



## NESCOT CORPORATION

# Report and Financial Statements for the Year Ended 31 July 2014



**Ofsted  
Results  
2010**

**Outstanding**

- ✓ Capacity to Improve
- ✓ Financial Management
- ✓ Leadership & Management
- ✓ Safeguarding
- ✓ Support & Care for Students
- ✓ Tutorials & Enrichment

Our achievement results are consistently above the national average and continue to lead the way in Surrey. Go to [www.nescot.ac.uk](http://www.nescot.ac.uk) to view the full Nescot Ofsted report.

MHA MACINTYRE HUDSON  
Chartered Accountants &  
Registered Auditors  
New Bridge Street House  
30-34 New Bridge Street  
London EC4V 6BJ





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## **NESCOT Corporation Report of the Members of the Corporation**

The Members of the Corporation have great pleasure in presenting their annual report and audited financial statements for the year ended 31 July 2014.

### **Legal Status**

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting the business of North East Surrey College of Technology. The College is an exempt charity for the purposes Part 3 of the Charities Act 2011.

### **Corporation Name**

The Corporation was incorporated as the North East Surrey College of Technology (NESCOT).

### **Mission Statement**

The mission of the college as approved by the Governors is as follows:

**“To inspire and enable learners to achieve their goals and to provide the skills and qualifications needed in the economy”**

At Nescot our key values and beliefs are:

- We put learners' success at the heart of everything we do
- We have high expectations and aim for excellence
- We promote mutual respect and celebrate diversity
- We are committed to team work, sharing good practice and partnerships
- We promote a culture of openness and transparency
- We do not tolerate harassment or discrimination
- We support the development of the life and social skills of our learners: for example, by encouraging their involvement in community or charitable activities

### **Strategic Themes**

Nescot has six strategic themes which it uses to deliver the Mission, these are:

1. Offering high quality vocational learning opportunities
2. Providing progression pathways from Entry to Level 3 and beyond
3. Engaging with employers to ensure the relevance of the offer
4. Creating a safe, supportive and stimulating learning environment
5. Providing value for money and prudent financial management
6. Developing and investing in our staff to provide a responsive and flexible workforce

These strategic themes will deliver high-quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity.



## **NESCOT Corporation Report of the Members of the Corporation (continued)**

The overall College offer has been reviewed and realigned to meet national, regional and local needs. The college is on a journey to be graded outstanding for the majority of its provision by 2015.

Any growth planned will be achieved within a streamlined and cost-efficient curriculum model that will aim to maximise income and reduce cost through the better design of curriculum and more efficient utilisation of teaching hours.

### **Implementation of the Strategic Plan**

The Corporation and management of the College have reconsidered the educational character and size of the College to ensure that it best serves the needs of its learners and have a strong curriculum and financial base for the future.

In June 2011, the Corporation adopted a Strategic Development Plan for the period 2011-2014, which has since been extended until 2015. This Strategic Plan includes curriculum, quality, partnerships, human resources, property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

During 2010-11 the College completed a review of the processes that underpin the learner journey. Through implementation of the revised policies and procedures the College aims to improve its overall success rates by 1 to 2% per annum over the period of the plan.

The College has reviewed its curriculum offer against local, regional and national priorities. The College has positioned itself as a more traditional FE College focusing on its unique selling points in terms of its strategic assets and its key strengths of provision, which for Nescot is a predominately vocational offer. The vocational areas in which the College has a competitive advantage and key strengths are Computing, Business, Media, Games and Music, Health and Care and Sport and Travel and Tourism.

Excellent progress is being made and specific actions identified to progress the key targets are set out below:

### **Strategic Themes (ST) to meet targets by the end of 2014/15 are:**

#### ***ST1: Offering high quality vocational learning opportunities***

- Achieving success rate targets
- Focusing on employability of all our learners
- Promoting best practice in teaching, learning and the use of learning technologies
- Ensuring learners continue to improve their skills in English and Mathematics

#### ***ST2: Providing progression pathways from Entry to Level 3 and beyond***

- Ensuring the curriculum offer is comprehensive and inclusive and leads to employment
- Providing apprenticeship learning routes in the relevant curriculum areas
- Playing a key role in the local drive to raise the participation age and reduce the NEET population (young people Not in Employment, Education or Training)
- Developing programmes that provide higher level vocational skills in skill shortage areas

#### ***ST3: Engaging with employers to ensure the relevance of the offer***

- Promoting apprenticeships to employers, including higher level apprenticeships
- Promoting and delivering training to national organisations
- Aligning the curriculum offer with the needs of employers and the local economy

**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

- Working in partnership with our stakeholders (local employers, local authorities, schools and universities) to provide curriculum pathways and promote participation

***ST4: Creating a Safe, supportive and stimulating learning environment***

- Continuing to invest in learning technology and learning resources
- Maintaining outstanding practice in safeguarding learners
- Providing timely and effective opportunities for learning support

***ST5: Providing value for money and prudent financial management***

- Achieving income targets
- Diversifying income streams and exploring new markets
- Ensuring each area achieves sufficient contribution to meet overhead targets
- Continuing to maintain a healthy ratio of staffing costs to turnover

***ST6: Developing and investing in our staff to provide a responsive and flexible workforce***

- Implementing a comprehensive development programme
- Reviewing and developing the resources and support structures required to enable staff to carry out their duties
- Further improve mechanisms for consulting and communication with staff

In order to make a sustainable contribution to national/regional and local targets the College aims to continue to consolidate existing provision against a robust quality and financial framework.

The College's continuing strategic objectives are to be:

- Recognised as one of the best Further and Higher Education Colleges, locally and nationally.
- Financially secure with sufficient resources to continue to invest in learning
- Outstanding overall in the next inspection
- Achieving very high levels of learner success
- Regarded as a highly responsive partner organisation by employers and local stakeholders
- Excellent in the promotion of equality, diversity and inclusion

The College's progress in achieving its objectives is addressed below:

- The College's success rate has risen from 64% in 2004/05 to 90% in 2013/14. This is 4 percentage points above the national average of 86%.
- The overall long success rate for all ages is 88% for 2013/14 which is 5 percentage points above the national average of 83%
- For 2012/13, the College's success rate of 90% was the highest of all the colleges in Surrey, it is anticipated that this will be the same for 2013/14 .
- Retention improvement strategies have increased success rates for 16-18 year olds on long qualifications and these have now improved to 88%, 4 percentage points above the national average. Success rates for 16-18 year olds are now above national averages at all three levels (L1 is 88% (NA 87%), L2 86% (NA 84) and L3 90% (NA 82)).
- Success for adults in long qualification is at 87%, which exceeds the national average of 82% by 5 percentage points.

**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

- Success for learners on WBL programmes is 72%, 1% below the national average
- The long Level 3 16-18 success rate has improved significantly since 2011/12 to 90% and is now 8% above the national average
- English and Maths is a mandatory component of Study Programmes for students who did not achieve GCSE Grade C or above at school. As such there were 1493 students enrolled on functional skills in 2013/14, up from 1073 and the overall success rate was 62% a reduction of 16% from the previous year of 78%
- High grade achievement for level 2 programmes has increased from 39% in 2012/13 to 41% in 2013/14 and for level 3 programmes has increased from 50% in 2012/13 to 64%. At the 2010 inspection high grades for level 2 were 17% and level 3 was 36%.
- The overall VA score for level 2 vocational courses has improved from 1.46 2012/13 to 1.54 in 2013/14. The ALPs score for level 3 vocational courses has improved from 5 in 2012/13 to 4 – very good in 2013/14. 8 subjects are not classified as outstanding compared to one in 2012/13.
- The College was graded as 'outstanding' by the Provider Financial Assurance auditors when the College was inspected in September 2010 and continues to be assessed as 'Outstanding' for financial health by the SFA.

**Performance Indicators**

In September 2010, the college received a full inspection, by Ofsted, the government inspectors of schools and colleges. Ofsted's independent assessment of Nescot was that it was a grade 1, "**Outstanding**" college in the following areas:

- Leadership
- Management
- Financial management
- Value for money
- Quality assurance
- Care, guidance and support for learners
- Safeguarding
- Tutorials
- Enrichment

Ofsted's overall assessment of Nescot's effectiveness of provision was grade 2 '**Good**' college with the following four curriculum areas inspected achieving grade 2 (Good).

- Construction
- Beauty therapy and hairdressing
- Health, care and early years
- Literacy and numeracy

In particular Ofsted reported that "***The Principal has provided inspirational leadership which has changed the culture of the college, ensuring that all staff take responsibility for improving the quality of the experience for students.***" (Ofsted report October 2010)

**1. Funding Targets**

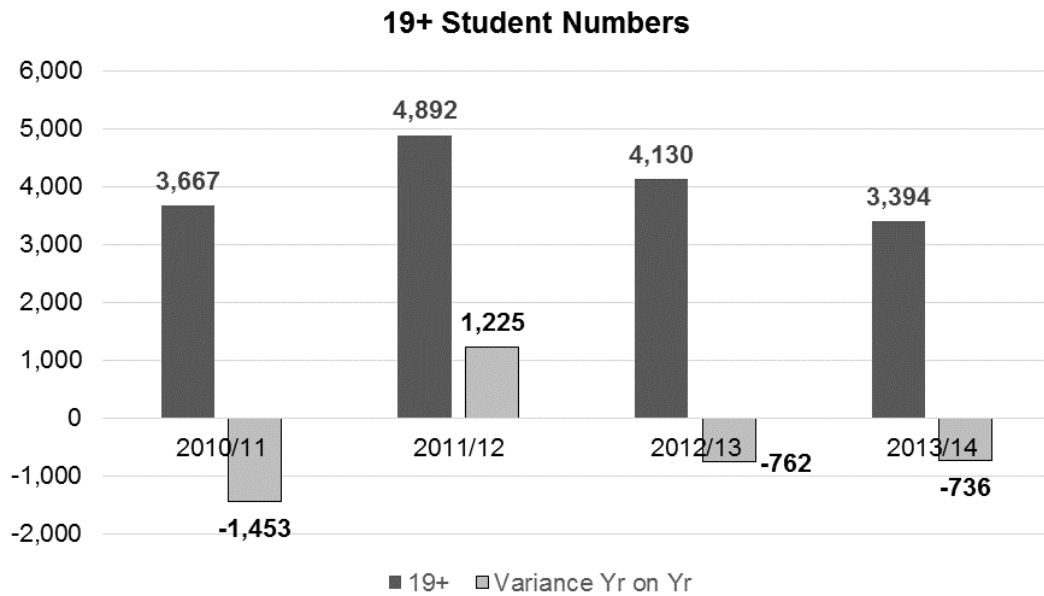
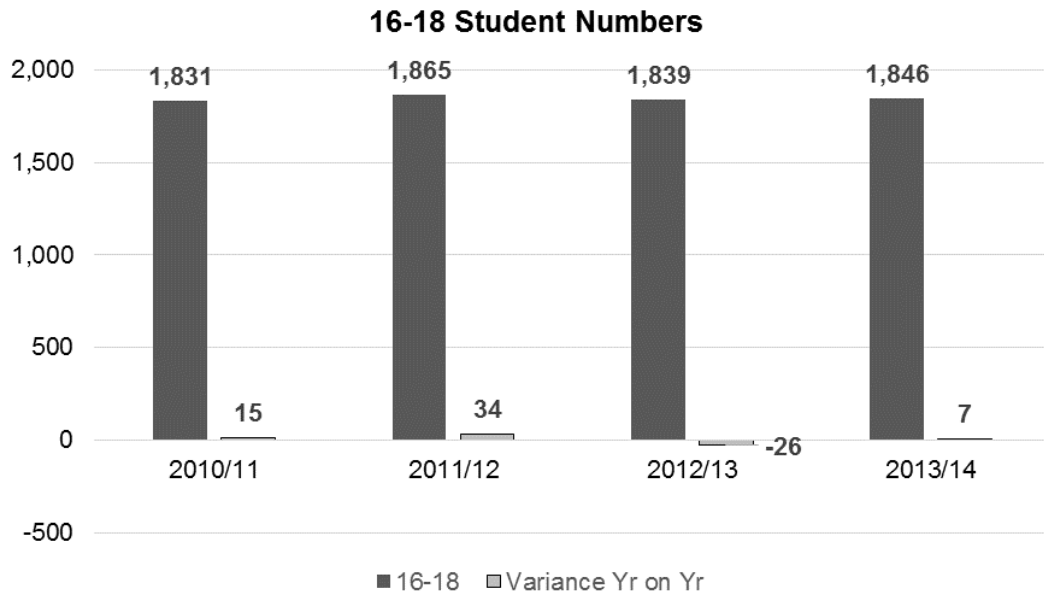
- a) EFA: In 2013/14 the College achieved 100.0% of its EFA funding target of £9,292,000 of grant income, excluding bursary funds (2012/13 £9,360,000).  
SFA: In 2013/14, the College achieved 98.9% of its SFA funding target of £5,677,000 of grant income, excluding discretionary support funds (2012/13 £6,017,000).

**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

b) HEFCE: The College achieved 96% of its HEFCE funding target of £496,000 (2012/13 - £873,000)

**2. Student Numbers**

The student numbers for 16-18 increased slightly by 7 in 2013/14. The numbers decreased by 736 for students aged 19+ due to a reduced funding allocation.





**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

**3. Student Achievements**

Learners achieved an estimated 97% of their qualification aims, excluding functional skills.

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.

**Finances**

The Group generated a surplus of £708,000 (2012/13 – surplus of £716,000). In addition, capital expenditure of £13,972,000 (2012/13 - £3,642,000) was invested.

The Group has accumulated reserves of £12,952,000 after FRS 17 pension adjustments and has cash balances of £7,927,000.

The College has five subsidiary companies, two of which are active: Nescot Business Services Ltd (100% owned by the College), and Nescot Consortium Limited (60% owned by Nescot Business Services Ltd). The results of these companies are included in the consolidated financial statements.

**Nescot Consortium Limited**

Nescot Consortium Limited (“the Company”) is a company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 4030255268 dated 13 Dhul Qadah 1434H (corresponding to 19 September 2013). It is wholly owned by Nescot Business Services Ltd – 60%, Burton and South Derbyshire College – 20% and Highbury College, Portsmouth – 20%.

The Company is licensed to engage in providing services of vocational and technical training according to the guidelines and conditions of the General Organization for Technical and Vocational training in accordance with the Saudi Arabian General Investment Authority (‘SAGIA’) Service Investment License No 69340933171 dated 22 Ramadan 1434 H (corresponding to 30 July 2013).

In accordance with the Company’s Articles of Association, the Company’s first fiscal period shall commence from the date of its registration in the Commercial Register and end on 31 July 2014. Accordingly, the Company’s financial statements have been prepared for the period from 13 Dhul Qada 1434 H, corresponding to 19 September 2013, being the date of Commercial Registration, to 31 July 2014 (the “Period”). The Company’s results are consolidated into these financial statements.

As these are the first set of financial statements of the Company, no comparative information is presented.

**Staff**

To date 93% of the College’s full time teaching staff held a recognised NESCOT Corporation teaching qualification or are studying for one, 82% of which are fully qualified to Level 4 or above.

72% of fractional and sessional teaching staff hold a recognised teaching qualification or are studying for one, 65% of which are fully qualified to Level 4 or above.





**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

**Transparency Arrangements**

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Corporation. Full minutes of all meetings are posted on the College's website and are available from the Clerk to the Corporation at:

Nescot College  
Reigate Road  
Ewell  
Epsom  
Surrey  
KT17 3DS

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

**Post Balance Sheet Events**

The College's Governors are not aware of any material post-balance sheet events that require disclosure in the financial statements.

**Staff and Student Involvement**

The College considers good communication with its staff to be very important, and to this end it publishes a regular Core Brief, which is communicated to all staff twice a term. The College encourages staff and student involvement through membership of formal committees. There is a staff consultative committee with representatives meeting with the Principal twice a term. A Student Voice has been established and regular meetings are held at which staff and management are present. 2 student representatives attend board of governor meetings.

**Taxation**

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

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

The College's subsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

**Equality and Diversity and Employment of Disabled Persons**

The College seeks to achieve the objective set out in the Equality Act 2010 and to this end has agreed a single equality scheme and associated action plan which sets out the planned actions it proposes in support of each of the protected characteristics, including disability:

- a) The College aims to comply with its general and specific duties set out in the Race Equality, Disability Equality and Gender Equality legislation and has prepared appropriate policies, schemes and action plans to enable it to do so, which are monitored by the

**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

Equality and Diversity Working Group. An Equality and Diversity Policy as been developed which meets the Equalities Act

- b) The College was awarded the Two Ticks symbol (Positive about Disabled People) in October 2004 in recognition of the support that is provided for disabled job applicants, and for staff with disabilities and was reassessed against this standard in June 2008. As part of this commitment, the College has agreed the following five commitments:
- (i) To interview all disabled applicants who meet the minimum criteria for a job vacancy and consider these applicants on their abilities
  - (ii) To ensure there is a mechanism in place to discuss, at any time, but at least once a year, with disabled employees, what can be done to make sure they can develop and use their abilities.
  - (iii) To make every effort when employees become disabled to make sure they stay in employment (by the provision of appropriate support, facilities and equipment, or other reasonable adjustment)
  - (iv) To take action to ensure that all employees develop the appropriate level of disability awareness needed to make these commitments work
  - (v) Each year to review the five commitments and what has been achieved, plan ways to improve on them and inform staff about progress and future plans.
- c) The College has also signed up to the Disability Equality Commitment which has been developed by the Disability Equality Implementation Group in FE whose aim is to drive forward the 11 key recommendations of the Commission for Disabled Staff in Lifelong Learning. These commitments are being considered as part of the annual review of the Equality & Diversity Action Plan.
- d) The Equality & Diversity Task Group reviews the College's Equality & Diversity Impact Measures (EDIMS) annually to assess whether each EDIM is still appropriate, whether there has been an improvement in student performance in the particular measure being assessed as a result of action taken, or whether to amend any of them in order to enable other possible areas of inequality to be addressed.

**Disability Statement**

The College seeks to achieve the general and specific duties set down in the Disability Discrimination Act 2005, and in particular makes the following commitments:

- a) There is specialist equipment, such as electronic note pads, adjustable height furniture, hearing loop, and other physical aids which can be used by students with learning difficulties/disabilities.
- b) The admissions policy for all students is advertised on the Nescot website and will be clearly displayed on the wall in our Advice and Recruitment area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.
- c) There are a number of learning support assistants who provide in-class support. Learning Support Tutors are also employed as specialist tutors who support learners with specific difficulties and/or disabilities on a 1:1 or small group basis in addition to class times .There is
- d)



**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

- e) a programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard college format.
- g) Counselling and welfare services are described in the College Prospectus.

**Planned Maintenance Programme**

The cost of the College's planned maintenance programme over a period of ten years from 2010, was originally estimated to be £4,100,000. However the College has now received SFA grant funding of £9.9m to update and improve its campus. The SFA funding will be matched by £20m of College funding. The impact of these works will address the College's backlog maintenance.

**Professional Advisers**

**External Auditors:**

MHA MacIntyre Hudson  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

**Internal Auditors:**

Baker Tilly  
6<sup>th</sup> Floor  
25 Farringdon Street  
London  
EC4A 4AB

**Funding Auditors:**

KPMG  
1 Forest Gate  
Brighton Road  
Crawley  
W Sussex  
RH11 9PT

**Bankers:**

HSBC Bank plc  
54 Clarence Street  
Kingston upon Thames  
Surrey  
KT1 1NS

**Solicitors:**

Winkworth Sherwood  
The Old Deanery  
Deans Court  
St Pauls  
London EC4V 5AA

**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

**Members**

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

**FE CORPORATION 2013 – 2014**

<b>NAME</b>	<b>ELIGIBILITY</b>	<b>COMMITTEES</b>	<b>ELECTED</b>	<b>RE-ELECTED</b>	<b>TERM OF OFFICE EXPIRES</b>	<b>ATTENDANCE RECORD<sup>1</sup></b>
Ms Z Brown	Teaching Staff	C&Q	2013		2015	7/8
Ms L Ademi	FE Student Governor	Resigned July 2014	2013		2015	1/4
Mr L Cama	HE Student Governor		2013		2015	2/4
Mr A Graham	FE Student Governor	Resigned July 2014	2013		2015	1/4
Prof. M Hunt	External	Vice Chair of the Corporation C&Q, Chairs' Cttee	26 Feb 2010	2013	2013 2017	7/12
Ms F Johnson	Co-opted Member Audit Committee	Co-opted Audit Cttee Sept 13 for 1 mtg only	Dec 2008	2012	2012 2013	1/1
Mr E Laird	External	Audit	2013		2016	5/7
Ms E Lindsey	Support Staff Governor	C&Q Resigned February 2014	December 2012	Re-elected 2013	2013 2015	4/5
Ms A Lawrence	External	C&Q	2013		2015	7/8
Prof. S Luke	External	F&GP	2013		2015	5/9
Mrs S Mann	Principal	F&GP, Search, Curriculum, Quality & Student Services	N/A	N/A	N/A	11/12
Mr C Muller	External	Curriculum & Quality	2011	2013	2013 2017	5/8
Mr G Parsons	External	Senior Staff Performance and Remuneration Chair, Search Chair Chairs Cttee	2008	Dec 2011	2012 2014	12/13

<sup>1</sup> Shown as actual attendances versus possible attendances



**NESCOT Corporation**  
**Report of the Members of the Corporation (continued)**

Ms F Rutter	External	C&Q (until April 2013) F&GP (from April 2013). Resigned December 2013	Dec 2011	2012	2013 2017	5/7
Mr C Shortt	External	F&GP, Chair's Cttee	2009	4/12/12 2014	2012 2014 2015	11/12
Mr P Stamps	External	F&GP (from Nov. 2013), Chairs' Cttee	2013		2016	7/7
Ms M Vetrone	External	Audit (Chair) Chairs' Cttee	2011	4/12/12	2013 2017	10/13
Mr T Willington	External	Audit (from Nov.2013)	2013		2016	5/7

Mr Barry Wastnidge was Clerk to the Corporation in 2013/14; he is replaced by Mr David Round with effect from 1<sup>st</sup> September 2014

On behalf of the Corporation:

\_\_\_\_\_  
 Professor Mark Hunt

Date: 5<sup>th</sup> December 2014



## **NESCOT Corporation**

### **Statement of corporate governance and internal control**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (formerly known as the *Combined Code on Corporate Governance*). Its purpose is to help the reader of the accounts understand how the principles have been applied. The College has adopted the The 'English Colleges' Foundation Code of Governance' issued by the Association of Colleges in December 2011. The Corporation also adopted the Audit and Accountability Annex to the Foundation Code of Governance as part of its commitment to the Financial Reporting Council's UK Corporate Governance Code. The Corporation therefore now reports the attendance of Members of the Corporation in the annual Report and Financial Statement.

In the opinion of the governors, the College complies with all the provisions of the UK Corporate Governance Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2014.

#### **The Corporation**

The composition of the Corporation is set out on page 10. 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 three times per academic year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are: Finance and General Purposes, Curriculum & Quality, Senior Staff Performance and Remuneration, Search and Audit.

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

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

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

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



**NESCOT Corporation**  
**Statement of corporate governance and internal control (continued)**

**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 comprised: the Chair, the Vice-Chair, one member of the Corporation, Principal and one member of senior management, which is responsible for advising the Corporation on the appointment of members (other than staff or student members) and such other matters relating to membership and appointments as requested

by the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding four years with the exception of Staff Governors who are appointed for two years and Student Governors who are appointed for one year.

**Senior Staff Performance and Remuneration Committee**

Throughout the year ending 31 July 2014, the College's Remuneration Committee comprised: the Chair of the Corporation, the Vice Chair of the Corporation and Chairs of the Finance and General Purposes, Curriculum Standards and Student Services and Audit Committees. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

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

**Audit Committee**

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair). The committee has authority to appoint additional external co-opted members as necessary. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management.

Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

**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.



**NESCOT Corporation**  
**Statement of corporate governance and internal control (continued)**

**Scope of responsibility (cont)**

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 or she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the Skills Funding Agency (SFA) and Education Funding Agency (EFA). She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

**The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nescot for the year ended 31 July 2014 and up to the date of approval of the annual report and accounts.

**Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by 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 reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

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





**NESCOT Corporation**  
**Statement of corporate governance and internal control (continued)**

**Review of effectiveness**

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

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

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*".

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

**Statement on regularity, propriety and compliance**

The Corporation has considered its responsibility to notify the Skills Funding Agency/ Education Funding Agency of material irregularity, impropriety and non-compliance with the Skills Funding Agency/ Education Funding Agency terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the Skills Funding Agency/ Education Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum/funding agreement.

We confirm on behalf of the Corporation that, to the best of our knowledge, we believe we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the College's financial memorandum/funding agreement. 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/Education Funding Agency.

**Going Concern**

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

Signed: \_\_\_\_\_  
**Professor M Hunt - Chair**

**Date:** 5th December 2014

Signed: \_\_\_\_\_  
**S Mann – Principal & Chief Executive**

**Date:** 5th December 2014



**NESCOT Corporation**  
**Statement of Responsibilities of the Members of the Corporation**

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 agreed between the Skills Funding Agency and Education 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 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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.

In so far as the members are aware:

- there is no relevant audit information of which the College's auditors should be unaware; and
- the members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 SFA and EFA are used only in accordance with the Financial Memorandum with the SFA and EFA and any other conditions that the SFA and EFA may prescribe 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 by the SFA and EFA are not put at risk.

Signed on behalf of the Corporation: \_\_\_\_\_ Date: 5th December 2014  
Professor M Hunt  
Chair



## Independent Auditor's Report to the Corporation of North East Surrey College of Technology

We have audited the financial statements of North East Surrey College of Technology for the year ended 31 July 2014, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

### Respective Responsibilities of the Members of the Corporation of North East Surrey College of Technology and Auditors

As described in the Statement of Responsibilities, the College's Corporation is responsible for preparing the Members' Report and financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Report of the Members of the Corporation is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We read the Report of the Members of the Corporation and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2014 and of the College's surplus of income over expenditure for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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MHA MacIntyre Hudson  
Chartered Accountants  
Registered Auditors

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Date



## Independent Auditor's Report on Regularity to the Corporation of North East Surrey College of Technology

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

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

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

### Responsibilities of North East Surrey College of Technology

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

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

### Auditor's responsibilities

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

### Basis of opinion

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

### Opinion

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

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MHA MacIntyre Hudson  
Chartered Accountants  
Registered Auditors

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Date

**Nescot College**  
**Consolidated Income and Expenditure Account**

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2		15,932		16,549
Tuition fees and education contracts	3		7,727		2,142
Other income			1,583		1,157
Endowment and investment income	4		38		52
			<u>25,281</u>		<u>19,900</u>
<b>Total income</b>			<b>25,281</b>		<b>19,900</b>
<b>EXPENDITURE</b>					
Staff costs	5	14,436		11,726	
Exceptional restructuring costs	5	75		7	
Other operating expenses	7	7,622		5,610	
Depreciation	11	2,002		1,585	
Interest and other finance costs	8	438		256	
			<u>24,573</u>		<u>19,184</u>
<b>Total expenditure</b>			<b>24,573</b>		<b>19,184</b>
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>					
			<b>708</b>		<b>716</b>
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to surplus					
Foreign exchange losses	31		(5)		-
			<u>703</u>		<u>716</u>
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax</b>					
			<b>703</b>		<b>716</b>
Taxation	10		(55)		-
			<u>647</u>		<u>716</u>
<b>(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax</b>					
			<b>647</b>		<b>716</b>
Non-controlling interest			(88)		-
			<u>559</u>		<u>716</u>
<b>(Deficit)/surplus for the year retained within general reserves</b>					
			<b>559</b>		<b>716</b>

The income and expenditure account is in respect of continuing activities

## Nescot College

### Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2014 £'000	2013 £'000
(Deficit)/surplus on continuing operations before taxation		703	716
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	535	300
		<u>1,238</u>	<u>1,016</u>
<b>Historical cost surplus for the year before taxation</b>		<b>1,238</b>	<b>1,016</b>
Taxation	10	(55)	
<b>Historical cost surplus for the year after taxation</b>		<b>1,183</b>	<b>1,016</b>

### Consolidated Statement of Total Recognised Gains and Losses

	Notes	2014 £'000	2013 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax		559	716
Cost of investment, foreign exchange loss		(5)	
Actuarial gain/(loss) in respect of pension scheme	28	(1,961)	1,770
		<u>(1,407)</u>	<u>2,486</u>
<b>Total recognised losses since last report</b>		<b>(1,407)</b>	<b>2,486</b>
<b>Reconciliation</b>			
Opening reserves and endowments		14,359	11,873
Total recognised gains for the year		(1,407)	2,486
		<u>12,952</u>	<u>14,359</u>
<b>Closing reserves and endowments</b>		<b>12,952</b>	<b>14,359</b>

**Nescot College**  
**Balance sheets as at 31 July**

	Notes	Group	College	Group	College
		2014	2014	2013	2013
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11	34,226	33,641	22,254	22,254
Investments	12	-	-	-	-
<b>Total fixed assets</b>		<b>34,226</b>	<b>33,641</b>	<b>22,254</b>	<b>22,254</b>
<b>Current assets</b>					
Stocks		51	51	42	42
Debtors	13	2,393	2,516	1,175	1,159
Deferred tax asset		59	-	-	-
Cash at bank and in hand		7,927	3,953	6,900	6,900
<b>Total current assets</b>		<b>10,429</b>	<b>6,519</b>	<b>8,117</b>	<b>8,101</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>(7,091)</b>	<b>(4,661)</b>	<b>(2,592)</b>	<b>(2,592)</b>
<b>Net current assets</b>		<b>3,339</b>	<b>1,858</b>	<b>5,525</b>	<b>5,509</b>
<b>Total assets less current liabilities</b>		<b>37,565</b>	<b>35,499</b>	<b>27,779</b>	<b>27,763</b>
Less: Creditors – amounts falling due after more than one year	15	2,884	1,124	1,382	1,440
Less: Provisions for liabilities	17	584	584	111	111
<b>Net assets excluding pension (liability)/asset</b>		<b>34,097</b>	<b>33,791</b>	<b>26,286</b>	<b>26,212</b>
Net pension (liability)/asset	28	(9,829)	(9,829)	(7,950)	(7,950)
<b>NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)</b>		<b>24,268</b>	<b>23,962</b>	<b>18,336</b>	<b>18,262</b>
<b>Deferred capital grants</b>	19	<b>11,196</b>	<b>11,196</b>	<b>3,977</b>	<b>3,977</b>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	21	12,153	11,967	11,146	11,072
Pension reserve	28	(9,829)	(9,829)	(7,950)	(7,950)
Income and expenditure account including pension reserve	21	2,324	2,138	3,196	3,122
Revaluation reserve	20	10,628	10,628	11,163	11,163
<b>Total reserves</b>		<b>12,952</b>	<b>12,766</b>	<b>14,359</b>	<b>14,285</b>
Non-controlling interest	22	120			
<b>TOTAL FUNDS</b>		<b>24,268</b>	<b>23,962</b>	<b>18,336</b>	<b>18,262</b>

The financial statements on pages 18 to 44 were approved by the Corporation on 5th December 2014 and were signed on its behalf on that date by:

**M Hunt**  
**Chair**

**S Mann**  
**Principal**

**Nescot College**  
**Consolidated Cash Flow Statement**

	Notes	2014 £'000	2013 £'000
<b>Cash inflow from operating activities</b>	23	<b>7,804</b>	<b>1,911</b>
Returns on investments and servicing of finance	24	(199)	52
Capital expenditure and financial investment	25	(6,579)	(755)
		<hr/>	<hr/>
<b>Increase / (decrease) in cash in the year</b>		<b><u>1,027</u></b>	<b><u>1,208</u></b>
 <b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase/(decrease) in cash in the period		1,027	1,208
Movement in net funds in the period		1,027	1,208
Net funds at 1 August		6,900	5,692
		<hr/>	<hr/>
<b>Net funds at 31 July</b>		<b><u>7,927</u></b>	<b><u>6,900</u></b>





**NESCOT Corporation**  
**Notes to the Financial Statements for the Period from 1 August 2013 to 31 July 2014**

**1 Statement of Accounting Policies**

***Basis of preparation***

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (the 2007 SORP) and in accordance with applicable Accounting Standards. They conform to the guidance published by the College Finance Directors Group (CFDG), the Association of Colleges (AoC), the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) in consultation with financial statements auditors.

***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

The financial statements are prepared on a going concern basis. Nescot College is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

***Basis of consolidation***

The consolidated financial statements include the College and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2014.

***Recognition of income***

Income from Tuition Fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors, e.g. National Health Service.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Recurrent grants from the SFA and EFA and HEFCE are recognised in line with the latest estimates of grant receivable for the academic year. The final grant allocation from the SFA and EFA are determined in the subsequent November, following an audit of the College's activity.

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

***Pension schemes***

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS). Contributions to the schemes are charged to the income and expenditure account, so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using a prospective benefit method for the TPS.



**NESCOT Corporation**  
**Notes to the Financial Statements for the Period from 1 August 2013 to 31 July 2014**

**1 Statement of Accounting Policies (continued)**

***Tangible fixed assets***

*Land and buildings*

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Land and buildings acquired, and building improvements made, since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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.

*Equipment*

Non-computer equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

General equipment	-	20.00 per cent per year on a straight-line basis;
Computer equipment	-	33.33 per cent per year on a straight-line basis;
Furniture and Fittings	-	varying between 6.67 per cent and 20.00 per cent on a straight-line basis.

Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

*Leased assets*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

**NESCOT Corporation**  
**Notes to the Financial Statements for the Period from 1 August 2013 to 31 July 2014**

**1 Statement of Accounting Policies (continued)**

The finance charges are allocated over the period of the lease in proportion to the capital element of outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

***Investments***

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable 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 stocks.

***Maintenance of premises***

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that 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 at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

***Taxation***

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988).

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

***Liquid resources***

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

***Provisions***

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

***Learner Support Fund***

The Learner Support Fund grant from the LSC 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, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

**Nescot College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Recurrent grant - Education Funding Agency	9,292	9,137
Recurrent grant - Skills Funding Agency	5,517	5,862
Recurrent grant - HEFCE	595	873
Non- recurrent grants - Education Funding Agency/Skills Funding Agency/HEFCE	354	104
Releases of deferred capital grants (note 19)	174	573
<b>Total</b>	<b><u>15,932</u></b>	<b><u>16,549</u></b>

**Sub-contracted or Franchised**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Income earned by College Partners	2,179	2,127
Payments to College partners	<u>(1,463)</u>	<u>(1,636)</u>
<b>Net income</b>	<b><u>716</u></b>	<b><u>491</u></b>

The income earned by College partners is part of the Skills Funding Agency recurrent grant, line 9

**3 Tuition fees and education contracts**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Tuition fees	2,771	2,027
Education contracts	<u>4,956</u>	<u>115</u>
<b>Total</b>	<b><u>7,727</u></b>	<b><u>2,142</u></b>

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £34k (2012/13 £11k).

**Nescot College**  
**Notes to the Accounts (continued)**

**4 Endowment and investment income**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Income from <b>restricted</b> endowment asset investments (note 21)		
Income from <b>unrestricted</b> endowment asset investments (note 21)		
Other investment income		
Other interest receivable	<u>38</u>	<u>52</u>
	<u><b>38</b></u>	<u><b>52</b></u>
<b>Total</b>		

**Nescot College**  
**Notes to the Accounts (continued)**

**5 Staff costs**

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	137	136
Non teaching staff	213	188
	<u>350</u>	<u>324</u>
<b>Staff costs for the above persons</b>		
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	10,382	10,026
Social security costs	704	654
Other pension costs (including FRS 17 credit of £201,000 – 2013 £131,000 credit)	1,375	1,028
		<u>          </u>
<b>Payroll sub total</b>	<b>12,461</b>	<b>11,708</b>
Contracted out staffing services	1,975	18
	<u>14,436</u>	<u>11,726</u>
Exceptional restructuring costs	75	7
	<u>14,511</u>	<u>11,733</u>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	1	1	2	2
£70,001 to £80,000	0	0	0	1
£80,001 to £90,000	0	0	1	0
£90,001 to £100,000	0	0	0	0
£100,001 +	1	1	1	0
	<u>2</u>	<u>2</u>	<u>4</u>	<u>3</u>

**Nescot College**  
**Notes to the Accounts (continued)**

**6 Senior post-holders' emoluments**

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including the Principal was:	2	2
	<u>2</u>	<u>2</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	211	233
Benefits in kind	7	6
Pension contributions	<u>32</u>	<u>32</u>
<b>Total emoluments</b>	<b><u>250</u></b>	<b><u>271</u></b>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	150	150
Benefits in kind	<u>4</u>	<u>4</u>
	<u>154</u>	<u>154</u>
Pension contributions	<u>21</u>	<u>21</u>

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

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Compensation paid to the former post-holder	-	-
Estimated value of other benefits, including provisions for pension benefits	<u>-</u>	<u>-</u>

The members of the Corporation other than the Principal and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**Nescot College**  
**Notes to the Accounts (continued)**

**7 Other operating expenses**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	1,941	2,338
Non teaching costs	4,127	2,425
Premises costs	<u>1,555</u>	<u>847</u>
<b>Total</b>	<b><u><u>7,622</u></u></b>	<b><u><u>5,610</u></u></b>

**Other operating expenses include:**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	40	30
Internal audit**	28	23
Other services provided by the financial statements auditors***	3	3
Other services provided by the internal auditors	12	4
Losses on disposal of tangible fixed assets (where not material)	0	0
Hire of plant and machinery – operating leases	0	4
Hire of other assets – operating leases	<u>119</u>	<u>4</u>

**8 Interest payable**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	144	
On provision of bonds	172	
Repayable within five years, not by instalments	0	-
Repayable within five years, by instalments	0	-
Repayable wholly or partly in more than five years	<u>-</u>	<u>-</u>
	316	-
On finance leases	3	-
Pension finance costs (note 23)	<u>119</u>	<u>256</u>
<b>Total</b>	<b><u><u>438</u></u></b>	<b><u><u>256</u></u></b>



**Nescot College**  
**Notes to the Accounts (continued)**

**9 (Deficit)/surplus on continuing operations for the period**

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
College's (deficit)/surplus for the period	442	716
Surplus generated by subsidiary undertakings	210	
Non-controlling interest	(88)	
Forex losses	(5)	
	<u>559</u>	<u>716</u>
<b>Total</b>	<b><u>559</u></b>	<b><u>716</u></b>

**10 Taxation**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Saudi corporate income provided for during the period	114	0
Deferred tax credit	-59	0
	<u>55</u>	<u>-</u>
	<b><u>55</u></b>	<b><u>-</u></b>

Income tax liability is based on applicable corporate tax rate of 20% on the estimated taxable income for the year.

Deferred tax credit relates to temporary differences arising during the current accounting period are likely to reverse in the following one or more accounting periods.

Deferred tax asset at 31st July is related to the following;

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Differences in depreciation	24	
Unrealised exchange loss	35	
	<u>59</u>	<u>-</u>
	<b><u>59</u></b>	<b><u>-</u></b>

**Nescot College**  
**Notes to the Accounts (continued)**

**11 Tangible fixed assets (Group)**

	Land and buildings Freehold	Assets in course of construction	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2013	29,095	-	4,292	33,387
Additions	-	11,995	1,977	13,972
Surplus on revaluation	-	-		-
Disposals	(752)	-	(16)	(768)
<b>At 31 July 2014</b>	<b>28,343</b>	<b>11,995</b>	<b>6,253</b>	<b>46,591</b>
<b>Depreciation</b>				
At 1 August 2013	8,338		2,795	11,133
Charge for the year	1,248		754	2,002
less forex loss closing v average rate			(3)	(3)
Revaluation	-			-
Elimination in respect of disposals	(752)		(16)	(768)
<b>At 31 July 2014</b>	<b>8,834</b>	<b>-</b>	<b>3,531</b>	<b>12,365</b>
<b>Net book value at 31 July 2014</b>	<b>19,509</b>	<b>11,995</b>	<b>2,722</b>	<b>34,226</b>
Net book value at 31 July 2013	20,757	-	1,497	22,254

**Nescot College**  
**Notes to the Accounts (continued)**

**11 Tangible fixed assets (College only)**

	Land and buildings Freehold	Assets in course of construction	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2013	29,095	-	4,292	33,387
Additions	-	11,995	1,279	13,274
Surplus on revaluation	-	-		-
Disposals	(752)	-	(16)	(768)
<b>At 31 July 2014</b>	<b>28,343</b>	<b>11,995</b>	<b>5,555</b>	<b>45,893</b>
<b>Depreciation</b>				
At 1 August 2013	8,338		2,795	11,133
Charge for the year	1,248		638	1,886
Revaluation	-			-
Elimination in respect of disposals	(752)		(16)	(768)
<b>At 31 July 2014</b>	<b>8,834</b>	<b>-</b>	<b>3,417</b>	<b>12,251</b>
<b>Net book value at 31 July 2014</b>	<b>19,509</b>	<b>11,995</b>	<b>2,138</b>	<b>33,641</b>
Net book value at 31 July 2013	20,757	-	1,497	22,254

**Nescot College**  
**Notes to the Accounts (continued)**

**12 Investments**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments in subsidiary companies				
Investments in associate companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13 Debtors**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade debtors	497	497	341	341
Other debtors	2	2	334	334
Amounts owed by group undertakings:				
Subsidiary undertakings		1,487		4
Associate undertakings				-
Prepayments and accrued income	1,738	373	394	374
Amounts owed by the [Skills Funding Agency/EFA]	156	156	106	106
<b>Total</b>	<u><b>2,394</b></u>	<u><b>2,516</b></u>	<u><b>1,175</b></u>	<u><b>1,159</b></u>

**14 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts				
Obligations under finance leases	19	19		
Payments received in advance	460	460	117	117
Trade creditors	342	342	460	460
Amounts owed to non-controlling interests	1,447			
Amounts owed to group undertakings:				
Subsidiary undertakings				
Associate undertakings				
Corporation tax				
Other taxation and social security	493	379	360	360
Accruals	4,283	3,414	1,616	1,616
Amounts owed to the Skills Funding Agency	47	47	39	39
<b>Total</b>	<u><b>7,091</b></u>	<u><b>4,661</b></u>	<u><b>2,592</b></u>	<u><b>2,592</b></u>

**15 Creditors: amounts falling due after one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred funding grants	992	992	1,382	1,382
Obligations under finance leases	74	74		
Loans from subsidiary and associate companies		58		58
Other loans	1,818			
<b>Total</b>	<u><b>2,884</b></u>	<u><b>1,124</b></u>	<u><b>1,382</b></u>	<u><b>1,440</b></u>

**Nescot College**  
**Notes to the Accounts (continued)**

**16 Borrowings**

**Finance leases**

The net finance lease obligations to which the college is committed are:

	<b>Group 2014 £'000</b>	<b>College 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>College 2013 £'000</b>
In one year or less	19	19	0	0
Between two and five years	74	74	0	0
In five years or more	0	0	0	0
<b>Total</b>	<b><u>93</u></b>	<b><u>93</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**Operating leases**

The net operating lease obligations to which the college is committed are:

	<b>Group 2014 £'000</b>	<b>College 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>College 2013 £'000</b>
In one year or less	106	106	0	0
Between two and five years	106	106	0	0
In five years or more	0	0	0	0
<b>Total</b>	<b><u>212</u></b>	<b><u>212</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**17 Provisions for liabilities and charges**

	<b>Restructuring £'000</b>	<b>Group and College Enhanced pensions £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2013	3	108	0	111
Expenditure in the period	-3			-3
Transferred from income and expenditure	37	24	415	476
<b>At 31 July 2014</b>	<b><u>37</u></b>	<b><u>132</u></b>	<b><u>415</u></b>	<b><u>584</u></b>

**18 Contingent liability**

At the 31st July 2014 the college had in place a performance guarantee of SR (Saudi Riyals) 28,455,000 (sterling equivalent £4,964,950 at 31st July 2014) and an advanced payment guarantee of SR 5,947,200 (sterling equivalent £938,992 at 31st July 2014) issued on behalf of Nescot Consortium Ltd, a limited liability company, in favour of Colleges of Excellence of Saudi Arabia, in respect of the Nescot Jeddah Female College, for which it has a five year contract to operate. On the 14th August 2014, the advanced payment guarantee was increased to 10,200,000 SR (sterling equivalent £1,629,960 at the date of issue).

**19 Deferred capital grants**

	<b>Group and College Funding body £'000</b>	<b>Other grants £'000</b>	<b>Total £'000</b>
At 1 August 2013	3,977	-	3,977
Cash received	7,393	-	7,393
Released to income and expenditure account	(174)	-	(174)
<b>At 31 July 2014</b>	<b><u>11,196</u></b>	<b><u>-</u></b>	<b><u>11,196</u></b>

**Nescot College**  
**Notes to the Accounts (continued)**

**20 Revaluation reserve**

	<b>Group</b>	<b>College</b>	<b>Group</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August	11,163	11,163	11,463
Revaluations in the period (as per note 12)	-	-	-
Transfer from revaluation reserve to general reserve in respect of:			
Disposals	-		
Depreciation on revalued assets	(535)	(535)	(300)
Accelerated release of revaluation reserves relating to the property strategy (note 31)	-	-	-
<b>At 31 July</b>	<b><u>10,628</u></b>	<b><u>10,628</u></b>	<b><u>11,163</u></b>

**21 Movement on general reserves**

	<b>Group</b>	<b>College</b>	<b>Group</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income and expenditure account reserve</b>			
At 1 August	3,196	3,122	410
(Deficit)/surplus retained for the year	559	442	716
Cost of investment, foreign exchange loss	(5)		
Transfer from revaluation reserve	535	535	300
Actuarial loss in respect of pension scheme	(1,961)	(1,961)	1,770
<b>At 31 July</b>	<b><u>2,324</u></b>	<b><u>2,138</u></b>	<b><u>3,196</u></b>
Balance represented by:			
Pension reserve	(9,829)	(9,829)	(7,950)
Income and expenditure account reserve excluding pension reserve	12,153	11,967	11,146
<b>At 31 July</b>	<b><u>2,324</u></b>	<b><u>2,138</u></b>	<b><u>3,196</u></b>

**22 Non-controlling interest**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	-	-
Investment at closing rate	32	-
Post-acquisition reserves	88	-
<b>At 31 July</b>	<b><u>120</u></b>	<b><u>-</u></b>

**Nescot College**  
**Notes to the Accounts (continued)**

**23 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	418	716
Depreciation (note 10)	2,002	1,584
Deferred capital grants released to income (note 16)	(174)	(574)
(Loss)/profit on disposal of tangible fixed assets	-	-
Interest receivable (note 4)	(37)	(52)
FRS 17 pension cost less contributions payable (note 23)	(201)	(131)
FRS 17 pension finance costs (note 8)	119	256
(Increase)/decrease in stocks	(9)	2
(Increase)/decrease in debtors	(2,723)	(490)
Increase/(decrease) in creditors	7,436	765
Increase/(decrease) in provisions	473	(165)
Release of long-term creditor	250	
Forex gain/loss on closing v average rates	250	
<b>Net cash inflow from operating activities</b>	<b><u>7,803</u></b>	<b><u>1,911</u></b>

**24 Returns on investments and servicing of finance**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments		
Other interest received	38	52
Interest paid	(316)	
Interest element of finance lease rental payment	-	-
Income from issue of shares	79	
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b><u>(199)</u></b>	<b><u>52</u></b>

**25 Capital expenditure and financial investment**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(13,973)	(3,692)
Payments to acquire endowment assets	-	
Sales of tangible fixed assets		
Receipt from sale of endowment assets		
Deferred capital grants received	7,394	2,938
Endowments received		
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(6,579)</u></b>	<b><u>(754)</u></b>

**Nescot College**  
**Notes to the Accounts (continued)**

**26 Analysis of changes in net funds**

	At 1 August 2013 £'000	Cash flows £'000	Other changes £'000	At 31 July 2014 £'000
Cash in hand, and at bank	6,900	1,027	-	7,927
Endowment asset investments (note14)			-	-
Overdrafts	-	-	-	-
	<u>6,900</u>	<u>1,027</u>	<u>-</u>	<u>7,927</u>
Debt due within 1 year			-	-
Debt due after 1 year			-	-
Finance leases	-	(93)	-	(93)
Current asset investments			-	-
<b>Total</b>	<u><u>6,900</u></u>	<u><u>934</u></u>	<u><u>-</u></u>	<u><u>7,834</u></u>

**27 Major non-cash transactions**

**Provision for retrospective loyalty payment**

A provision of £415,000 was made for a one-off loyalty payment of 1% to staff in post for the whole of the 13/14 academic year.



**Nescot College**  
**Notes to the Accounts (continued)**

**28 Pension and similar obligations**

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

<b>Total pension cost for the year</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Teachers Pension Scheme: contributions paid	1,122	1,086
Local Government Pension Scheme:		
Contributions paid	882	729
FRS 17 charge	<u>(201)</u>	
Charge to the Income and Expenditure Account (staff costs)	681	729
Enhanced pension charge to Income and Expenditure Account (staff costs)		3
<b>Total Pension Cost for Year</b>	<u><b>1,803</b></u>	<u><b>1,818</b></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 July 2014

**Teachers' Pension Scheme**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Individuals employed by colleges incorporated under the Further and Higher Education Act 1992 are eligible to join TPS. Teachers and lecturers are able to opt out of the TPS. The Teacher's Pension Scheme is an unfunded public sector scheme which is now regulated under the 2013 Public Sector Pension Act. This requires the government actuary to prepare an actuarial valuation in accordance with Hm Treasury regulations. The valuation assesses the actual scheme liabilities and notional assets assuming that the money contributed by employers and employees earns a real rate of return.

The most recent valuation of the Teacher's Pension Scheme was published in June 2014 and reports on the position of the scheme as at 31 March 2012. The valuation reports scheme liabilities of £191.5 billion and notional assets of £176.6 billion which translates into a funding level of 92%. The valuation uses a number of short-term and long-term assumptions which are common across all public service schemes. The long-run assumption is that average salary growth will be 4.75%, pension increases 2% and the discount rate 5.06%.

The valuation will result in an increase in the employer contributions from September 2015 from 14.1% to 16.48% to recover the deficit over a 15 year period. The higher contribution level is due to apply for a four year period to 31 March 2019. Employee contributions have also risen and are now linked to individual income levels. Average employee contributions rose from 6.4% to 9.6% between 2012 and 2015.

Latest actuarial valuation (under the new provisions)	31 March 2012
Actuarial method	Prospective benefits
Investment returns per annum	5.06 per cent per annum
Salary scale increases per annum	4.75 per cent per annum
Notional value of assets at date of last valuation	£176,600 million

Proportion of members' accrued benefits covered by the notional value of the assets	92.22%
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**Nescot College**  
**Notes to the Accounts (continued)**

**28 Pension and similar obligations (continued)**

**FRS 17**

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

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

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Surrey County Council. The total contribution made for the year ended 31 July 2014 was £1,054,000, of which employer's contributions totalled £862,000 and employees' contributions totalled £192,000. The agreed contribution rates for future years are 21.4 per cent for employers and **range from 5.5% to 12.5% cent** for employees.

**FRS 17**

<b>Principal Actuarial Assumptions</b>	<b>At 31 July 2014</b>	<b>At 31 July 2013</b>
Rate of increase in salaries	4.00%	5.10%
Rate of increase for pensions in payment / inflation	2.70%	2.80%
Discount rate for scheme liabilities	4.00%	4.60%
Inflation assumption (CPI)	0.00%	0.00%
Commutation of pensions to lump sums	0%	0%

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

	<b>At 31 July 2014</b>	<b>At 31 July 2013</b>
<i>Retiring today</i>		
Males	22.50	21.90
Females	24.60	24.00
<i>Retiring in 20 years</i>		
Males	24.50	23.90
Females	26.90	25.90

**\*Not required by FRS 17 (Revised) but may be disclosed if the information is provided by the actuary**

**Nescot College**  
**Notes to the Accounts (continued)**

**28 Pension and similar obligations**

**Local Government Pension Scheme (Continued)**

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

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014  £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013  £'000
Equities	6.60%	16,893	6.40%	15,288
Bonds	3.60%	3,465	3.80%	3,219
Property	4.70%	1,083	4.60%	1,006
Cash	3.60%	217	3.40%	603
<b>Total market value of assets</b>		<b><u>21,658</u></b>		<b><u>20,116</u></b>
Present value of scheme liabilities				
- Funded		(31,360)		(27,952)
- Unfunded		(127)		(114)
Related deferred tax liability		<u>0</u>		<u>0</u>
<b>Surplus/(deficit) in the scheme</b>		<b><u>(9,829)</u></b>		<b><u>(7,950)</u></b>

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

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	681	598
Past service cost	0	0
Curtailments & settlements	0	0
Total operating charge	<u>681</u>	<u>598</u>

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

	2014 £'000	2013 £'000
Expected return on pension scheme assets	1168	828
Interest on pension liabilities	(1,287)	(1,084)
<b>Pension finance income / (costs)</b>	<u>(119)</u>	<u>(256)</u>

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

	2014 £'000	2013 £'000
Actuarial gains/(losses) on pension scheme assets	293	2,349
Actuarial gains/(losses) on scheme liabilities including CPI credit of £nil (2013 £nil)	(2,254)	(579)
<b>Actuarial loss recognised in STRGL</b>	<u>(1,961)</u>	<u>1,770</u>

**Nescot College**  
**Notes to the Accounts (continued)**

**28 Pension and similar obligations**

**Local Government Pension Scheme (Continued)**

**Movement in surplus/(deficit) during year**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(7,950)	(9,595)
Movement in year:		
Employer service cost (net of employee contributions)	(681)	(598)
Employer contributions	873	721
Contributions in respect of unfunded benefits	9	8
Past service cost	-	-
Impact of settlements and curtailments	-	-
Net interest/return on assets	(119)	(256)
Actuarial gain or loss	(1,961)	1,770
<b>(Deficit)/Surplus in scheme at 31 July</b>	<b><u>(9,829)</u></b>	<b><u>(7,950)</u></b>

**Asset and Liability Reconciliation**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	28,066	26,464
Service cost	681	598
Interest cost	1,287	1,084
Employee contributions	191	179
Liabilities assumed in a business combination	-	-
Actuarial (gain)/loss	2,254	579
Benefits paid	(992)	(838)
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Liabilities at end of period*</b>	<b><u>31,487</u></b>	<b><u>28,066</u></b>

**Reconciliation of Assets**

<b>Assets at start of period</b>	20,116	16,869
Expected return on assets	1,168	828
Actuarial gain/(loss)	293	2,349
Employer contributions	882	729
Employee contributions	191	179
Benefits paid	(992)	(838)
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
<b>Assets at end of period</b>	<b><u>21,658</u></b>	<b><u>20,116</u></b>

**Nescot College**  
**Notes to the Accounts (continued)**

**28 Pension and similar obligations**

**Local Government Pension Scheme (Continued)**

**History of experience gains and losses**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Difference between the expected and actual return on assets:					
Amount £'000*	293	2,349	(773)	194	1,649
Experience gains and losses on scheme liabilities:					
Amount £'000*	347	(2)	(328)	455	31
Total amount recognised in STRGL:					
Amount £'000*	-1961	1,770	(3,374)	1,559	923

**29 Capital commitments**

	<b>Group and College</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>539</u>	<u>682</u>
Authorised but not contracted at 31 July	<u>NIL</u>	<u>NIL</u>

**Nescot College**  
**Notes to the Accounts (continued)**

**30 Amounts disbursed as agent**

<b>Learner support funds</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship support	343	297
Funding body grants – childcare	50	72
Funding body grants – residential bursaries	0	0
Other Funding bodies grants	14	9
Interest earned	<u>0</u>	<u>0</u>
	407	378
Disbursed to students	(304)	(281)
Staffing		
Administration costs	(19)	(19)
Audit fees		
Amount consolidated in financial statements		
Balance unspent as at 31 July, included in creditors	<u><u>84</u></u>	<u><u>78</u></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. Any income and expenditure consolidated in the College's financial statements relates to the payment of exam, registration and trip fees, and the purchase of books from the access fund on the student's behalf.

**Nescot College**  
**Notes to the Accounts (continued)**

**31 Foreign exchange losses**

	<b>SAR (Saudi Riyal)</b>	<b>£</b>	<b>Rounded £'000</b>	<b>Parent (60%) £'000</b>	<b>NCI (40%) £'000</b>
NCL profit for the year	1,398,963				
at closing rate (consolidated statement of financial position)	6.3336	220,880	221		
at average rate (consolidated statement of comprehensive income)	6.197575	225,727	226		
Loss		<u>(4,848)</u>	<u>(5)</u>	<u>(3)</u>	<u>(2)</u>

Cost of investment losses (COI) for the year

	<b>SAR (Saudi Riyal)</b>	<b>£</b>	<b>Rounded £'000</b>
NCI investment	200,000		
at closing rate	6.3336	31,578	32
at acquisition rate	5.73263	34,888	35
Loss		<u>(3,310)</u>	<u>(3)</u>

**32 Related party transactions**

Related party transactions are undertaken at mutually agreed terms and approved by management of both companies.

<b>Name of entity</b>	<b>Nature of relationship</b>	<b>Amount of transaction during the period £'000</b>	<b>Closing balance receivable/(payable) £'000</b>
Nescot Business Services Ltd	Subsidiary		
Nescot Consortium Ltd (NCL)	Subsidiary		
Sunaina Mann	Significant control, Nescot and all subsidiaries		
Chris Ball	Key Management, Nescot and NCL		
<b>Transactions with</b>	<b>Nature of transaction</b>		
Nescot Business Services Ltd	Funds loaned to purchase shares in NCL	52	52
Nescot Consortium Ltd (NCL)	Funds loaned for capital & revenue expenses for start-up of company	1,258	1,258
Nescot Consortium Ltd (NCL)	Funds loaned for expenses of providing bonds to Colleges of excellence	177	177
		<b>1,487</b>	<b>1,487</b>
Sunaina Mann	Flights, accommodation and subsistence recharged by Nescot to NCL	79	115
Sunaina Mann	Consultancy recharged by Nescot to NCL	120	140
Chris Ball	Flights, accommodation and subsistence recharged by Nescot to NCL	2	2
Chris Ball	Consultancy recharged by Nescot to NCL	55	55