

COLLEGE OF NORTH WEST LONDON
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2015

COLLEGE OF NORTH WEST LONDON

REPORT AND FINANCIAL STATEMENTS

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COLLEGE OF NORTH WEST LONDON

OPERATING AND FINANCIAL REVIEW

for the year ended 31 July 2015

NATURE, OBJECTIVES, AND STRATEGIES:

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

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purposes of conducting The College of North West London. 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.

Vision

To be London's Leading Skills College

Mission

The College's mission statement was recently updated by the Corporation and is:

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

Implementation of strategic plan

The College has had a detailed review of its strategic values, objectives and priorities recently to ensure that they clearly support our main aim to move the quality of all aspects of the College's services to "excellent" and since has updated the plan 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 2017 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
- Support for our learners which is inclusive, has high impact and reflects their needs

COLLEGE OF NORTH WEST LONDON

OPERATING AND FINANCIAL REVIEW

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for the year ended 31 July 2015

2. Partnership and business solutions

By 2017 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
- Commercial activities which, through robust planning, complement our publicly funded activities, deliver sustainable growth and significant surplus income

3. Teaching and learning

By 2017 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
- Learning experiences which are consistently good or better across all our curriculum

4. Developing our people

By 2017 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
- Management information systems which are comprehensive, easy to access and support all aspects of our governance, leadership and management

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OPERATING AND FINANCIAL REVIEW

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for the year ended 31 July 2015

5. Financial strength and efficiency

By 2017 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
- 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 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 2014-15. The most significant income targets are those attached to the core funding and learner number contracts with the SFA/EFA. In 2014/15, the College achieved 1,147 learners funded by the EFA against an original target of 1,308 learners. The SFA did not set learner number targets in 2014/15, but a cash funding contract which the College was unable to meet. 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 & control
- Non-core income/Dependency on EFA/SFA 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 Skills Funding Agency (SFA)/Education Funding Agency (EFA).

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for the year ended 31 July 2015

FINANCIAL POSITION

Financial results

This year the College has an operating deficit on continuing operations after depreciation of assets and tax of approximately £4.7m (2013/14 - £5.3m deficit). The historical cost deficit is £4.6m (2013/14 - £5.2m deficit). The following table summarises this information:

	Year ended 31 st July 2015 £000	Year ended 31 st July 2014 £000
Historical Costs (deficit) before restructuring, exceptional item and FRS17	(2,480)	(1,223)
Restructuring cost	(937)	(1,590)
Operating (deficit)/surplus before exceptional cost & FRS17	(3,417)	(2,813)
Pension fund adjustments (FRS17) - net	(459)	(1,403)
Exceptional item – (Loss)/Surplus on disposal	(679)	(992)
Historical cost loss	(4,555)	(5,208)

As an 'underlying' operating position (excluding restructuring, pension fund adjustments and loss on disposal), the College has achieved an historical cost deficit of £2,480k this year. This overall outturn position was disappointing, but the following were key items to note:

- The College was unable to achieve its SFA and EFA contracts/targets
- The College has continued to suffer falls in adult 'core' funding
- The College suffered a 24% reduction in funding compared to 2013/14 financial year
- The employer's pension contribution rate for the Brent Pension scheme continues to rise from 25.5% in April 2014 and is now 27.8% at the end of July 2015
- The College has continued to invest significantly in quality processes to tackle 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 22% reduction in pay cost from the previous year
- Restructuring costs during the year amounted to £937k
- There was a further FRS 17 pension charge of £459k, which was included in the above operating position
- Write-off £1.93m cost associated with the demolition of the Edison building
- Write-back as expenditure, £477k fixed assets cost for building improvement as part of the adjustments for the revaluation of the College's land and buildings

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for the year ended 31 July 2015

During the year the College had overall funding body grants with the SFA/EFA/HEFCE of approximately £18.5m (2013/14 - £21.9m). The main reduction in funding was associated with SFA adult core funding.

The College, having to deal with funding cuts and some underperformance in delivering the 'core' contract, had to make investments in delivering the curriculum and support services, which was successfully achieved, albeit with a negative impact on the overall financial outturn. It must be noted that those measures have had a positive impact on success rates for the College, which continue to rise steadily.

The College has accumulated reserve of £32.5m (excluding pension liability) and cash balances of £7.9m. The College wishes to continue to accumulate reserves and cash balances in order to support the College's property strategy. It must be noted that there is a pension liability reserve of £26m (2013/14 - £23m).

Tangible fixed asset additions during the year amounted to approximately £181k. This was for the purchase of plant & equipment.

The College has significant reliance on the SFA/EFA for its principal funding source, largely from recurrent grants. In 2014/15 the SFA/EFA provided 78% (2013/14 – 79%) 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 Principal. 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 had one wholly owned subsidiary, Fusion Training Limited (formerly North West Training Limited). This subsidiary company has not been trading since 1st August 2007 and was dissolved on the 18th May 2010.

COLLEGE OF NORTH WEST LONDON

OPERATING AND FINANCIAL REVIEW

(continued)

for the year ended 31 July 2015

Cash flows

At £1,247k (2013/14 - £61k negative) the operating cash inflow was strong, and an improvement from the previous year, but the College suffered from a combination of a poor financial operating return and the initial cost of restructuring. In terms of other cash movements, the College spent approx. £1.3m in relation to demolition of the Edison building in the Willesden campus.

Liquidity

The previous LSC granted the College consent to enter into an unsecured 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 will be 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. During the year this margin was comfortably exceeded.

Financial Outlook

Since incorporation the College has taken a very prudent outlook and has been very 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 had 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 as having a 'satisfactory' financial health position overall.

However, the big concern remains for the forecast period, 2015/16 to 2017/18, in that the SFA adult funding has been reduced by 33% (from 2014-15) and is projected to fall even further during this period. The EFA funding is likely to settle at 2015-16 allocation levels, but could improve once the new Edison building is operational, currently projected to be in 2017/18.

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for the year ended 31 July 2015

The other major challenge for the College is attempting to bring its estates to a standard to secure teaching and learning for the future and as there has been no Capital grant support in recent years, the College is having to extract cash resource out of operating budgets to create and support this essential investment.

Whilst the financial objective for the foreseeable future will be to aim to deliver a underlying operating surplus, this will be extremely difficult to achieve given the further cuts to core funding for mainstream adult provision; constant spending review by the government; competition for grants and other funds; pressure on 16-18 unit funding and mismatch between national targets and local need. The College will try 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 3 year forecast. The College will continue to work with its Corporation and the SFA/EFA to deliver the overall financial strategy.

The Corporation has taken note of the concerns and fully supported and approved the financial strategy & objectives contained in the three year forecast submitted to the SFA in July 2015. The first year of the forecast also represents the initial budget for 2015/16, which targets an underlying break-even scenario.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Learner Numbers

The College had a target in terms of the EFA of 1,308 learners and achieved 88% of this contract. There was no learner or SLN target set for the SFA contract this year.

Student Achievements

Students achieved an estimated 88% of their qualification aims (2013/14: 89%). The overall success rate for the year is likely to be approx. 83% (2013/14: 83%).

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.

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for the year ended 31 July 2015

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 2014 to 31 July 2015, 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 options following the aborted Wembley project, especially having suffered a major financial loss resulting from the write off of cost of developing that particular scheme. 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.

In summary, the following has emerged as a potential way forward for the College:

1. To create a redevelopment plan (between 5 & 10 years) for the Willesden campus to rationalise and clean up the site and modernise throughout
2. To achieve a first phase at Willesden to develop the 'frontage' of the site in order to improve links with the immediate community and access to the College
3. To develop a strategic timeline for future investment dependent on funds becoming available

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.

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. Following the negative financial impact of the aborted capital project in 2009, the College has taken major steps in recovering its lost reserves position and has made up substantial ground in building its Balance Sheet over this period. It is hoped that this outcome and the development of a new Property Strategy will start to address the lack of investment opportunities in recent years. The Corporation has reluctantly accepted that there is unlikely to be a shift in the funding body's position and especially the proposed funding cuts for adult learners. The senior management and Corporation are also mindful of the current economic climate, and the continued squeeze on public expenditure generally in the short to medium term.

One of the major problems for the College going forward is that if the lack of proper investment in infrastructure were to continue, then building stock particularly will start to deteriorate and have a negative impact on learner numbers. However, the College has taken a positive step during the financial year to address some of the major concerns over its Willesden campus.

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for the year ended 31 July 2015

The College believes that the investment in Willesden campus has already impacted positively on students, staff and partners and will now turn its attention to the more substantial Edison project.

In pursuance of a healthier financial position, the Corporation has approved a financial strategy and key financial priorities which continues to place emphasis on operating surplus, and set ambitious operating surplus targets for 2016/17 and 2017/18. 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, success in diversifying income, securing better operating returns thereon and delivery of a new estates strategy.

Post-balance sheet events

There are none.

Resources:

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

Fixed Assets

The College has two sites across NW London (Willemden and Wembley) and both of them are owned as freehold. The current Balance Sheet value of all fixed assets net is approximately £44m after the revaluation of the land and buildings. The only mortgage/loan outstanding on these assets is approximately £7.5m, due to be repaid by October 2032, and will be 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 31st July 2015 had a valuation of approx. £26m deficit (2013 - £23m deficit), but full disclosure and provision is being made to address this liability annually in the accounts. The College has £9.4m of net assets (including £26m pension liability) and long term debt of £7.5m.

People

The College employs approx. 530 staff on various contracts, however this is on average 370 people (expressed as full time equivalents), of whom approx. 236 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.

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for the year ended 31 July 2015

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 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 2014/15, 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
- Government spending cut-backs associated with the economy

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 SFA, and EFA
- 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)

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OPERATING AND FINANCIAL REVIEW (continued)

for the year ended 31 July 2015

2. Tuition fee policy

The SFA and EFA intend to raise individual contributions due from students. Ministers have confirmed that the fee assumption remains at 50% in 2014/15. In line with the majority of other Colleges, this College will set tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. The further increases in rates for 2015/16 will almost certainly have an adverse effect on tuition fee income, and this will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

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

3. Overseas students

The College experienced difficulties in recruiting international students and this is partly due to the quality of accommodation, but also restrictions on visas, constant changes to UK Border agency/Home Office immigration policies, rules, etc. The College has concluded that it will withdraw from the International Tier 4 market in 2015/16.

4. 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.

5. 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 17.

6. 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.

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OPERATING AND FINANCIAL REVIEW (continued)

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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;
- 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 also implemented Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

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

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for the year ended 31 July 2015

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
- 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 16th December 2015 and signed on its behalf by:

J Knight
Chair

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OPERATING AND FINANCIAL REVIEW
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for the year ended 31 July 2015

Professional advisers

Financial statement and
regularity auditor:

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Bankers:

Barclays Bank Plc
UK Banking – Larger Business
Floor 28
1 Churchill Place
London E14 5HP

Solicitors:

Eversheds
Senator House
85 Queen Victoria Street
London EC4V 4JL

Internal auditor:

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds LS7 7JN

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

for the year ended 31 July 2015

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not comply with the UK Corporate Governance Code 2012. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2012 we consider to be relevant to the further education sector and best practice. 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.

At its meeting on 8th July 2015, the Corporation adopted the College Code of Good Governance 2015. This document will form a key part of the Corporation's self-assessment going forward.

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 below.

Public Benefit

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

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

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The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report 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 14/15
Jan Knight <i>Chair of Corporation (from 1.1.14)</i>	25.03.15	25.03.19	Independent	F&GP (<i>Chair from 1.1.14</i>), Remuneration (<i>Chair from 1.1.14</i>), Search (<i>Chair from 1.1.14</i>)	100%
Gerry Davis OBE <i>Vice-Chair (from 1.1.14 – 7.10.14)</i>	11.06.14	Resigned 25.03.15	Independent	F&GP (<i>Vice Chair from 1.1.14</i>), Remuneration, Search, Curriculum & Standards, (<i>Chair</i>)	100%
Judith Williams <i>Vice-Chair (from 01.02.14)</i>	09.10.13	08.10.17	Independent	Curriculum & Standards, Remuneration (<i>from 01.02.14</i>)	80%
Andy Cole	01.01.14	Ex officio	Principal	F&GP, Curriculum & Standards (<i>from 01.02.14</i>), Search	100%
Tracy Connage	11.03.12	10.03.16	Independent	F&GP (<i>until 31.01.14</i>) Remuneration, Search, Audit (<i>from 01.02.14</i>)	100%

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

for the year ended 31 July 2015

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 14/15
Melvyn Davis	25.03.15	25.03.19	Independent	Curriculum & Standards, F&GP <i>(from 2.2.13)</i>	40%
Robert Evans	01.09.12	Resigned 15.05.15	Independent	Curriculum & Standards, F&GP <i>(from 2.2.13)</i>	66%
Jagmail Gill	30.01.14	Resigned December 2015	Independent	Audit, Remuneration	50%
Ibrahim Jahangir	18.10.13	Resigned March 2015	Student		50%
Rami Saeed Saleh	17.12.15	17.12.15	Student		15%
Ann John OBE	23.09.11	22.09.15	Independent	Audit <i>(Chair)</i>	80%
Dhani Kangalee	18.10.13	17.10.15	Support Staff	Curriculum & Standards <i>(from 01.01.14)</i>	80%
Jeff Lee	28.03.12	27.03.16	Independent	Audit	80%
Vineeta Manchanda	01.01.14	31.12.17	Independent	F&GP <i>(from 01.02.14)</i> , Audit <i>(from 24.06.15)</i>	80%
Dr Donald Palmer	01.01.14	31.12.17	Independent	Curriculum & Standards <i>(from 01.02.14)</i>	60%
Indro Sen	18.10.13	Resigned December 2014	Teaching Staff		100%
Ms Martina Porter	08.07.15	08.07.19	Independent		N/A
Mr Tony Johnson	08.07.15	08.07.19	Independent		N/A
Mr Mick Gallagher	08.07.15	08.07.19	Independent		N/A
Mrs Gill Winward – Clerk to Corporation up to 25.03.15 Mrs Fiona Chalk - Clerk to the Corporation from 25.05.15					

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

(continued)

for the year ended 31 July 2015

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 & General Purposes (Dissolved in 2015)
- Curriculum & Standards (Dissolved in 2015)
- Search
- Audit
- Remuneration.

In January 2015, the College adopted a Unitary Model of Governance dissolving the Finance & General Purpose Committee and the Curriculum & Standards Committee moving the responsibility to the full Corporation Board that meets seven times a year.

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 2015

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.

Remuneration Committee

Throughout the year ended 31 July 2015, the College's Remuneration Committee comprised five 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.

Details of remuneration for the year ended 31 July 2015 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and other members of the F&GP Committee). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a quarterly 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.

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.

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

(continued)

for the year ended 31 July 2015

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 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and accounts. 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.

The College of North West London has an internal audit service, which has operated in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice* during the year. 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.

COLLEGE OF NORTH WEST LONDON

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

for the year ended 31 July 2015

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 (where appointed)
- 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 auditors 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 receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The 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 and the safeguarding of their assets.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future and especially in the 12 months from the date of the signing of the financial statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Members of the Corporation on 16th December 2015 and signed on its behalf by:

J Knight
Chair

A Cole
Principal

COLLEGE OF NORTH WEST LONDON

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

for the year ended 31 July 2015

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration, the 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 Skills Funding Agency's terms and conditions of funding under the college's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

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

J Knight
Chair
Date:

A Cole
Principal
Date:

COLLEGE OF NORTH WEST LONDON

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

for the year ended 31 July 2015

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 between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2014 to 2015 financial statements issued jointly by the Skills Funding Agency and the EFA, 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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College. The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the 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 Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 16th December 2015 and signed on its behalf by:

J Knight
Chair

COLLEGE OF NORTH WEST LONDON

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COLLEGE OF NORTH WEST LONDON

We have audited the College financial statements ("the financial statements") of the College of North West London for the year ended 31 July 2015 which comprise the income and expenditure account, statement of total recognised gains and losses, statement of historical surpluses and deficits, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22(1)b of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of the College of North West London and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 24, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council Ethical Standards.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2015 and of the College's deficit of expenditure over income for the year then ended; have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

COLLEGE OF NORTH WEST LONDON

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COLLEGE OF NORTH WEST LONDON

(continued)

Matters on which we are required to report by exception

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

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

BDO LLP,
Statutory Auditor
Gatwick
United Kingdom
Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COLLEGE OF NORTH WEST LONDON

Independent report to the Corporation of College of North West London ('the Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 4th November 2015 and further to the requirements of the financial memorandum with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the College of North West London during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

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

The Corporation 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 Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

COLLEGE OF NORTH WEST LONDON

Independent report to the Corporation of College of North West London ('the Corporation') and the Chief Executive of Skills Funding

(continued)

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the College Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the College Corporation's completed Self-assessment Questionnaire (Annex C of the JACOP) for the College Corporations responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds (LSF) and Governors and Senior Management Team expenses.

Conclusion

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

BDO LLP
Chartered Accountants
Gatwick
Date:

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

COLLEGE OF NORTH WEST LONDON

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2015

	Notes	2015 £000	Restated 2014 £000
Income			
Funding body grants	2	18,541	21,857
Tuition fees and education contracts	3	3,640	3,956
Research grants and other contracts	4	1,002	1,047
Other income	5	441	614
Investment income	6	<u>22</u>	<u>18</u>
Total Income		<u>23,646</u>	<u>27,492</u>
Expenditure			
Staff costs	7	14,759	18,576
Restructuring costs	7	937	1,590
Other operating expenses	9	9,043	7,607
Depreciation	13	1,795	2,594
Interest and other finance costs	10	<u>1,119</u>	<u>1,472</u>
Total expenditure		<u>27,653</u>	<u>31,839</u>
Deficit on continuing operations before loss on disposal of asset and taxation		(4,007)	(4,347)
Loss on disposal of assets		<u>(679)</u>	<u>(992)</u>
Deficit on continuing operations after loss on disposal of assets but before taxation		<u>(4,686)</u>	<u>(5,339)</u>
Taxation	11	<u>-</u>	<u>-</u>
Deficit for the year retained within general reserves		<u>(4,686)</u>	<u>(5,339)</u>

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

COLLEGE OF NORTH WEST LONDON

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Deficit on continuing operations after depreciation of assets at valuation and tax and after disposal of assets	12	(4,686)	(5,339)
Unrealised surplus on revaluation of Land and Buildings	13	13,610	-
Actuarial gains/(losses) relating to the year	25	<u>(2,923)</u>	<u>4,775</u>
Total recognised gains/(losses) since the last financial year		<u>6,001</u>	<u>(564)</u>
 Reconciliation of reserves			
Opening reserves		60	624
Total recognised (loss)/gains for the year		6,001	(564)
		<u>6,061</u>	<u>60</u>
Closing reserves		<u>6,061</u>	<u>60</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	Note	2015 £000	2014 £000
Deficit on continuing operations before taxation	12	(4,686)	(5,339)
Difference between historical cost depreciation and actual charge for the year calculated on the re-valued amount	21	<u>131</u>	<u>131</u>
Historical cost (deficit)/surplus for the year before taxation		<u>(4,555)</u>	<u>(5,208)</u>
Historical cost (deficit)/surplus for the year after taxation		<u>(4,555)</u>	<u>(5,208)</u>

COLLEGE OF NORTH WEST LONDON

BALANCE SHEET

as at 31 July 2015

	Notes	2015 £000	2014 £000
Fixed Assets			
Tangible assets	13	43,825	32,508
Current Assets			
Stocks		15	15
Debtors	14	1,318	969
Cash at Bank and in Hand		<u>7,885</u>	<u>7,477</u>
		9,218	8,461
Creditors: amounts falling due within one year	15	<u>(6,271)</u>	<u>(2,735)</u>
Net current assets		<u>2,947</u>	<u>5,726</u>
Total assets less current liabilities		46,772	38,234
Creditors: amounts falling due after more than one year	16	(7,263)	(7,528)
Provision for liabilities	18	<u>(3,739)</u>	<u>(3,830)</u>
Net assets excluding pension liability		35,770	26,876
Net pension liability	25	<u>(26,408)</u>	<u>(23,034)</u>
Net assets including pension liability		<u>9,362</u>	<u>3,842</u>
Deferred capital grants	19	<u>3,301</u>	<u>3,782</u>
Income & Expenditure account excluding pension reserve	21	10,761	14,865
Pension Reserve	25	<u>(26,408)</u>	<u>(23,034)</u>
Income & Expenditure account including pension reserve	21	(15,647)	(8,169)
Revaluation reserve	20	<u>21,708</u>	<u>8,229</u>
Total reserves		<u>6,061</u>	<u>60</u>
TOTAL FUNDS		<u>9,362</u>	<u>3,842</u>

The financial statements on pages 29 to 61 were approved by the Corporation and authorised for issue on 16th December 2015 and signed on its behalf by:

J Knight
Chair

A Cole
Principal

COLLEGE OF NORTH WEST LONDON

CASH FLOW STATEMENT

for the year ended at 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow/outflow from operating activities	22	1,247	(61)
Returns on Investment and servicing of finance	24	(427)	(445)
Capital expenditure and financial investment	24	<u>(163)</u>	<u>2,751</u>
Cash inflow before management of liquid resources and financing		657	2,245
Financing	24	<u>(249)</u>	<u>(236)</u>
Increase in cash in the year	23	<u>408</u>	<u>2,009</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year	23	408	2,009
Cash outflow from bank loans		<u>249</u>	<u>236</u>
Movement in net funds in year		657	2,245
Net funds at 1 August		<u>(300)</u>	<u>(2,545)</u>
Net funds at 31 July	23	<u>357</u>	<u>(300)</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

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 activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes. The College currently has £7.5m of loans outstanding with bankers on terms negotiated in 2007 for 25 years. The College's forecast and financial projections indicate that it will be able to operate within this existing facility and covenants for at least 12 months from the date of signing of these financial statements. After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence and especially in the 12 months from the date of the signing of the Financial Statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education 2007 (the SORP), the Accounts Direction for 2014-15 published jointly by SFA and the EFA financial statements and in accordance with applicable Accounting Standards.

During the year, the College changed its policy with regards to accounting for tuition and examination fees. Previously a percentage of tuition fees were taken to examination fees income, but this year the College has amended the policy to no longer take a percentage of tuition fees to examination fees, as it was felt this more appropriately represents the true classification of this income stream (See Note 3 and 5). Examination fees that do not form part of a tuition fee continue to be recorded within the examination fee income category. This change in accounting policy has zero effect on the deficit for both the current and preceding year end and reclassified £323k from examination fees to Tuition fees in the year 2014.

Basis of accounting

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

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 income and expenditure account 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.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

1. Statement of Principal Accounting Policies (continued)

Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within the endowment funds.

Where training delivery is by a partner, income (other than the overhead element) is released to income and expenditure, 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 income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the SFA Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November 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.

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

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) and the assets are held separately from those of the College.

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 quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured at closing market values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

1. Statement of Principal Accounting Policies (continued)

They are included as part of staff costs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Enhanced pensions

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

Tangible Fixed Assets

(a) Land and buildings

During the year, the College changed its policy with regards to accounting for freehold land and buildings. Previously these were held at cost in the financial statements, but following a revaluation exercise undertaken in the year, these are now recorded at their revalued amount, as it was felt this more appropriately represents the true value of the assets to the College. This change in accounting policy had the effect of increasing the net assets of the College to £44m. The policy has not been retrospectively applied.

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. 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.

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 income and expenditure account.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

1. Statement of Principal Accounting Policies (continued)

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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 and expenditure account 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

Buildings owned by third parties

Where land and building are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

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

(b) Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition, unless part of a major refit. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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 2015

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.

Leased assets

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

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of the equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

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.

Discretionary Support Fund

The Discretionary Support Fund grant 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 account and are shown separately in Note 32, except for the 5 percent of the grant received which is available to the College to cover administration costs relating to the grant.

2. Funding body grants

	2015	2014
	£000	£000
Main funding body recurrent grant	15,992	19,561
HEFCE Recurrent grant	53	53
Main funding body non recurrent grant	2,228	1,909
Main funding body release of deferred capital grant (note 19)	154	225
HE Development grant	<u>114</u>	<u>109</u>
Total	<u><u>18,541</u></u>	<u><u>21,857</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

3. Tuition Fees and Education Contracts

	2015	Restated
	£000	2014
		£000
UK Further Education Students	1,866	2,475
Non-European Union Students	39	45
Higher Education Students	600	500
Education Contracts	<u>1,135</u>	<u>936</u>
	<u><u>3,640</u></u>	<u><u>3,956</u></u>

The tuition fees include £700k FE Loans (24+) (2013-14 - £900k) and £500k HE Loans (2013-14 -£500k) from Student Finance England.

4. Research Grants & other Contracts

	2015	2014
	£000	£000
Other grants and contracts	<u>1,002</u>	<u>1,047</u>
	<u><u>1,002</u></u>	<u><u>1,047</u></u>

5. Other income

	2015	Restated
	£000	2014
		£000
Exam fees	87	67
Releases from deferred capital grants (non-SFA, note 20)	13	5
Other income	124	391
Insurance claim received	-	6
Rental income	<u>217</u>	<u>145</u>
	<u><u>441</u></u>	<u><u>614</u></u>

6. Investment Income

	2015	2014
	£000	£000
Interest receivable - bank	<u>22</u>	<u>18</u>
	<u><u>22</u></u>	<u><u>18</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

7. Staff costs

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

	2015	2014
	Number	Number
Teaching staff	236	256
Non teaching staff	<u>134</u>	<u>190</u>
	<u><u>370</u></u>	<u><u>446</u></u>
<i>Staff costs for the above persons:</i>	2015	2014
	£000	£000
Wages and salaries	11,868	14,663
Social security costs	907	1,133
Other pension costs (including FRS 17 adjustments of (£48,000); 2014 – £510,000)	<u>1,984</u>	<u>2,780</u>
Payroll – Regular costs	14,759	18,576
Exceptional restructuring costs	<u>937</u>	<u>1,590</u>
Total	<u><u>15,696</u></u>	<u><u>20,166</u></u>

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

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 2015</u>		<u>Year ended 31 July 2014</u>	
	Number of	Number of	Number of	Number of
	Senior Post-Holders	Other Staff	Senior Post-Holders	Other Staff
£60,001 - £70,000	-	5	-	3
£70,001 - £80,000	1	1	2	1
£80,001 - £90,000	2	-	-	-
£90,001 - £100,000	-	-	1	-
£130,001 - £140,000	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>4</u></u>	<u><u>6</u></u>	<u><u>3</u></u>	<u><u>4</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

8. Emoluments of senior post holders and members

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Corporation have selected for the purposes of the Instrument and Articles of Government of the College. Relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015	2014
	Number	Number
The number of senior post-holders including the Principal was:	4	4

	2015	2014
	£000	£000
Salaries	382	356
Benefit in kind	5	4
Pension contributions	<u>73</u>	<u>67</u>
Total emoluments	<u>460</u>	<u>427</u>

The above emoluments include amounts payable to the Principal as:

	2015	2014
	£000	£000
Salaries	135	138
Benefits in kind	<u>1</u>	<u>1</u>
	<u>136</u>	<u>139</u>
Pension Contribution	<u>19</u>	<u>19</u>

Compensation for loss of office paid to a former senior post-holder

	2015	2014
	£000	£000
Compensation paid to the former post-holder	73	-
Estimated value of other benefits, including provisions for pension benefits	-	-

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

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.

9. Other operating expenses	2015	2014
	£000	£000
Teaching costs	3,510	3,139
Non teaching costs	2,554	3,018
Premises costs	<u>2,979</u>	<u>1,450</u>
	<u>9,043</u>	<u>7,607</u>

Other operating expenses include:

Auditor's remuneration		
- Financial statements audit	24	26
- Other Services provided by financial statement auditors	2	21
- Internal audit	18	28
Hire of plant and machinery	<u>-</u>	<u>31</u>

10. Interest and other finance costs	2015	2014
	£000	£000
On bank loans, overdrafts and other loans:		
- repayable wholly or partly in more than 5 years	449	463
Other-interest on enhanced pension brought forward	163	156
Net pension finance cost (note 25)	<u>507</u>	<u>853</u>
	<u>1,119</u>	<u>1,472</u>

11. Taxation

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

12. Surplus on continuing operations for the year

The (deficit)/surplus on continuing operations for the year is made up as follows:

	2015	2014
	£000	£000
College's (deficit)/surplus for the year	<u>(4,686)</u>	<u>(5,339)</u>
	<u>(4,686)</u>	<u>(5,339)</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

13 Tangible fixed assets	Land and buildings freehold £000	Building Work In Progress £000	Motor vehicles £000	Furniture & fittings £000	Computers £000	Other equipment £000	Total £000
<u>Cost or Valuation</u>							
At 1 August 2014	40,816	679	197	1,563	3,606	3,806	50,667
Additions	-	-	-	-	49	132	181
Revaluation	2,144	-	-	-	-	-	2,144
Disposals	-	(679)	-	-	-	-	(679)
At 31 July 2015	<u>42,960</u>	<u>-</u>	<u>197</u>	<u>1,563</u>	<u>3,655</u>	<u>3,938</u>	<u>52,313</u>
<u>Depreciation</u>							
At 1 August 2014	11,466	-	131	891	3,165	2,506	18,159
Depreciation eliminated on revaluation	(11,466)	-	-	-	-	-	(11,466)
Charge for year	<u>812</u>	<u>-</u>	<u>21</u>	<u>142</u>	<u>297</u>	<u>523</u>	<u>1,795</u>
At 31 July 2015	<u>812</u>	<u>-</u>	<u>152</u>	<u>1,033</u>	<u>3,462</u>	<u>3,029</u>	<u>8,488</u>
<u>Net Book Value</u>							
At 31 July 2015	<u>42,148</u>	<u>-</u>	<u>45</u>	<u>530</u>	<u>193</u>	<u>909</u>	<u>43,825</u>
At 31 July 2014	<u>29,350</u>	<u>679</u>	<u>66</u>	<u>672</u>	<u>442</u>	<u>1,300</u>	<u>32,509</u>
Inherited	21,708	-	-	-	-	-	21,708
Grant	-	-	-	65	71	206	342
Other	<u>20,440</u>	<u>-</u>	<u>45</u>	<u>465</u>	<u>122</u>	<u>703</u>	<u>21,775</u>
	<u>42,148</u>	<u>-</u>	<u>45</u>	<u>530</u>	<u>193</u>	<u>909</u>	<u>43,825</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

13. Tangible fixed assets (continued)

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

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 value of equipment inherited from the local education authority at incorporation has been estimated by the Corporation.

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:	2015	2014
	£000	£000
Cost	2,776	2,776
Aggregate depreciation based on cost	<u>(429)</u>	<u>(413)</u>
Net book value at cost	<u><u>2,347</u></u>	<u><u>2,363</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

14. Debtors	2015	2014
	£000	£000
Trade debtors	753	484
Prepayments and accrued income	<u>565</u>	<u>485</u>
	<u><u>1,318</u></u>	<u><u>969</u></u>
15. Creditors: amount falling due within one year	2015	2014
	£000	£000
Bank loans	265	249
Payments received in advance	975	369
Amount due to funding body	1,850	199
Trade creditors	866	346
Other creditors	463	59
Other taxation and social security	303	390
Accruals	<u>1,549</u>	<u>1,123</u>
	<u><u>6,271</u></u>	<u><u>2,735</u></u>
16. Creditors: amounts falling due after more than one year:	2015	2014
	£000	£000
Bank loans	<u>7,278</u>	<u>7,528</u>
	<u><u>7,263</u></u>	<u><u>7,528</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

17. Analysis of borrowings of the College	2015	2014
	£000	£000
Bank loans repayable as follows:		
In one year or less	265	249
Between one and two years	278	236
Between two and five years	942	792
After five years	<u>6,043</u>	<u>6,500</u>
	<u><u>7,528</u></u>	<u><u>7,777</u></u>

Bank loan 1

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

Bank loan 2

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

18. Provision for liabilities	Enhanced	Total
	pensions	£000
	£000	£000
At 1 August 2014	3,830	3,830
Provision made during the year	163	163
Amounts paid/transferred in the year	<u>(254)</u>	<u>(254)</u>
At 31 July 2015	<u><u>3,739</u></u>	<u><u>3,739</u></u>

The enhanced pension provision relates to the costs of staff who have already left the College's employment and 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 2015

The principal assumptions for this calculation are:

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

19. Deferred capital grants	Funding body grants £000	Other grants £000	Total grants £000
At 1 August 2014			
Land & Buildings	3,400	-	3,400
Equipment	45	7	52
Legacy	-	330	330
Cash received in year:			
Land & Buildings	-	-	-
Equipment	-	16	16
Legacy	-	2	2
Transfer to payments in advance	-	(332)	(332)
Release to income and expenditure account:			
Land and buildings	(109)	-	(109)
Equipment	<u>(45)</u>	<u>(13)</u>	<u>(58)</u>
At 31 July 2015	<u><u>3,291</u></u>	<u><u>10</u></u>	<u><u>3,301</u></u>

20. Revaluation reserve

	2015 £000	2014 £000
At 1 August	8,229	8,360
Revaluations in July (Note 13)	13,610	-
Transfer to income and expenditure account	<u>(131)</u>	<u>(131)</u>
At 31 July	<u><u>21,708</u></u>	<u><u>8,229</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

21. Movement on General Reserves

	2015	2014
	£000	£000
Income and expenditure account reserve		
At 1 August 2014	(8,169)	(7,736)
Surplus retained for the year	(4,686)	(5,339)
Transfer from revaluation reserve	131	131
Actuarial gain in respect of pension scheme	(2,923)	4,775
At 31 July 2015	<u>(15,647)</u>	<u>(8,169)</u>
Balance represented by		
Pension reserve	(26,408)	(23,034)
Income and expenditure reserve	10,761	14,865
At 31 July 2015	<u>(15,647)</u>	<u>(8,169)</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

22. Reconciliation of operating deficit to net cash inflow/(outflow) from operating activities	2015 £000	2014 £000
(Deficit) on continuing operations after depreciation of assets at valuation and tax	(4,686)	(5,339)
Depreciation (note 13)	1,795	2,594
Loss on disposal of tangible fixed assets	679	992
Deferred capital grants released to income (note 19)	(167)	(230)
Decrease in stocks	-	28
Interest payable (note 10)	449	463
(Increase)/Decrease in trade debtors	(269)	140
Decrease in prepayments and accrued income	(30)	122
Increase in amount due to funding body	1,649	199
(Increase) in amount due from funding body	(50)	-
Increase/(Decrease) in trade creditors	520	(320)
(Decrease)/increase in other taxation and social security	(87)	13
(Increase)/Decrease in payment on accounts (received in advance)	606	(197)
Increase in accruals and other creditors	500	188
(Decrease)/increase in provisions	(91)	219
Interest receivable (note 6)	(22)	(18)
FRS 17 pension cost less contribution payable	(48)	550
FRS 17 pension finance income	499	535
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	1,247	(61)
	<hr/> <hr/>	<hr/> <hr/>

23 Analysis of changes in net funds

	At 1 August 2014 £000	Cash flows £000	Other changes £000	At 31 July 2015 £000
Cash in hand, and at bank	7,477	408	-	7,885
Overdrafts	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,477	408	-	7,885
Debt due within 1 year	(249)	249	(265)	(265)
Debt due after 1 year	(7,528)	-	265	(7,263)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(300)	657	-	357
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

24. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Returns on investments and servicing of finance		
Interest received	22	18
Interest paid	<u>(449)</u>	<u>(463)</u>
Net cash outflow from returns on investment and servicing of finance	<u>(427)</u>	<u>(445)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(181)	(4,184)
Sale of tangible fixed assets	-	6,927
Deferred capital grants received	<u>18</u>	<u>8</u>
Net cash (outflow)/inflow from capital expenditure	<u>(163)</u>	<u>2,751</u>
Financing		
Repayment of amounts borrowed	<u>(249)</u>	<u>(236)</u>
Net cash outflow from financing	<u>(249)</u>	<u>(236)</u>

The operating cash outflows do not include an outflow of £232,000 for restructuring costs as the amount provided for was not paid until the following financial years.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. 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 defined-benefit schemes.

The total pension cost for the year

	2015 £000	2014 £000
Local Government Pension Scheme:		
Contributions paid	1,232	1,170
FRS 17 Charge	<u>(48)</u>	<u>550</u>
Total charge	1,184	1,720
Teachers Pension Scheme:		
Contribution paid	<u>800</u>	<u>1,060</u>
Total Pension Cost for the Year	<u>1,984</u>	<u>2,780</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 2013.

Pension contributions amounting to £258k (2014: £279k) were payable to the scheme at the end of the financial year 31 July 2015 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.

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 2015

25. 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 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £800,000 (2014: £1,060,000).

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. Pension and similar obligations (continued)

FRS 17

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

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its Contributions' to the scheme as if it were a defined contribution scheme. The College has set out 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 2015 was £1,463,000 of which employer's contributions totalled £1,180,000 and employee's contributions totalled £283,000. The agreed contribution rate for future years is 27.8% for employers and for employees the contribution is according to the salary band and the rate ranges from 5.5% to 7.5%.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. Pension and similar obligations (continued)

Principal Actuarial Assumptions

	2015	2014
Rate of increase in salaries	4.3%	4.3%
Rate of increase for pensions in payment/inflation	2.6%	2.7%
Discount rate for scheme liabilities	3.6%	4.0%
Inflation assumption (CPI)	-	-
Commutation of pensions to lump sums	N/A	N/A

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

	2015	2014
Retiring today		
Male	22.00	22.00
Females	24.30	24.30
Retiring in 20 years		
Males	24.40	24.40
Females	26.80	26.80

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. Pension and similar obligations (continued)

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

	Return expected at 31 July 2015	Fair Value at 31 July 2015 £m	Return expected at 31 July 2014	Fair value at 31 July 2014 £m
Equities	3.60%	16.38	6.60%	16.64
Global Tactical Asset	0.00%	N/A	0.00%	N/A
Cash	3.60%	0.78	3.60%	0.72
Property	3.60%	1.56	4.70%	1.45
Bonds	3.60%	7.28	3.60%	5.30
Other assets	-	-	-	-
Total Market Value of assets		<u>26.00</u>		<u>24.11</u>
Scheme liabilities:				
Funded		<u>(52.40)</u>		<u>(47.14)</u>
(Deficit) in the scheme		<u><u>(26.40)</u></u>		<u><u>(23.03)</u></u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. Pension and similar obligations (continued)

The College of North West London employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of returns on each asset class is as set out above. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund as at 31 July 2015.

Amount recognised in the income and expenditure account

	Year ended	Year ended
	31 July	31 July
	2015	2014
	£'000	£'000
Employer service cost	1,132	1,731
Employer contribution	(1,180)	(1,181)
Total operating charges	(48)	550

Analysis of pension finance income/(costs)

	Year ended	Year ended
	31 July	31 July
	2015	2014
	£'000	£'000
Expected return on pension scheme assets	1,381	1,440
Interest on pension liabilities	(1,888)	(2,293)
Pension finance (costs)	(507)	(853)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is (£4,840k) (2014: (£1,924k)). The actual return on scheme assets was £1,655k (2014: £2,668k).

The cumulative amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended	Year ended
	31 July	31 July
	2015	2014
	£'000	£'000
Actual gains/(losses) on pension scheme assets	275	(428)
Actuarial losses/gains on scheme liabilities	(3,190)	5,521
Actuarial losses – Pension Enhancement	(8)	(318)
Actuarial (loss)/gain recognised in STRGL	(2,923)	4,775

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

26. Pension and similar obligations (continued)

Movement in deficit during year

	Year ended	Year ended
	31 July	31 July
	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	(23,034)	(26,724)
Movement in year:		
Current service cost (net of employee contributions)	(1,132)	(1,731)
Employer contributions	1,180	1,181
Net interest/return on assets	(507)	(853)
Actuarial gain/(loss)	(2,915)	5,093
Deficit in scheme at 31 July	<u>(26,408)</u>	<u>(23,034)</u>

Asset and Liability Reconciliation

Movements in the present value of defined benefit obligations were as follows:

	Year ended	Year ended
	31 July	31 July
	2015	2014
	£'000	£'000
At 1 August	47,148	49,387
Service cost	1,104	1,691
Interest cost	1,888	2,293
Employee contributions	283	331
Experience gains and losses	3,190	(5,521)
Loss on curtailments	28	40
Benefits paid	(1,236)	(1,073)
At 31 July	<u>52,405</u>	<u>47,148</u>

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

25. Pension and similar obligations (continued)

**Movements in the fair value of College's
Share of scheme assets:**

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
At 1 August	24,114	22,663
Expected return on asset	1,381	1,440
Actuarial (losses)/gains	275	(428)
Employer contributions	1,180	1,181
Employee contributions	283	331
Benefits paid	(1,236)	(1,073)
At 31 July	<u>25,997</u>	<u>24,114</u>

The estimated value for employer contributions for the year ended 31st July 2016 is £1.38m.

The five year history of experience adjustments is as follows:

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Present value of benefit obligations	(52,405)	(47,148)	(49,387)	(45,217)	(38,250)
Future value of share of scheme assets	<u>25,997</u>	<u>24,114</u>	<u>22,663</u>	<u>19,333</u>	<u>18,890</u>
Deficit in the scheme	<u>(26,408)</u>	<u>(23,034)</u>	<u>(26,724)</u>	<u>(25,884)</u>	<u>(19,360)</u>
Experience adjustments on scheme					
Assets:					
Amounts (£000)	275	(428)	1,481	(1,497)	(980)
Experience adjustments on scheme					
liabilities:					
Amounts (£000)	340	4,831	-	(485)	2,770

COLLEGE OF NORTH WEST LONDON
NOTES TO THE FINANCIAL STATEMENTS
(continued)

31 July 2015

26. Post Balance Sheet Events

There are no post balance sheet events

27. Capital Commitments

	2015	2014
	£000	£000
Authorised but not contracted at 31 July	18,000	17,000
Commitments contracted for at 31 July	—	—

28. Financial Commitments

There were no significant financial commitments at the year end.

29. Contingent Liability

There were no contingent liabilities at the year end.

30. 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.

No such transactions have taken place during the current year.

The members of the Corporation other than the Principal and the staff members did not receive any payments from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties and a round sum payment of £100 each to help defray the cumulative cost of minor expenses associated with the use of a member's home as an office.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

30. Related Party Transactions

The total expenses paid to or on behalf of the Governors during the year was £1,100; 12 governors (2014: £1,000; 10 governors). This represents travel and subsistence expenses and other out of pocket expenses Incurred, in attending Governor Meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

Press Association in which Mr Tony Johnson, a governor in the College, is a Director. The purchase transactions in the year with the Press Association amounted to £10,500. There was no balance outstanding at the end of the year

AOC Create Ltd, in which Judith Williams, is the National Head of Governance, is a governor in the College. The transactions with AOC Create Ltd totalling £32,787 (2014 - £98,186) relating to training of staff and conferences attended by staff took place within the year. The balance outstanding at the end of the year is £1,274.

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

31. Revaluation of Land and Buildings

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.

COLLEGE OF NORTH WEST LONDON

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 July 2015

32. Amount disbursed as agent	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
SFA – Adult Discretionary Support		
Funding body grants – hardship support	481	558
Funding body grants – 20+childcare support	266	290
Funding body grants – 24+ Loan Bursary	<u>425</u>	<u>273</u>
Total – SFA Adult Discretionary support	1,172	1,121
Education Funding Agency 16-19 Bursary	<u>317</u>	<u>270</u>
	1,489	1,391
Disbursed to students	(1,297)	(1,150)
Administrative costs	<u>(42)</u>	<u>(42)</u>
Balance unspent as at 31 July 2015	<u>150</u>	<u>199</u>

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