

COLLEGE OF NORTH WEST LONDON
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

COLLEGE OF NORTH WEST LONDON

REPORT AND FINANCIAL STATEMENTS

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COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation

for the year ended 31 July 2017

NATURE, OBJECTIVES, AND STRATEGIES:

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

Legal status

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

The Corporation was incorporated as The College of North West London.

On 1 August 2017, following public consultation, the Corporation of the College of North West London was dissolved, and its assets and liabilities transferred to the City of Westminster College under a Type B Merger. Also on 1 August 2017, the Corporation of the City of Westminster College was renamed to the United Colleges Group. This Members' report, and the financial statements that follow, are made by the Board of the United Colleges Group, with respect to the College of North West London.

Vision

To be London's Leading Skills College

Mission

The College's mission statement is:

To support economic opportunity through the provision of high quality education, business solutions and skills for work.

Implementation of strategic plan

In 2014, the College published its Strategic Plan 2014-17 which sets out its strategic values, objectives and priorities which support our main aim to move the quality of all aspects of the College's services to "excellent". This Plan has been updated each year to reflect strategic changes. The College has continued to work towards these aims during this financial year.

The College's long-term objectives are linked to each of our strategic priorities:

1. Skills, employability and progression

By 2018 we will have:

- An excellent vocational skills curriculum in line with Commission on Adult Vocational Teaching & Learning (CAVTL) principles;
- A broad range of innovative approaches to blended and e-learning across all our curriculum areas;
- Innovative English and maths provision which is comprehensive, well-established, contextualised and distinctive;
- Improved outcomes for all our learners in line with the most successful colleges in England; and
- Support for our learners which is inclusive, has high impact and reflects their needs.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

2. Partnership and business solutions

By 2018 we will have:

- Strategic alliances with trusted and reliable partners which secure our market prominence and spheres of influence, focusing on initiatives which deliver high-value impact for the benefit of our commercial customers and our learning communities;
- Flexible, high quality services for our employers which meet their business needs; and
- Commercial activities which, through robust planning, complement our publicly funded activities, deliver sustainable growth and significant surplus income.

3. Teaching and learning

By 2018 we will have:

- Fully embedded "Engage, Support, Challenge, Progress" (ESCP) - our Teaching, Learning & Assessment Strategy - within all delivery, including Apprenticeships and other work place learning;
- A vocational pedagogy which is distinctive and grounded in a real work context; and
- Learning experiences which are consistently good or better across all our curriculum.

4. Developing our people

By 2018 we will have:

- Leadership and management which, at all levels, is highly effective in securing learner-focussed solutions;
- Teachers and trainers who are "dual professionals" combining occupational and pedagogical expertise;
- Structures and staffing models which are effective in delivering excellence and efficiency across all our teaching, learning and support services;
- Training, professional development and intervention strategies which are highly effective in improving our staff capabilities and capacity; and
- Management information systems which are comprehensive, easy to access and support all aspects of our governance, leadership and management.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

5. Financial strength and efficiency

By 2018 we will have:

- Strong financial management which secures the College's long-term viability, delivers resource for investment and enhances the College's reputation;
- Increased efficiencies in delivery and support functions delivered through effective and robust processes; and
- Investment in our IT infrastructure systems, learning environments and estate which supports our skills curriculum, partnerships and business solutions

Key performance indicators (KPI's) and targets are identified for each priority, are reviewed annually for relevance, and these are approved by the Corporation.

Performance indicators

In relation to its financial performance, the College established several relevant KPI's and targets for 2016-17. The most significant income targets are those attached to the core funding and learner number contracts with the Education and Skills Funding Agency (ESFA). In 2016/17, the College achieved 1,162 learners funded by the EFA against an original target of 1,129 learners. The College overachieved the EFA target but the excess was not funded. The SFA did not set learner number targets in 2016/17, but a cash funding contract. The College underachieved the core SFA Adult Education Budget (AEB) and the 19+ apprentice contract. The College met the original 16-18 apprentice funding contract but failed to achieve the additional growth funding that was allocated. The Corporation and its Committees monitor all other targets against key performance indicators.

The key performance indicators include:

- Success rates
- Student satisfaction survey
- Delivery against funding targets
- Staff satisfaction
- Employer satisfaction
- Financial Outturn/Health
- Financial management and control
- Non-core income/Dependency on ESFA income
- Cash flow

The College is committed to observing the importance of the sector measures and indicators and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by ESFA as having "Good" financial health grading. The current rating of Good is considered as an acceptable outcome.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

FINANCIAL POSITION

Financial results

This year the College has an operating deficit on continuing operations after depreciation of assets and tax of approximately £3.3m (2015/16 - £1.7m deficit), with a total comprehensive income surplus of £851k (2015/16 - £5.5m deficit). The following table summarises this information:

	Year ended 31 st July 2017 £000	Year ended 31 st July 2016 £000
Operational deficit before restructuring, exceptional items and FRS102 pension fund adjustment	(1,709)	(456)
Restructuring cost	(659)	(202)
Operating deficit before exceptional cost and FRS102 pension fund adjustment	(2,368)	(658)
Pension fund adjustments (FRS102) - net	(777)	(994)
Transitional merger costs - net	(133)	-
Deficit for the year	(3,278)	(1,652)

As an 'underlying' operating position (including restructuring, but excluding pension fund adjustments, property strategy costs and merger costs), the College has incurred an operational deficit of £940k this year. This overall outturn position was disappointing, and the following were key items to note:

- The College was unable to achieve its SFA 19+ Apprentice contracts/targets, resulting in a clawback of £680k;
- The College underachieved the core SFA Adult Education Budget, leaving a clawback of £446k;
- The College has continued to suffer falls in adult 'core' funding due to the challenges in meeting the contract;
- The employer's pension contribution rate for the Brent Pension Scheme continues to increase. The contribution rate was 30.2% from April 2016 and increased to 32.2% from April 2017;
- The College has continued to invest significantly in quality processes to tackle enrolment, retention, attendance and punctuality which has resulted in improvements in-year, achieved at a financial cost, which provides a platform for continued success rate improvements;
- There was an overall 6% reduction in pay cost from the previous year;
- Costs of £1.4m associated with the property strategy (the redevelopment of the Willesden and Wembley campuses) were charged to revenue;
- Net Costs of £133k were incurred in relation to the merger with City of Westminster College; and
- Restructuring costs during the year amounted to £659k.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

During the year the College had overall funding body grants with the SFA/EFA/HEFCE of approximately £16.5m (2015/16 - £16.4m).

At 31 July 2017, the College had accumulated reserves of £28.9m (excluding pension liability) and cash balances of £4.7m. The net current asset at the end of the year was £1.2m positive. The College wishes to continue to accumulate cash balances in order to support the College's property strategy. It is noted that there is a pension liability reserve of £28m (2015/16 - £31m).

Tangible fixed asset additions during the year amounted to approximately £200,000. This related to the purchase of plant and equipment.

The College has significant reliance on the SFA/EFA for its principal funding source, largely from recurrent grants. In 2016/17 the SFA/EFA provided 77% (2015/16 – 74%) of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Vice Principal – Finance and Resources. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum/Funding Agreement.

Subsidiaries and associated companies

The College has no subsidiaries or associated companies.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

Cash flows

At £724k positive (2015/16 - £1,664k negative) the operating cash flow was strong, and a big improvement from the previous year. The College suffered from a combination of a poor financial operating return due to the under-delivery of funding contracts resulting in the clawback by the Education and Skills Funding Agency (ESFA).

Liquidity

The previous Learning and Skills Council granted the College consent to enter into a loan facility of up to £9m from Barclays Bank PLC in the 2006/07 financial year. The loan was to be utilised to progress the Accommodation Strategy. The College has drawn down all the £9m. This loan is secured against the Wembley freehold land and building.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flows.

The College liquidity remained reasonably strong during the year with cash balance, at the end of the year of £4.7m (2015/16 - £4.9m)

Reserve Policy

The College needs to have sufficient reserves to enable it to meet its charitable obligations should there be an unexpected revenue shortfall. The existence of unrestricted reserves also offers the College flexibility to plan and fund major projects and to develop and maintain its buildings and facilities. At 31 July 2017, the College had accumulated reserves of £30.3m (excluding pension liability).

By their very nature, the availability of the restricted and endowed funds for the general operation of the College is limited. Accordingly it is the unrestricted funds (or General purpose reserve) which are expendable at the discretion of the Principal in the furtherance of the objectives of the College.

Financial Outlook

Since incorporation, the College has taken a prudent outlook and has been robust in its financial planning and control measures. This has ensured that the College has built up a reasonable reserve to overcome short term difficulties. Prudent financial planning and strong financial efficiency control measures has continued to improve this position during recent years, which supported much needed infrastructure investment.

The College has disclosed in previous reports that it is prepared to utilise accumulated reserves to overcome short term financial difficulties in order to avoid any unnecessary and damaging measures, but that it would look for early recovery strategies to ensure reserves are safeguarded. The Corporation takes very seriously the need to maintain financial control and considers meeting its responsibilities towards learners and employers as its primary objective. Within this overall framework, financial targets have been set to ensure that the College is reasonably well placed to deliver the strategic objectives and priorities. The College was assessed by the ESFA as having a 'Good' overall financial health position.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

The other major challenge for the College is the need to bring its estates to a standard to secure teaching and learning for the future. The College is having to extract cash resource out of operating budgets to create and support this essential investment.

The financial objective for the foreseeable future will be to aim to deliver an underlying operating surplus. The College will seek to ensure that the net current assets position is effectively managed during this period. To help ensure success, the College will aim to at least maintain its income and expenditure reserve and work within the KPI targets & milestones set in the three year forecast. The College will continue to work with its Corporation and the ESFA to deliver the overall financial strategy.

The merger with the City of Westminster College on 1 August 2017 (to become the United Colleges Group) creates a sound financial basis for the College going forward. The ESFA have assessed the financial health of the United Colleges Group Financial Plan for 2017-18 as "outstanding".

Merger

The College of North West London and the City of Westminster College merged on 1 August 2017. As part of the merger, the College of North West London and its Corporation was dissolved on 1 August 2017, and all of its assets and liabilities were transferred to the City of Westminster College. Also, on 1 August 2017, the City of Westminster College changed its name to the United Colleges Group and going forward the College is expected to become a multi-college group encompassing other Colleges.

The merger will improve the education and training opportunities for learners, employers and the communities they serve. It will build on the combined strengths of each former college to establish strategic advantage and competitive edge.

The vision is to deliver the highest quality education and training opportunities for students and employers across West and Central London, and beyond. The grouping will enhance the curriculum on offer allowing more learners to benefit from vocational specialisms. It contributes to moving the Further Education agenda forward to deliver educational and social advantages. It will create a college group that secures the best provision and choice for students in West and Central London and will strengthen the offer to a broader London client base. The constituent colleges will retain and operate with their current names and identities, which have strong value within their respective communities.

The United Colleges Group will have around 20,000 learners (CNWL was approx. 11,000 learners in 2016-17) and an annual income of £49 million in 2017-18 with the potential to generate significant surpluses in future years. From the outset the college will meet main industry key performance indicators and will have an Education Skills Funding Agency financial health rating of 'Outstanding'.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Learner Numbers

The College had a target in terms of the EFA of 1,129 learners and achieved 103% of this contract. There was no learner or SLN target set for the SFA contract this year.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

Student Achievements

Students achieved an estimated 83.5% of their qualification aims (2015/16: 86.9%).

Curriculum Developments

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local, and in certain cases regional population. During the year, the College has continued its workplace delivery and assessment particularly through the apprenticeship models.

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 is for payment to suppliers within 30 days to be 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College used, on average, 27 days to pay its suppliers. The agreed period for the College is 30 days following the month of purchase or following proper completion of the supply, whichever is later. The College has incurred no interest charges in respect of late payment for this period.

Future developments

The College Corporation has considered carefully the property strategy and the options available. The Corporation have identified that a 'do nothing' approach can only be damaging to the medium/long term prospects for the College and especially for learners having to suffer some very poor facilities.

The College appointed a multi-disciplinary team to take the College from RIBA (Royal Institute of British Architects) 0 to RIBA 2 which set out a concept design for the redevelopment of the Willesden and Wembley campuses.

The College is now seeking to procure a delivery partner to take the masterplan forward.

In the meantime, the College may have to continue some spending on maintaining existing 'old' building stock and will do so to ensure the health and safety of learners, staff and other customers is adhered to.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

Going Concern

The College has suffered an operating loss for the year, however, this does not call into question the going concern status of the College. The College continues to service the loan. The redevelopment of the College Estate, as part of the Property Strategy, will start to address the lack of investment opportunities in recent years.

Furthermore the merger with the City of Westminster College on 1 August 2017 provides a sound financial basis for the United Colleges Group to progress and the future financial plans set out clear expectations that the college has adequate resources to continue in operational existence for the foreseeable future.

In pursuance of a healthier financial position, the Corporation of the merged entity has approved a financial strategy and key financial priorities which continues to place emphasis on operating surplus, and set ambitious operating targets for 2017/18 and 2018/19. In order to achieve this, overall costs will be adjusted as far as possible to a level which supports this strategy and a more ambitious approach to non-core and commercial income will be targeted as a strategy to diversify income. This strategy should prevent 'going concern' issues in the short to medium term. The College has looked at its cash flow and tested it against other items including delivering the planned stages of the property strategy and the College is comfortable that 'going concern' issues can be managed. The longer term issues for the College will very much depend upon outcomes from funding rounds with the various funding bodies and development, the post-merger integration, success in diversifying income, securing better operating returns thereon and delivery of a new estates strategy.

Post-balance sheet events

The College of North West London and the City of Westminster College merged on 1 August 2017. As part of the merger, the College of North West London and its Corporation was dissolved on 1 August 2017, and all of its assets and liabilities were transferred to the City of Westminster College. Also, on 1 August 2017, the City of Westminster College changed its name to the United Colleges Group.

Resources:

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

Fixed Assets

The College has two freehold sites in NW London (Willesden and Wembley). The current net book value of all fixed assets is approximately £41m. The College revalued its land and buildings in July 2015. The loan outstanding on these assets is approximately £7m and is due to be repaid by October 2032, and is secured against the Wembley freehold land and building.

Financial

The College recognises that it has significant pension liabilities to be addressed over the longer term, especially in relation to the Local Government Pension Scheme, which at 31 July 2017 had a valuation of approx. £28m deficit (2016 - £31m deficit), but full disclosure and provision is being made to address this liability annually in the accounts. The College has £1.2m positive of net assets (after deducting the £31m pension liability) and long term debt of £7.3m.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

People

The College employs approx. 395 staff on various contracts, however this is on average 271 people (expressed as full time equivalents), of whom approx. 178 are teaching staff.

Reputation

The College has a strong reputation locally with learners and employers, pan London and in some curriculum areas has a national reputation. Maintaining a quality brand is essential for the College's success at attracting students and building on external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

Outlined below is a description of the principal finance risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 78% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. Government policy and practice is unlikely to remain the same and nor will public funding continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding,

- FE Loans
- HE Loans
- New Apprenticeship Funding regime
- Government spending cut-backs associated with the economy

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding and commercial income strategies
- Regular dialogue with the regional and local ESFA
- Engage with London Enterprise Panel (LEP) to secure partnership work and capital grant funding where appropriate and available
- Rigorous pay and non-pay costs control, including better staff utilisation (teaching and support)

2. Tuition fee policy

In line with the majority of other Colleges, this College will set tuition fees in accordance with the national guidelines and fee assumptions. The risk for the College is that demand falls off as fees increase.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Maximising efficiency of delivery, including establishing minimum class sizes and optimum course delivery hours.

3. Income – Commercial (Full cost course)

The College is continuing to develop programmes to enable it to deliver well in this market. However, without having higher specification buildings, facilities, and equipment, this has proved more challenging in recent years. Once the College is able to commence its building upgrading strategy, the College expects growth in this market will be achievable. The College has taken into account the difficult market conditions for business generally and has been realistic in its projections of growth in income.

The College will seek to consolidate income from managing agents and school links, which will hopefully lead to expansion in the longer term.

4. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's Balance Sheet in line with the requirements of FRS 102.

5. Property developments

The College is currently progressing with the accommodation strategy. The Corporation is having to consider very carefully any new build plans, given the risks associated with such projects, and especially given the fact that capital grant funding is not easily available in any substantial form.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

6. Subcontracting delivery

The College has a number of contracts with subcontractors to deliver training at independent premises on behalf of the College. Such provision enables the College to provide a responsive and flexible service to employers, without incurring the direct costs of employment and management of related staff.

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with Universities, the College of North West London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links) and employer bodies;
- Local Authorities;
- Government Offices/ Regional Development Agencies/Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

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

Equal Opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, gender reassignment status, marital or civil partnership status, pregnancy, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equality Scheme is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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 which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has an Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation (continued)

for the year ended 31 July 2017

The College is a member of the Network for Black Professionals, and the Women's Leadership Network and is a Stonewall Diversity Champion.

The College has set up the Equality and Diversity Team and has appointed Equality Champions among the members of staff to provide guidance and advice to all staff and students on equality issues.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. Procedures are being implemented to ensure that disabled people, including those with learning difficulties are treated fairly. All reasonable adjustments to provision will be made to ensure that disabled students are not substantially disadvantaged. In particular the College has:

- briefed all staff on the implications of the Disability Discrimination Act;
- established a Disability and Mental Health Working Group to oversee the implementation of the Disability Action Plan;
- implemented appropriate procedures for identifying and admitting disabled students;
- purchased specialist equipment and modified facilities to meet the needs of many disabled students; and
- identified specialist staff to manage and support disabled students.

Staff and student involvement

The College considers good communication with its staff to be very important and to this end publishes a newsletter which is available to all staff and is actively engaged in developing further the College intranet site to communicate more effectively with staff and students. The College also encourages staff and student involvement through membership of formal committees. The College has a number of staff benefits including tax free childcare vouchers, discounted shopping and offers, and free confidential counselling services. The College has contracted with Firstcare to provide an Absence Management System to monitor and support absence and to give advice to staff on medical issues and concerns.

Taxation

The College's educational activities are not liable to corporation tax.

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 auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of that information.

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



T Johnston
Chair
United Colleges Group

COLLEGE OF NORTH WEST LONDON

Report of the Members of the Corporation
(continued)

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisors

Key Management Personnel

Andy Cole - Principal and CEO, Accounting Officer
Mike Welsh Deputy Principal, Curriculum Teaching & Quality
Eamonn McCarroll - Vice Principal, Finance & Resources
Anna Openshaw-Lawrence - Vice Principal, People and Planning

Board of Governors

A full list of Governors is given on page 17 and 18 of these financial statements

Mrs Fiona Chalk acted as Clerk to the Corporation throughout the period

Professional advisers

Financial statement and regularity auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL
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Bankers:	Barclays Bank Plc UK Banking – Larger Business Floor 28 1 Churchill Place London E14 5HP
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Solicitors:	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
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Internal auditor:	Mazars LLP Mazars House Gelderd Road Gildersome Leeds LS7 7JN
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COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

for the year ended 31 July 2017

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

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 Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. 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 full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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

Public Benefit

The College of North West London is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17 and 18.

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
- Excellent employment record for students
- Strong student support system
- Links with employers, industry and commerce
- Links with Local Enterprise Partners (LEPs)

COLLEGE OF NORTH WEST LONDON
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
 (continued)

for the year ended 31 July 2017

The Corporation

The Members who served on the Corporation during the year were as follows:

Name	Date of Appointment (or re-appointment)	Date Term of office ends (or resignation if earlier)	Status of appointment	Committees served	Corporation meeting attendance rate 16/17
Jan Knight	13.03.15	12.03.19	Independent	Search Audit F&R	100%
Judith Williams <i>Chair from 12.10.16 – 28.1.17</i>	09.10.13	08.10.17	Independent	Search F&R	100%
Andy Cole	01.01.14	Ex officio	Principal	Search TL&S	100%
Vineeta Manchanda	01.01.14	31.12.17	Independent	Audit F&R	66%
Dr Donald Palmer	01.01.14	31.12.17	Independent	Search	50%

COLLEGE OF NORTH WEST LONDON
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
 (continued)

for the year ended 31 July 2017

Name	Date of Appointment (or re-appointment)	Date Term of office ends (or resignation if earlier)	Status of appointment	Committees served	Corporation meeting attendance rate 16/17
Peter Child	16.12.2015	31.12.2019	Independent	Audit F&R	100%
Tony Johnston <i>Vice-Chair from 12.10.16 Chair from 28.1.17</i>	28.09.15	30.9.19	Independent	F&R TL&S	100%
Diane Kennedy	4.11.15	30.11.19	Independent	Audit F&R	66%
Berta Martinez	16.1.16	31.1.18	Staff Governor	TL&S	100%
Ben Humpage	12.10.16	12.10.20	Staff Governor	TL&S	83%
Dodie Okito	7.12.16	6.7.17	Student Governor		66%
Abdul Mohamed	4.11.15	30.11.17	Student Governor		66%
Ros Aird	12.10.16	12.10.20	Independent Governor	F&R	83%
William Germain	12.10.16	12.10.20	Independent Governor	TL&S	66%
Mick Gallagher	28.09.15	9.1.17	Independent		0%
Mrs Fiona Chalk acts as the Clerk to the Corporation					

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

for the year ended 31 July 2017

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least once a term.

The Corporation conducted its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are:

- Finance & Resources
- Teaching Learning and Skills
- Search & Governance
- Audit
- Remuneration.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the College's website at <http://www.cnwl.ac.uk/about-us/college-governance/corporation-meetings> or from the Clerk to the Corporation at:

**College of North West London
Dudden Hill Lane
Willesden
London NW10 2XD**

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

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

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

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

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

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

for the year ended 31 July 2017

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, comprising five members, which is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required, and has a clear code of practice for inducting new Members.

With the exception of Staff and Student Members, members of the Corporation are appointed for a term of office not exceeding 4 years.

Corporation performance

The Board regularly reviews its effectiveness ensuring continuous improvement, thereby not only enhancing its own performance but providing an example to the College. The review includes an assessment of performance against the values and principal responsibilities set out in the College Code of Good Governance.

Remuneration Committee

Throughout the year ended 31 July 2017, the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal, other senior post holders and the Clerk to the Corporation.

Due to merger and subsequent senior post-holder appointments, the Remuneration Committee did not meet, see note 8 to the financial statements.

Audit Committee

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

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

The College's internal auditors review the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

for the year ended 31 July 2017

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibility assigned to him in the Financial Memorandum/Financial Agreement between College of North West London and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial 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 the College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College of North West London for the year ended 31 July 2017.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017. This process is regularly reviewed by Audit Committee on behalf of the Corporation.

The risk and control framework

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

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

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

for the year ended 31 July 2017

The College of North West London has an internal audit service, which has operated in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and an annual internal audit plan based on this analysis. The analysis of risks and the internal audit plans are approved by the Corporation on the recommendation of the Audit Committee. At least annually, the Internal Audit Service provides the Corporation with a report on the internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Principal and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal, senior management team and the Audit Committee also receive regular reports from the internal audit service and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes items which makes specific reference to consideration of risk against specific issues and Audit Committee minutes are made available to the whole Corporation where any risk issues are further considered as necessary. 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 Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the effective and efficient use of resources, the solvency of the institution and the body corporate.

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

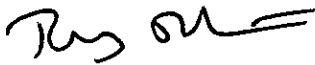
for the year ended 31 July 2017

Going concern

The Corporation has assessed whether the use of going concern is appropriate. With effect from 1 August 2017, in accordance with a legal transfer of undertaking, all activities, assets and liabilities of the College of North West London were transferred to the United Colleges Group. For this reason the Corporation do not deem it appropriate to continue to adopt a going concern basis in the College's financial statements for the year ended 31 July 2017 and therefore have prepared the financial statements on a basis other than going concern.

As the College's assets and liabilities are being preserved through the transfer to United Colleges Group, no adjustments have been made to restate the College's assets and liabilities to their realisable values.

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



T Johnston
Chair
United Colleges Group
Date:



K Cowell
Chief Executive Officer
United Colleges Group
Date:

COLLEGE OF NORTH WEST LONDON

**CORPORATION'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE
WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

for the year ended 31 July 2017

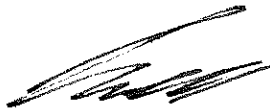
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of its consideration, the Corporation has had due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

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

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



T Johnston
Chair
United Colleges Group
Date:



K Cowell
Chief Executive Officer
United Colleges Group
Date:

COLLEGE OF NORTH WEST LONDON

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

for the year ended 31 July 2017

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

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

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

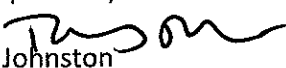
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial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

The Corporation is also required to prepare a Report of the Members of the Corporation which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College. The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

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


T Johnston
Chair
United Colleges Group

COLLEGE OF NORTH WEST LONDON

Independent auditor's report to the Corporation of College of North West London

Opinion

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

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

In our opinion, the financial statements:

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

Basis for opinion

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

Going concern

We draw attention to the accounting policy on going concern in note 1 of the financial statements, which indicates that the Corporation of the College of North West London has prepared the financial statements on a basis other than a going concern basis. This is due to a legal transfer of all activities, assets and liabilities of the College of North West London to the United Colleges Group with effect from 1 August 2017. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

COLLEGE OF NORTH WEST LONDON

**Independent auditor's report to the Corporation of College of North West London
(continued)**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

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

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

Auditor's responsibilities for the audit of the financial statements

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

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2017

COLLEGE OF NORTH WEST LONDON

Reporting accountant's assurance report on regularity

To: The Governing Body of College of North West London and Secretary of State for Education acting through the Department of Education

In accordance with the terms of our engagement letter dated 17 May 2016 and further to the requirements of the funding agreement with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the College of North West London during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of the College of North West London and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post 16 Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post 16 Code of Practice issued Department of Education. We performed a limited assurance engagement as defined in that framework.

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

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

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

COLLEGE OF NORTH WEST LONDON

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

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

Conclusion

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

Signed:



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

19 December 2017

COLLEGE OF NORTH WEST LONDON
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2017

	Notes	2017 £000	2016 £000
Income			
Funding body grants	2	16,461	16,445
Tuition fees and education contracts	3	2,917	3,473
Other grants and contracts	4	1,399	902
Other income	5	428	754
Investment income	6	<u>4</u>	<u>17</u>
Total Income		<u>21,209</u>	<u>21,591</u>
Expenditure			
Staff costs	7	12,120	12,297
Other operating expenses	9	9,668	7,936
Depreciation	12	1,424	1,540
Interest and other finance costs	10	<u>1,275</u>	<u>1,470</u>
Total expenditure		<u>24,487</u>	<u>23,243</u>
Deficit before other gains and losses		(3,278)	(1,652)
Loss on disposal of assets		<u>-</u>	<u>-</u>
Deficit before taxation		<u>(3,278)</u>	<u>(1,652)</u>
Taxation	11	<u>-</u>	<u>-</u>
Deficit for the year		(3,278)	(1,652)
Actuarial gains/(losses) in respect of the pension schemes	23	<u>4,129</u>	<u>(3,841)</u>
Total Comprehensive Income for the year		<u>851</u>	<u>(5,493)</u>

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 July 2017

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2015	(15,889)	21,709	5,820
Deficit from the income and expenditure account	(1,652)	-	(1,652)
Other comprehensive income	(3,841)	-	(3,841)
Transfers between revaluation and income and expenditure reserves	420	(420)	-
Total Comprehensive income as at 31 July 2016	(5,073)	(420)	(5,493)
Balance at 31 July 2016	(20,962)	21,289	327
Deficit from the income and expenditure account	(3,278)	-	(3,278)
Other comprehensive income	4,129	-	4,129
Transfers between revaluation and income and expenditure reserves	420	(420)	-
Total comprehensive income as at 31 July 2017	1,271	(420)	851
Balance at 31 July 2017	(19,691)	20,869	1,178

COLLEGE OF NORTH WEST LONDON

BALANCE SHEET

as at 31 July 2017

	Notes	2017 £000	2016 £000
Fixed Assets			
Tangible assets	12	41,316	42,924
Current assets			
Stocks		-	15
Trade and other receivables	13	1,267	1,438
Cash at bank and in hand		<u>4,711</u>	<u>4,900</u>
		5,978	6,353
Creditors: amounts falling due within one year	14	<u>(5,091)</u>	<u>(4,135)</u>
Net current assets		<u>887</u>	<u>2,218</u>
Total assets less current liabilities		42,203	45,142
Creditors: amounts falling due after more than one year	15	(9,722)	(10,001)
Provisions			
Defined benefit obligations	17	(27,719)	(31,018)
Provision for liabilities	17	<u>(3,584)</u>	<u>(3,796)</u>
Total net assets		<u><u>1,178</u></u>	<u><u>327</u></u>
Unrestricted Reserves			
Income & Expenditure account		(19,691)	(20,962)
Revaluation reserve		<u>20,869</u>	<u>21,289</u>
Total unrestricted reserves		<u><u>1,178</u></u>	<u><u>327</u></u>

The financial statements on pages 30 to 59 were approved by the Corporation and authorised for issue on 13 December 2017 and signed on its behalf by:



T Johnston
Chair
United Colleges Group



K Cowell
Chief Executive Officer
United Colleges Group

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CASH FLOWS

for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(3,278)	(1,652)
Adjustment for non-cash items			
Depreciation		1,424	1,540
Decrease in stock		15	0
Decrease/(Increase) in debtors		170	(119)
Increase/(decrease) in creditors due within one year		943	(2,593)
(Decrease) in creditors due after one year		12	(84)
Increase/(decrease) in provisions		(212)	57
Property strategy cost		381	-
Pensions costs less contributions payable		830	771
Adjustment for investing or financing activities			
Investment income		(4)	(17)
Interest payable		443	433
Loss on disposal of fixed assets		-	-
Net cash flow from operating activities		724	(1,664)
Cash flows from investing activities			
Proceeds from sale of fixed assets		5	-
Investment income		4	17
Payments made to acquire fixed assets		(201)	(640)
		(192)	(623)
Cash flows from financing activities			
Interest paid		(443)	(433)
Repayments of amounts borrowed		(278)	(265)
		(721)	(698)
(Decrease) in cash and cash equivalents in the year		(189)	(2,985)
Cash and cash equivalents at 1 August	18	4,900	7,885
Cash and cash equivalents at 31 July	18	4,711	4,900

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

31 July 2017

1. Statement of Accounting Policies

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

Going Concern

The Corporation has assessed whether the use of going concern is appropriate. With effect from 1 August 2017, in accordance with a legal transfer of undertaking, all activities, assets and liabilities of the College of North West London were transferred to the United Colleges Group. For this reason the Corporation do not deem it appropriate to continue to adopt a going concern basis in the College's financial statements for the year ended 31 July 2017 and therefore have prepared the financial statements on a basis other than going concern.

As the College's assets and liabilities are being preserved through the transfer to United Colleges Group, no adjustments have been made to restate the College's assets and liabilities to their realisable values.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016-17 and in accordance with Financial Reporting Standards 102 – "The Financial Reporting Standard applicable in the United Kingdom and republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant benefit requirements of FRS 102.

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

Basis of accounting

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

Recognition of income

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

Income from research grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract of service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

Fees received in advance relating to future periods are deferred until the relevant course has started or has been delivered.

Where training delivery is by a partner, income (other than the overhead element) is released to the Statement of Comprehensive Income, once the partner's invoiced claim has been approved and paid.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

Accounting for Post-employment benefits

Post-employment 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 Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme and contributions 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 the Government Actuary on the basis of valuations using a prospective benefit method. As stated in Note 23, the TPS is a multi -employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by the employees.

Local Government Pension Scheme (LGPS)

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

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

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

Short term employment benefits

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

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 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.

Non-current assets - Tangible Fixed Assets

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

(a) Land and buildings

Following a revaluation exercise undertaken in July 2015, assets are now recorded at their revalued amount as at July 2015, backdated to 1 August 2014. The valuation has been deemed to be cost under the transitional provisions of FRS102. The College is of the opinion that the value at 31 July 2015 is not materially different to the valuation at 1 August 2014.

Furthermore, the revaluation exercise undertaken indicated some amendments were required to the useful economic lives of the land and buildings and the College has amended its depreciation policy estimate as a result of this information.

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold and Leasehold buildings are depreciated over their expected useful economic life to the College of between 15 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 60 years. Building improvements are written off over 10 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.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

The land and buildings at both Willesden and Wembley Centres were revalued by a firm of independent external chartered surveyors (MRICS, RICS Registered Surveyor) on Fair Valuation basis in July 2015.

All costs relating to IT Network Cabling are capitalised and depreciated over 5 years.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

These assets are then depreciated over their expected useful economic life.

(b) Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the year of acquisition, unless part of a major refit. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of 10 years.

All other equipment is depreciated over its useful economic life as follows:

Other equipment	-	5 years on a straight line basis
Computers	-	3 years on a straight line basis
Furniture and fittings	-	7 years on a straight line basis
Motor vehicles	-	5 years on a straight line basis

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

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 economic life of the related equipment.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the assets have been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

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 stock.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period in which it is incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Taxation

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

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 costs of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

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

Agency arrangements

The Discretionary Support Fund grant, 24 Advanced loan bursary and 16-18 Bursary from the funding bodies is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure of the College and are shown separately in Note 26, except for the 5 percent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

1. Statement of Principal Accounting Policies (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

2. Funding body grants

	2017 £000	2016 £000
Recurrent grants		
Education and Skills Funding Agency - Adult	6,499	6,976
Education and Skills Funding Agency-16-18	6,093	6,264
Education and Skills Funding Agency - Apprentice	1,915	1,792
Higher Education Funding Council (HEFCE)	15	41
Specific grants		
Education and Skills Funding Agency - Adult	713	123
Education and Skills Funding Agency – Adult Discretionary Learner Support	596	596
Education and Skills Funding Agency – Merger Grant	50	-
Education and Skills Funding Agency- 16-18 Bursaries	286	275
Releases of government capital grants	173	253
HE Development grant (HEFCE)	<u>121</u>	<u>125</u>
Total	<u>16,461</u>	<u>16,445</u>

3. Tuition Fees and Education Contracts

	2017 £000	2016 £000
Adult Education fees	1,218	1,459
Fees for FE loan supported courses	466	557
Fees for HE loan supported courses	<u>539</u>	<u>555</u>
Total tuition fees	2,223	2,571
Education Contracts	<u>694</u>	<u>902</u>
Total	<u>2,917</u>	<u>3,473</u>

4. Other grants and other contracts

	2017 £000	2016 £000
European Social Fund	555	-
Other grants and contracts	<u>844</u>	<u>902</u>
	<u>1,399</u>	<u>902</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

5. Other income	2017 £000	2016 £000
Exam fees	15	35
Local Enterprise Project (LEP) grants	-	242
Other income	139	186
Rental income	<u>274</u>	<u>291</u>
	<u>428</u>	<u>754</u>

6. Investment income	2017 £000	2016 £000
Interest receivable – bank	<u>4</u>	<u>17</u>
Total	<u>4</u>	<u>17</u>

7. Staff costs

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

	2017 Number	2016 Number
Teaching staff	177	214
Non teaching staff	<u>94</u>	<u>103</u>
	<u>271</u>	<u>317</u>

Staff costs for the above persons:	2017 £000	2016 £000
Wages and salaries	8,746	9,533
Social security costs	856	791
Other pension costs (note 23)	<u>1,875</u>	<u>1,902</u>
	11,477	12,226
Holiday Pay accruals – movement in year	<u>(16)</u>	<u>(131)</u>
Payroll sub total	11,461	12,095
Restructuring costs- Contractual	589	202
Restructuring costs – Non-contractual	<u>70</u>	<u>-</u>
Total	<u>12,120</u>	<u>12,297</u>

Staff restructuring costs relate to redundancy costs incurred in the year and were approved by the Corporation.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

8. Emoluments of key management personnel

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal and Chief Executive, Deputy Principal - Curriculum Teaching & Quality, Vice Principal Finance and Resources and Vice Principal People and Planning.

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

	<u>Year ended 31 July 2017</u>		<u>Year ended 31 July 2016</u>	
	Number of Key management personnel	Number of Other Staff	Number of Key management personnel	Number of Other Staff
£60,001 - £70,000	-	2	-	4
£70,001 - £80,000	-	2	-	-
£80,001 - £90,000	3	-	3	-
£90,001 - £100,000	-	-	-	-
£130,001 - £140,000	1	-	-	-
£140,001 - £150,000	-	-	1	-
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

	2017 Number	2016 Number
The number of key management personnel including the Principal was:	4	4
	2017	2016
	£000	£000
Salaries	397	398
Benefit in kind	4	3
Pension contributions	<u>90</u>	<u>86</u>
Total emoluments	<u>491</u>	<u>487</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

The above emoluments include amounts payable to the Principal as:

	2017	2016
	£000	£000
Salaries	135	140
Benefits in kind	<u>1</u>	<u>1</u>
	<u>136</u>	<u>141</u>
Pension Contribution	<u>22</u>	<u>22</u>

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

Compensation for loss of office paid to former key management personnel

	2017	2016
	£000	£000
Compensation paid to two (2) former post-holders	252	-

9. Other operating expenses

	2017	2016
	£000	£000
Teaching costs	2,116	1,923
Non teaching costs	2,793	2,723
Subcontractors cost	2,201	2,239
Property Strategy Costs	1,378	-
Transitional merger costs	183	-
Premises costs	<u>997</u>	<u>1,051</u>
	<u>9,668</u>	<u>7,936</u>

Other operating expenses include:

Auditor's remuneration		
- Financial statements audit	20	20
- Other services provided by financial statements auditors	6	4
- Internal audit	20	22
Hire of equipment under operating leases	<u>6</u>	<u>7</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

10. Interest and other finance costs	2017	2016
	£000	£000
On bank loans, overdrafts and other loans	444	433
Other-interest on enhanced pension brought forward	87	86
Pension finance cost (note 23)	<u>744</u>	<u>951</u>
Total	<u>1,275</u>	<u>1,470</u>

11. Taxation

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

12	Tangible fixed assets	Land and buildings freehold £000	Freehold Building Improvements £000	Building Work In Progress £000	Motor vehicles £000	Furniture, fittings & equipment £000	Total £000
	Cost or Valuation						
	At 1 August 2016	42,960	96	381	105	5,070	48,612
	Additions	-	34	-	-	167	201
	Disposals			-	(41)		(41)
	Property strategy costs - written off	-	-	(381)	-	-	(381)
	At 31 July 2017	<u>42,960</u>	<u>130</u>	<u>-</u>	<u>64</u>	<u>5,237</u>	<u>48,391</u>
	Depreciation						
	At 1 August 2016	1,624	6	-	81	3,977	5,688
	Charge for year	812	13	-	13	586	1,424
	Disposals	-	-	-	(37)	-	(37)
	At 31 July 2017	<u>2,436</u>	<u>19</u>	<u>-</u>	<u>57</u>	<u>4,563</u>	<u>7,075</u>
	Net Book Value						
	At 31 July 2017	<u>40,524</u>	<u>111</u>	<u>-</u>	<u>7</u>	<u>674</u>	<u>41,316</u>
	At 31 July 2016	<u>41,336</u>	<u>90</u>	<u>381</u>	<u>24</u>	<u>1,093</u>	<u>42,924</u>

Land and buildings were valued in July 2015 using market sales data for similar education buildings by a firm of independent external chartered surveyors (MRICS, RICS Registered Surveyor).

The sale of any grant funded asset may results in the funding being repaid to Skills Funding Agency (SFA).

If land and buildings had not been revalued they would have been included at the following amounts:	2017 £000	2016 £000
Cost	2,776	2,776
Aggregate depreciation based on cost	<u>(413)</u>	<u>(445)</u>
Net book value at cost	<u>2,363</u>	<u>2,331</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

13. Debtors	2017	2016
	£000	£000
Trade debtors	532	860
Prepayments and accrued income	244	548
Amounts owed by the ESFA	<u>491</u>	<u>30</u>
	<u>1,267</u>	<u>1,438</u>
14. Creditors: amount falling due within one year	2017	2016
	£000	£000
Bank loans (note 16)	297	284
Payments received in advance	351	723
Amount due to ESFA	1,419	769
Trade creditors	8	401
Other creditors	391	531
Other taxation and social security	241	260
Deferred income – government capital grants	80	195
Holiday pay accruals	94	110
Accruals	<u>2,210</u>	<u>862</u>
Total	<u>5,091</u>	<u>4,135</u>
15. Creditors: amounts falling due after more than one year:	2017	2016
	£000	£000
Bank loans (note 16)	6,688	6,979
Deferred income – government capital grants	<u>3,034</u>	<u>3,022</u>
Total	<u>9,722</u>	<u>10,001</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

16. Maturity of debt	2017 £000	2016 £000
Bank loans repayable as follows:		
In one year or less	297	284
Between one and two years	313	238
Between two and five years	1,868	1,013
After five years	<u>4,507</u>	<u>5,728</u>
	<u>6,985</u>	<u>7,263</u>

Bank loan 1

The College took out a bank loan of £7,500,000 at a fixed rate of 5.88% repayable by instalments falling due between 1 August 2008 and 30 October 2032. This loan is secured against the Wembley campus freehold land and building.

Bank loan 2

The College took out a bank loan of £1,500,000 at a fixed rate of 5.64% repayable by instalments falling due between 1 October 2008 and 1 April 2032. This loan is secured against the Wembley freehold land and building.

17. Provision	Defined benefit obligations £000	Enhanced pensions £000	Total £000
At 1 August 2016	31,018	3,796	34,814
Expenditure in the period	(1,224)	(246)	(1,470)
Addition in period	<u>(2,075)</u>	<u>34</u>	<u>(2,041)</u>
At 31 July 2017	<u>27,719</u>	<u>3,584</u>	<u>31,303</u>

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

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

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

The principal assumptions for this calculation are:

	2017	2016
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

18. Cash and cash equivalents

	At 1 August 2016 £000	Cash flows £000	Other changes £000	At 31 July 2017 £000
Cash and cash equivalents	4,900	(189)	-	4,711
Total	4,900	(189)	-	4,711

19. Events after the reporting period

The College of North West London and the City of Westminster College merged on 1 August 2017. As part of the merger, the College of North West London and its Corporation was dissolved on 1 August 2017, and all of its assets and liabilities were transferred to the City of Westminster College. Also, on 1 August 2017, the City of Westminster College changed its name to the United Colleges Group.

20. Capital Commitments

There were no capital commitments at the year end.

21. Financial Commitments

There were no significant financial commitments at the year end.

22. Contingent Liability

There were no contingent liabilities at the year end.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

23. Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pensions 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 London Borough of Brent. Both are multi-employer defined-benefit schemes.

The total pension cost for the year

	2017 £000	2016 £000
Local Government Pension Scheme:		
Contributions paid	1,033	1,097
FRS 102 (28) Charge	<u>33</u>	<u>43</u>
Total charge	1,066	1,140
Teachers Pension Scheme:		
Contribution paid	<u>809</u>	<u>762</u>
Total Pension Cost for the Year within staff costs (Note 7)	<u>1,875</u>	<u>1,902</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and LGPS 31 March 2016.

Pension contributions amounting to £210k (2016: £225k) were payable to the scheme at the end of the financial year 31 July 2017 and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases).

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

23. Pension and similar obligations (continued)

From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £728,000 (2016: £762,000).

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2017

23. Pension and similar obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Brent Local Authority. The total contribution made for the year ended 31 July 2017 was £1,363,000 of which employer's contributions totalled £1,114,000 and employee's contributions totalled £250,000. The agreed contribution rate was 30.2% from August 2016 to March 2017, and increased to 32.2% from April 2017. The employee contribution rate is according to the salary band and the rate ranges from 5.5% to 12.5%.

Principal Actuarial Assumptions

	2017	2016
Rate of increase in salaries	2.8%	3.7%
Rate of increase for pensions in payment/inflation	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Commutation of pensions to lump sums	N/A	N/A

Sensitivity analysis

	2017 £'000	2016 £'000
Real Discount rate -0.5%	5,864	-
Salary Increase Rate +0.5%	528	-
Pension Increase Rate +0.5%	5,280	-

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

23. Pension and similar obligations (continued)

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

	2017	2016
Retiring today		
Male	22.30	22.00
Females	24.50	24.30
Retiring in 20 years		
Males	24.50	24.40
Females	26.40	26.80

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £m	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £m
Equities	76.0%	23.51	61.0%	18.02
Cash	7.0%	2.16	5.0%	1.48
Property	6.0%	1.86	10.0%	2.95
Bonds	11.0%	3.40	24.0%	7.09
Total fair value of plan assets		30.93		29.54
Weighted average expected long term rate of return	3.5%		3.4%	
Actual return on plan assets		(789)		(2,318)

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 July 2017

23. Pension and similar obligations (continued)

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

	2017 £'000	2016 £'000
Fair value of plan assets	30,929	29,537
Present value of plan liabilities	(58,648)	(60,555)
Present value of unfunded liabilities	(3,584)	(3,796)
Net pensions (liability) (Note 17)	<u>(31,303)</u>	<u>(34,814)</u>

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

Amounts included in staff costs

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Employer service cost	1,215	1,127
Past service cost	42	113
Employer contribution	(1,224)	(1,197)
Total operating charges	<u>33</u>	<u>43</u>

Pension finance income/(costs)

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Interest on pension scheme assets	707	941
Interest on pension scheme liabilities	(1,451)	(1,892)
Pension finance (costs)	<u>(744)</u>	<u>(951)</u>

Amount recognised in Other Comprehensive Income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Return on pension plan assets	789	2,318
Other Experience gains	4,055	616
Changes in assumptions underlying the present value of plan liabilities	(768)	(6,550)
Actuarial losses – Pension Enhancement	53	(225)
Amount recognised in Other Comprehensive Income	<u>4,129</u>	<u>(3,841)</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

23. Pension and similar obligations (continued)

Movement in deficit during year

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Deficit in scheme at 1 August	(31,018)	(26,408)
Movement in year:		
Current service cost (net of employee contributions)	(1,215)	(1,127)
Employer contributions	1,224	1,197
Past service cost	(42)	(113)
Net interest on assets	(744)	(951)
Actuarial loss	4,076	(3,616)
Net defined benefit liability at 31 July	(27,719)	(31,018)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Defined benefit obligations at 1 August	60,555	52,405
Service cost	1,215	1,127
Interest cost	1,451	1,892
Contributions by scheme participants	240	258
Experience gains and losses on defined benefit obligations	(3,287)	5,934
Past service cost	42	113
Estimated benefits paid	(1,568)	(1,174)
Defined benefit obligations at 31 July	58,648	60,555

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

23. Pension and similar obligations (continued)

Changes in fair value of plan assets

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Fair value of plan assets at 1 August	29,537	25,997
Interest on plan asset	707	941
Return on plan asset	789	2,318
Employer contributions	1,224	1,197
Contributions by scheme participants	240	258
Estimated benefits paid	(1,568)	(1,174)
Fair value of plan assets at 31 July	30,929	29,537

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

24. 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 organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The Chair of the Corporation was paid £7,000 for his work on the College's merger negotiation with the City of Westminster College. This was approved by the Charity Commission. Other than the Principal and the staff members, no other members of the Corporation received any payments from the College except for the reimbursement of travel and subsistence expenses incurred in the course of their duties. A round sum payment of £100 each was given to the governors to help defray the cumulative cost of minor expenses associated with the use of a member's home as an office.

The total expenses paid to or on behalf of the Governors during the year was £6,113 to 12 governors (2016: £1,000; 12 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred, in attending Governor Meetings and charity events in their official capacity.

Except for the Chair, no other Governor has received any remuneration, and/or waived payments in relation to services as Governor from the College during the year (2016: None).

Transactions with the SFA/EFA and HEFCE are detailed in notes 2, 15, 16 and 20.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2017

26. Amount disbursed as agent	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Funding body grants – 24+ Loan Bursary	457	425
Funding body grants – 16-19 Vulnerable Students	<u>59</u>	<u>52</u>
Total Funding body grants	516	477
Disbursed to students	(205)	(180)
Administrative costs	<u>(1)</u>	<u>(2)</u>
Balance unspent as at 31 July, included in creditors	<u>310</u>	<u>295</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 Statement of Comprehensive Income.