoluments	<u>403</u>	<u>403</u>

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

	2014 £'000	2013 £'000
Salaries	133	129
Benefits in kind	<u>1</u>	<u>1</u>
	<u>134</u>	<u>130</u>
Pension contributions	<u>19</u>	<u>18</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 members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7 Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	3,306	2,234
Non-teaching costs	1,538	1,663
Premises costs	<u>1,188</u>	<u>1,163</u>
Total	<u>6,032</u>	<u>5,060</u>
Other operating expenses include:	2014 £'000	2013 £'000
Auditors' remuneration:		
Financial statements audit	18	18
Internal audit	14	26
Other services provided by the financial statements auditors	4	4
Hire of other assets – operating leases	171	183

Notes to the Financial Statements (continued)**8 Interest**

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	82	12
Pension finance cost (Note 24)	112	112
Total	194	124

9 Taxation

The members 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 2013	5,158	19,002	5,280	29,440
Transfers	(5,095)	4,991	104	-
Additions	3,440	1,540	261	5,241
Disposals	-	-	(35)	(35)
At 31 July 2014	3,503	25,533	5,610	34,646
Depreciation				
At 1 August 2013	-	6,120	3,050	9,170
Charge for the year	-	617	527	1,144
Disposals	-	-	(12)	(12)
At 31 July 2014	-	6,737	3,565	10,302
Net book value at 31 July 2014	3,503	18,796	2,045	24,344
Net book value at 31 July 2013	5,158	12,882	2,230	20,270

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.

Land and buildings with a net book value of £3,439,000 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**

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	92	295
Prepayments and accrued income	495	238
Funding body accrued income	-	93
	<hr/>	<hr/>
Total	587	626

12 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans (note 14)	264	195
Trade creditors	1,253	731
Other taxation and social security	148	168
Accruals	911	858
Amounts due to the SFA	230	-
	<hr/>	<hr/>
Total	2,806	1,952

13 Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Bank loans (note 14)	4,846	4,580
	<hr/>	<hr/>
Total	4,846	4,580

14 Borrowings**Bank loans**

Bank loans are repayable as follows:

	2014 £'000	2013 £'000
In one year or less (note 12)	264	195
Between one and two years	270	263
Between two and five years	809	712
In five years or more	3,767	3,605
	<hr/>	<hr/>
Total	5,110	4,775

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 2013	224	6	230
Expenditure in the period	(17)	-	(17)
Transferred to income and expenditure account	17	-	17
	<hr/>	<hr/>	<hr/>
At 31 July 2014	<u>224</u>	<u>6</u>	<u>230</u>

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:

	2014	2013
Price inflation	4.06%	4.28%
Discount rate	2.25%	2.50%

16 Deferred capital grants

	Funding bodies £'000	Other £'000	Total £'000
At 1 August 2013	4,862	669	5,531
Grants received	6,824	-	6,824
Released to income and expenditure account	(176)	(27)	(203)
	<hr/>	<hr/>	<hr/>
At 31 July 2014	<u>11,510</u>	<u>642</u>	<u>12,152</u>

17 Revaluation reserve

	2014 £'000	2013 £'000
At 1 August 2013	4,542	4,746
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(201)	(204)
	<hr/>	<hr/>
At 31 July 2014	<u>4,341</u>	<u>4,542</u>

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

	2014	2013
	£'000	£'000
Income and expenditure account reserve		
At 1 August 2013	(52)	(1,644)
Deficit retained for the year	(33)	(198)
Transfer from revaluation reserve (note 17)	201	204
Actuarial (losses)/gains in respect of pension scheme (note 24)	(726)	1,586
	<u>(610)</u>	<u>(52)</u>
At 31 July 2014		
Balance represented by:		
Pension reserve	(5,842)	(4,779)
Income and expenditure account reserve excluding pension reserve	5,232	4,727
	<u>(610)</u>	<u>(52)</u>

19 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation	(33)	(198)
Loss on disposal of fixed assets	23	62
Depreciation (note 10)	1,144	959
Deferred capital grants released to income (note 16)	(203)	(145)
Interest payable (note 8)	82	12
Interest receivable (note 4)	(2)	(1)
FRS 17 pension cost less contributions payable (notes 5 and 24)	225	165
FRS 17 pension finance costs (note 24)	112	112
Decrease/(increase) in stocks	9	(7)
Decrease/(increase) in debtors	39	(238)
Increase/(decrease) in creditors	785	(199)
Increase in provisions	-	2
	<u>2,181</u>	<u>524</u>
Net cash inflow from operating activities		

Notes to the Financial Statements (continued)

20 Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Interest received	2	1
Interest paid	(82)	(12)
Net cash outflow from returns on investment and servicing of finance	<u>(80)</u>	<u>(11)</u>

21 Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(5,241)	(6,942)
Deferred capital grants received	6,824	2,742
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>1,583</u>	<u>(4,200)</u>

22 Financing

	2014 £'000	2013 £'000
Debt due beyond a year:		
New loans acquired	530	4,000
Repayment of amounts borrowed	(195)	(227)
Net cash inflow from financing	<u>335</u>	<u>3,773</u>

23 Analysis of changes in net funds

	At 31 July 2013 £'000	Cash flows £'000	Other changes £'000	At 31 July 2014 £'000
Cash in hand, and at bank	636	4,019	-	4,655
Debt due within 1 year	(195)	-	(69)	(264)
Debt due after 1 year	(4,580)	(335)	69	(4,846)
Total net debt	<u>(4,139)</u>	<u>3,684</u>	<u>-</u>	<u>(455)</u>

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	2014 £000	2013 £000
Teachers' Pension Scheme: contributions paid	415	419
Local Government Pension Scheme:		
Contributions paid	375	403
FRS 17 charge (note 5)	225	165
Charge to the Income and Expenditure Account (staff costs)	600	568
	1,015	987
Total Pension Cost for Year (note 5)		

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 2004 and of the LGPS 31 March 2013.

There were contributions amounting to £49,327 (2012/13 £42,836) payable to the scheme at 31 July 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

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

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

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

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

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

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

Scheme Changes

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

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

The Proposed Final Agreement can be found at:

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

The pension costs paid to TPS in the year amounted to £415,000 (2012-13: £419,000).

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 Local Authority. The total contribution made for the year ended 31 July 2014 was £528,640 of which employer's contributions totalled £375,323 and employees' contributions totalled £153,317. The agreed contribution rates for future years are 15.6% for employers and range from 5.50% and 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 2014 by a qualified independent actuary.

	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	4.5%	4.8%
Rate of increase for pensions in payment / inflation	2.7%	2.6%
Discount rate for scheme liabilities	4.3%	4.7%
Inflation assumption (CPI)	2.7%	2.6%

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 2014	At 31 July 2013
<i>Retiring today</i>		
Males	22.7	20.1
Females	25.1	24.1
<i>Retiring in 20 years</i>		
Males	24.9	22.1
Females	27.4	26.0

The College's share of the assets and liabilities in the scheme (estimated to be <1% of the total) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013
		£'000		£'000
Equities	6.8%	11,034	6.2%	10,475
Gilts	3.4%	181	3.4%	-
Bonds	4.0%	1,799	4.3%	1,746
Property	5.7%	1,528	4.2%	1,164
Cash	3.2%	467	0.5%	582
Target Return	5.7%	681	4.7%	582
Total market value of assets		15,690		14,549
Present value of scheme liabilities				
- Funded		(21,512)		(19,310)
- Unfunded		(20)		(18)
Deficit in the scheme		(5,842)		(4,779)

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**

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	560	644
Past service loss	123	-
Total operating charge	<u>683</u>	<u>644</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	805	596
Interest on pension liabilities	<u>(917)</u>	<u>(708)</u>
Net pension finance cost	<u>(112)</u>	<u>(112)</u>

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

	2014 £'000	2013 £'000
Actuarial gains on pension scheme assets	273	1,625
Actuarial (losses) on scheme liabilities	<u>(999)</u>	<u>(39)</u>
Actuarial (loss)/gain recognised in STRGL	<u>(726)</u>	<u>1,586</u>

Notes to the Financial Statements (continued)**24 Pension and similar obligations** (continued)**Local Government Pension Scheme** (continued)**Movement in deficit during year**

	2014 £'000	2013 £'000
Deficit in scheme at 1 August 2013	(4,779)	(6,088)
Movement in year:		
Employer service cost (net of employee contributions)	(560)	(644)
Employer contributions	456	477
Unfunded pension payments	2	2
Net interest on assets	(112)	(112)
Settlements or curtailments	(123)	-
Actuarial (loss)/gain	(726)	1,586
Deficit in scheme at 31 July 2014	(5,842)	(4,779)

Asset and Liability Reconciliation

	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at 1 August 2013	19,328	17,731
Current Service cost	560	644
Interest cost	917	708
Employee contributions	149	165
Actuarial loss	999	39
Losses on curtailments	123	-
Benefits paid	(542)	43
Unfunded pension payments	(2)	(2)
Liabilities at 31 July 2014	21,532	19,328
Reconciliation of Assets		
Assets at 1 August 2013	14,549	11,643
Expected return on assets	805	596
Actuarial gains	273	1,625
Employer contributions	458	479
Employee contributions	149	165
Benefits paid	(544)	41
Assets at 31 July 2014	15,690	14,549

The estimated value of employer contributions for the year ending 31 July 2015 is £368,000.

Notes to the Financial Statements (continued)**24 Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****History of experience gains and losses**

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets: Amount £'000	168	1,625	(521)	153	873
Experience gains and (losses) on scheme liabilities: Amount £'000	1012	(1)	(1)	943	5
Total amount recognised in STRGL: Amount £'000	(726)	1,586	(2,237)	798	1,359

25 Capital commitments

	2014 £'000	2013 £'000
Commitments contracted for at 31 July	<u>2,635</u>	<u>1,373</u>
Authorised but not contracted at 31 July	<u>11,919</u>	<u>-</u>

26 Financial commitments

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

	2014 £'000	2013 £'000
Land and buildings		
Expiring in two to five years	<u>259</u>	<u>183</u>
	<u>259</u>	<u>183</u>

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 £213.90; 3 governors (2013: £0). 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 or its subsidiaries during the year (2013: None). Transactions with the funding bodies are detailed in notes 2, 11, 16 and 28.

Notes to the Financial Statements (continued)

28 Amounts disbursed as agent

Learner support funds	2014	2013
	£'000	£'000
Funding body grants – hardship support	494	508
Funding body grants – childcare	264	349
Interest earned	-	-
	<u>758</u>	<u>857</u>
Disbursed to students	(642)	(651)
Administration costs	(34)	(43)
	<u>82</u>	<u>163</u>
Balance unspent as at 31 July, included in creditors	<u>82</u>	<u>163</u>

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