



*The Camden College*

**REGISTRAR OF COMPANIES**

**WORKING MEN'S COLLEGE  
CORPORATION**

**(A company limited by guarantee and not having a share capital)**

**Report and Financial Statements  
For the Year Ended 31 July 2013**



Company Registration Number (England and Wales) 8894  
Charity Registration Number 312803

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## **The Board of Governors' Operating and Financial Review**

The Board of Governors, who are directors for the purposes of the Companies Act and trustees for the purposes of the Charities Act, hereinafter referred to as the Corporation, present their Annual Report and Financial Statements of the Working Men's College Corporation (the College) (WMC) for the year ended 31 July 2013

### ***Nature, Objectives and Strategies***

#### **Legal Status**

The Working Men's College Corporation is a 'Specialist Designated Institution' (SDI) under the Further and Higher Education Act 1992. It is also a company limited by guarantee not having a share capital and it is a registered charity. The College is subject to the legal framework governing the Further Education sector, including the rules set from time to time by the Department for Business, Innovation & Skills (DBIS), the Department for Education (DFE), the Skills Funding Agency (SFA) and the Education Funding Agency (EFA). The College is also subject to the requirements of the Companies Acts and the Charities Act.

The College's financial affairs are governed by Financial Memoranda with the SFA and EFA. In addition the College, as a charitable company limited by guarantee, is governed by the charitable company's memorandum and articles of association.

The College is an exempt charity within the meaning of the Charities Act 2011. It also meets the definition of a charitable company for UK corporation tax purposes as set out in Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains covered by the relevant legislation, provided that they are applied to exclusively charitable purposes.

#### **Mission**

To be a learner-centred college dedicated to widening access to education for all, that will provide opportunities for lifelong learning and improving employment prospects, for the diverse range of London adults who may not be able to study full time, particularly local people who have missed out on their initial education.

#### **Objectives**

*Working Men's College aims to*

- Provide an outstanding education for adults, in which all learners can achieve their personal, educational and training goals and maximise their potential
- Provide an inclusive learning environment with all the support necessary to promote equality and diversity, freedom of expression and social responsibility
- Meet the needs of the local communities with programmes which promote community cohesion and address the problems of disadvantage and deprivation, especially by providing opportunities for local residents to improve their language, literacy and numeracy skills

- Work in partnership with the London Borough of Camden, other colleges and providers, local voluntary organisations, funding bodies and others who share our goals
- Work with local employers to meet the demands of a skills-based economy, and with local people to ensure they can get the skills needed to get local jobs
- Celebrate its unique history and engage positively with the past, while finding new ways to pursue its founders' aims into the 21st century

### **Strategic Planning**

The College produced a new three-year development plan for the period 2012-15, which was approved by the Corporation in July 2013. The College's key priorities to 2015 are set out below

- Provide the best possible learning experience
  - Develop an organisational culture that aspires to excellence in all its activities
  - Develop alternative methods of curriculum delivery which add value to the student's learning experience
- Provide disadvantaged communities and groups, especially in Camden, with a second chance at education and the skills and opportunities to get jobs
  - Provide learning opportunities for people and groups who find education hard to reach and whom we have not worked with before
  - Offer high quality provision with liberal arts at its centre to a wide range of diverse learners
- Work with employers and partners
  - Work with local employers, particularly in the Kings Cross area, to develop the skills of their workforce
  - Develop partnerships with local organisations to increase participation in adult education
- Meet the challenge of a financial climate whose only predictable feature is that there will be sharply decreasing public expenditure
  - Diversify the College's income sources, including raising the total fee income to a minimum of 25% of total income
  - Invest in premises/initiatives which will enable this diversification

### **Ofsted Inspection**

Working Men's College was inspected in March 2013 and received an outstanding report from Ofsted. It becomes the first London college, and one of only five colleges nationally, to be graded Outstanding overall by Ofsted since the introduction of the new inspection framework

The College's grades are summarised below

• Overall Provision	Outstanding
• Outcomes for Learners	Outstanding
• Quality of Teaching, Learning and Assessment	Outstanding
• Effectiveness of Leadership and Management	Outstanding
• Subject Visual Arts	Outstanding
• Subject English for Speakers of Other Languages	Outstanding

The College is not expecting a further Ofsted inspection for at least 2-3 years

### **Accommodation Strategy**

#### *Phase 1, 2006-08*

The College developed an accommodation strategy in 2005, and Phase 1 of this was implemented during 2006-08. The cost of the phase 1 capital works was £4.7m, funded by LSC grants totalling £1.3m, the College's own reserves of £2.0m, and a long term loan of £1.4m. It provided a new building at the rear of the College providing a café and library for students, refurbishment of the old gymnasium to provide new classrooms, internal accessibility to Disability Discrimination Act (DDA) standards, two new lifts and new energy-efficient boilers.

#### *Phase 2 and External Maintenance Works, 2010-12*

Phase 2 of the accommodation strategy was carried out during 2010-12. The cost of the works was £2.1m, funded by SFA grants of £0.65m and College reserves of £1.45m. £0.55m of the expenditure was revenue and the remainder capital. It provided a new main entrance incorporating a disabled access lift and a new reception area, roof space offices for staff, a new internal staircase, linking between different levels within the College and repairs to the boundary wall. This phase also included major external maintenance works, including repair of chimney stacks, roofs, windows and brick/stonework.

The main contractor went into liquidation in April 2012 and the works were completed in September 2012 by a replacement contractor. The sums in these accounts are produced on the basis, backed up by advice received from the College's professional team, that no additional payments are expected to be due to the former contractor's liquidators.

### **General Financial Objectives**

The College's general financial objectives were last revised in 2009/10 and are as follows:

- To maintain
  - Cash days greater than 25
  - A current ratio greater than 1.6:1
  - An operating surplus greater than 3% of income
  - Borrowing less than 30% of total reserves plus debt
  - General reserves greater than 100% of income
- To achieve SFA financial health category Outstanding, and to return to category Outstanding within 3 years of any major capital works programme

In 2012/13, 4 out of 6 of the financial objectives were met, as follows

	Outcome	Met
- Cash days greater than 25	73 83	Yes
- A current ratio greater than 1 6 1	1 90	Yes
- An operating surplus greater than 3% of income	2 63%	No
- Borrowing less than 30% of total reserves plus debt	14 1%	Yes
- General reserves greater than 100% of income	83 6%	No
- Financial health category	Outstanding	Yes

### Investment Fund Objectives

The College's investment fund financial objectives were formally revised in November 2011 and are as follows

- To review fund management objectives regularly
- To achieve a balance between income and capital growth
- To achieve a total return of inflation +4%
- To seek to invest the funds in the following proportions
  - All in Newton's Global Growth and Income Fund for Charities (GGIFC)

At 31 July 2013, the proportions of investments by type were as follows

- 100% (£3,587k) in the Newton Global Growth & Income Fund for Charities

### Performance Indicators

#### SFA and EFA Funding

In 2012/13 the College's expected performance against the Skills Funding Agency's and Education Funding Agency's revenue and learner number targets is set out below

Funding Category		Target (SFA/EFA contract)	Outturn (Final Claim)	Difference (%)
16-18 Learner- Responsive Funding (EFA)	Learner Numbers	29	116	+300%
	SLNs <sup>1</sup>	16 47	47 24	+182%
	Funding Value	£80,630	£231,228	+187%
	ALS <sup>2</sup>	£14,721	£42,216	+187%

16-18 Apprenticeships Funding (SFA)	Funding Value	£15,959	£11,020	-31%
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Adult (19+) Learner-Responsive Funding (including 19+ Apprenticeships) (SFA)	Learner Numbers	- <sup>3</sup>	4,392	
	SLNs <sup>1</sup>	- <sup>3</sup>	1,108	
	Funding Value	£3,223,257	£3,363,562	+4.4%
	ALS <sup>2</sup>	£401,527	£219,304 <sup>4</sup>	-45%

Adult (19+) Safeguarded Learning Funding (SFA)	Funding Value	£230,460	£230,460	0%
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Total	Learner Numbers	- <sup>3</sup>	4,508	-
	SLNs <sup>1</sup>	- <sup>3</sup>	1,155	-
	Funding Value including ALS <sup>2</sup>	£3,966,554	£4,097,791	+3.3%

1 Standard Learner Numbers approximately a full-time equivalent

2 Additional Learner Support

3 No target set

4 ALS is not included in grant reconciliation for 2012/13

Overall the College delivered 3.3% in excess of its original contracted funding value for 2012/13. It outperformed its contract in respect of both young people and adults (excluding ALS, which is not counted in the grant reconciliation).

In 2012/13 the College had its SFA recurrent annual grant increased by £487,459 as a result of a transfer from Hampstead Garden Suburb Institute (HGSi). The College increased its activity in order to deliver this extra contract. See the history of College delivery below.

Year	SLN Target	Delivery SLN	Increase %
2007/08	689	703	
2008/09	682	714	+1.6%
2009/10	758	749	+4.9%
2010/11	741	810	+8.1%
2011/12	-	957	+18.1%
2012/13	-	1,155	+20.7%

The table below shows changes in effective funding rates across our provision, by comparing total funding received excluding ALS per SLN delivered over the past four years. Overall the rate we have received per SLN has continued to fall back over the period.

	Total contract funding per SLN delivered:				Difference %: 11/12 - 12/13
	2009/10	2010/11	2011/12	2012/13	
Total excluding ALS	£4,060	£4,006	£3,400	£3,073	-10%

This reflects a general tightening over the last three years of funding contracts and rates. In particular, there was a sharp fall in effective funding rates in 2011/12 caused by cuts in rates.

across the sector and the removal of premium funding for ESOL. These changes have required WMC to make big improvements in its efficiency.

### Other Funding

The table below shows the proportion of the College's income received in the form of direct funding council grants

Year	Direct Grants	Total Income	%
2007/08	£3,259k	£4,113k	79%
2008/09	£3,276k	£4,323k	76%
2009/10	£3,273k	£4,647k	70%
2010/11	£3,474k	£4,508k	77%
2011/12	£3,474k	£4,639k	75%
2012/13	£4,094k	£5,172k	79%

In 2012/13 the College's progress in diversifying its funding was reversed, with grant funding rising from 75% to 79%. This was largely a consequence of the additional recurrent grant received from the transfer from HGS1 and the disbandment of the Business Development Unit.

The value of the College's education contracts fell from £288k to £186k, a fall of -35%. There was one new contract of £89k, but this was more than offset by the end of contracts which had been originally taken over by the College from the former Camden ITEC.

Student fees increased from £661k to £691k, a rise of 4.5%.

### Student Performance

The College's students have had another very successful year. See the table below which shows student success for all college courses, as stated in our self-assessment report.

Year	Retention	Achievement	Success
2011/12 Final	92.4%	95.6%	88.4%
2012/13 Target	93.8%	97.0%	91.0%
2012/13 Current	94.4%	95.5%	90.1%
2012/13 Change over 2011/12	+2.0%	-0.1%	+1.7%

## **Financial Position**

### **Financial Results**

The College generated a surplus on continuing operations for the year to 31 July 2013 of £136,064. This compares with a surplus on continuing operations of £328,315 for 2011/12. There were some exceptional costs in 2012/13, notably preparation for and additional staffing costs arising from the Ofsted inspection.



Despite considerable pressure on the College's finances it has been able to generate an operating surplus for the tenth year in succession

Tangible fixed asset additions during the year totalled £681,908 (2011/12 £1,063,301) Most of this related to the phase 2 accommodation strategy See Note 9 and the section on the accommodation strategy above

### **Investments**

The worldwide conditions for financial markets continued to improve during 2012/13 after the crash in 2008/09 The College's investment portfolio produced net realised gains of just £2,772 (2011/12 £0) but net unrealised gains of £499,962 (2011/12 £32,492), leaving the total portfolio value at £3,586,970 (2011/12. £3,104,136) at 31 July 2013 See Note 10

### **Reserves**

As at 31 July 2013, general funds totalled £4,240,212 (2011/12 £3,878,476)

In addition, the 150<sup>th</sup> Anniversary Appeal Fund, for the future development of the College, totalled £84,915 (2011/12 £84,915)

The College also held restricted funds and endowments totalling £3,173,891 (2011/12 £2,877,319) These funds have been given to the College for particular purposes specified by donors, therefore are not available to the Corporation for general use.

### **Cash Flows**

Overall cash flow was positive for the year, at £88,468 (2011/12 negative (£435,314)) This year has the final remaining expenditure on phase 2 of the accommodation strategy

### **Long Term Loans**

The College has two existing loans one with Lloyds TSB for £1,000,000, drawn down in July 2007, and the other with Barclays for £500,000, drawn down in July 2008

At 31 July 2013 the total loan principal outstanding was £1,290,160 (2011/12 £1,345,325), of which £823,004 is owed to Lloyds TSB and £467,156 to Barclays See Note 12b

### **Post-Balance Sheet Events**

There are no post-balance sheet events to report

## ***Current and Future Development and Performance***

### **Curriculum Development, Management and Staff Restructuring**

#### **Restructuring**

During 2012/13 the College undertook small-scale restructuring of the IT Support team, Visual Arts Technicians and ESOL Outreach. Four members of staff were made redundant.

#### **Curriculum Changes in 2012/13**

Provision covers the full range of levels from entry (mainly Skills for Life) to level 4, with a significant volume of accreditation and well-mapped progression routes.

In 2012/13 there was growth across the College, in Arts and Humanities this was due to further growth of the short course provision aimed at being SFA fundable, but also bringing in sufficient fee income to cover delivery costs. In ESOL the balancing growth was due to our taking on the SFA contract previously held by Hampstead Garden Suburb Institute.

Access to HE was discontinued due to concerns about the future of level 3 courses for over 24s and in its place we delivered the Foundation Diploma in Art and Design, and were able to recruit a number of 18 year olds alongside adult learners. Short arts courses started the year before recruited higher numbers, bringing the overall average up again to 12.5, and indicating that the strategy of allowing new courses to run with low numbers at the beginning was paying off.

The expansion in the ESOL provision was housed by moving the higher levels to the Kentish Town centre, and we maintained a presence in Finchley with provision at the Green Man community centre.

New vocational offers in Health and Social Care and the introduction of Supporting Teaching and Learning at level 3 were successful.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998 requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2012 to 31 July 2013, the College achieved this target for invoices where there were no disputed costs. The College incurred no interest charges in respect of late payment for this period where the invoice had been received on time by the College.

## ***Resources***

The College has the following significant resources which it can deploy in pursuit of its strategic objectives

- Tangible resources totalling £6,445,534 (2011/12 £6,101,688), principally related to building works completed in 2008 and 2012 in Phases 1 and 2 of the Accommodation Strategy
- Investments and endowments totalling £3,586,970 (2011/12 £3,104,136)
- Long term debts (>1 year) of £1,231,588 (2011/12 £1,290,160)
- A staff base of 97 (2011/12 85) full-time equivalents, of which 64 (2011/12 51) are teachers We are continuing to invest in the professional development of our staff.
- A strong reputation locally, based on the quality of our services, the breadth of our community involvement and the continuing interest in our long and distinguished history

## ***Principal Risks and Uncertainties***

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

Based on the strategic plan, the Risk Management Group (RMG) undertakes a termly review of the risks to which the College is exposed This information is held in a Risk Register

The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks Risks are prioritised using a consistent scoring system The register also identifies systems, procedures and actions which should mitigate any potential impact on the College The internal controls are then implemented and the subsequent meeting of the RMG will check their effectiveness and the progress made

The Risk Register is also reviewed termly by the Audit Committee

Outlined below is a description of the highest rated risk factors that could affect the College, as identified by the Risk Management Group in May 2013 Not all the factors are within the College's control Other factors besides those listed below may also adversely affect the College

### ***Poor financial outturns caused by failure to make the necessary changes to deal with likely funding cuts over the next 3 years***

The outlook for the FE sector is still very uncertain The College has suffered significant cuts in funding rates over the past two years, but not yet cuts in overall grant levels It is looking to improve its marketing, implement further efficiency gains and expand fee-paying provision in order to mitigate the effect of possible future cuts

*Failure to innovate, find new contracts and funding streams and exploit existing funding streams*

Cuts in the College's funding are expected during the coming three years, with ESOL provision the most vulnerable. There will be increased competition from other providers and uncertainty caused by changes in the funding systems and the introduction of student loans on level 3 courses. The College has been looking to make bids for additional funding wherever possible, and to leverage its existing funding streams by shifting towards more fee paying courses.

*Failure of electronic systems*

Concerns have increased in the past year about the resilience of the College's electronic systems, and at the same time it is embarking on a change in its management information system. The College has conducted an externally-led review, the results of which are currently being implemented.

***Stakeholder Relationships***

The Working Men's College has an extensive range of relationships with local people and groups. These include our students and staff, funding bodies, especially the Skills Funding Agency, the London Borough of Camden, a range of local employers, local community groups, the other SDIs, especially the three based in London, and local FE colleges.

**Community Responsiveness and Employer Engagement**

The College has been implementing a successful community engagement strategy for many years, we have established provision at 28 local outreach venues, and built a number of proactive partnerships and close working relationships with the voluntary and community sector in central Camden. The community provision continues to take provision to students who would not otherwise access the College. Partners include community centres, refugee organisations, primary and secondary schools, tenants' associations, a housing trust, a local hospital, health centres, Camden Adult & Community Learning, the British Museum and local employers. These working relationships help identify and target disadvantaged learners in Camden. This year there has been very little additional funding to support this work, but it has continued with SFA funding, as a key part of the College mission.

The focus for our work is on ensuring local people have the opportunity to gain local employment and to this end we have been targeting the public sector, in particular Camden Council and health and care organisations, the King's Cross redevelopment and projects coming from the voluntary and community sectors. We also work with a wide range of voluntary and other organisations which provide specialist support to students to build self confidence and facilitate progression to work related training and employment, e.g. Camden Mind and Camden Carers.

Attempts to build an Apprenticeships programme to replace some of the previous Train to Gain provision have not so far been successful, and of the 10 students who had been recruited during 2011/12, only two completed their qualifications. Appointing an Employer Engagement Manager in January 2013 has enabled us to begin to rebuild employer

relationships, but as most interest comes from SMEs there is a need for alternative funding to facilitate growth in this area

### **Educational Links**

The College has a wide variety of strategic links with other educational institutions

The SFA (Skills Funding Agency) is our principal funder, and we are also funded by the EFA (Education Funding Agency) for 16-18s

The London 4 group of SDIs – the Working Men's College, the Mary Ward Centre, City Lit and Morley College – have a very long standing partnership which is used in a variety of constructive ways to address national, regional and local priorities

Middlesex University has had a partnership with the College to deliver our Foundation Degree, enabling students to progress to Middlesex to complete the work to obtain an Honours degree. This ended in July 2013. We also have partnerships with the Institute of Education and Greenwich University through which we provide placements for teacher trainees

The Camden Adult Learning Partnership has emerged this year as an important group as it has been agreed that this will be used to plan and evaluate Community Learning for Camden. WMC has been central to this development, running a successful community event and actively participating in the partnership steering group

### **Staff and Student Involvement**

The College considers good communication with staff and students to be vital.

The Corporation includes three staff members and two student members, and Quality and Standards Committee includes all academic managers and three student members. Staff and student bulletins and newsletters, are produced regularly, and the College Intranet is used to facilitate communication with staff. Most of the working parties and development groups within the College include staff and student representation. Sometimes it is difficult to secure the level of staff and student participation that is desirable because of the high proportion of teaching staff and students who are part-time.

The College has a well-developed student involvement policy, with a set of Student Representatives who are widely involved in College events, and meet regularly with College managers to give student feedback.

### **Equality of Opportunity**

The College's Policy on Equal Opportunities meets the requirements of the Race Relations Amendment Act 2000, Disability Discrimination Act 2005 and the Sex Discrimination Act as amended by the Equality Act 2006. WMC takes active steps to promote positive equality of opportunity in all aspects of its operations and the removal of discrimination within the College. WMC is strongly committed to inclusive education and addressing the needs of students. The College's Equal Opportunities Policy is published on its web site.

The College is committed to promoting equality of opportunity in all aspects of its operations. It recognises its legal responsibilities and is committed to taking all reasonable steps to ensure there is no discrimination against any student, member of staff or the public, on the grounds of race, disability, gender, religion/belief, sexual orientation and age. Monitoring systems have been introduced and performance targets identified. The College has established an Equality & Student Involvement Steering Group to progress this work, together with a Disability Forum which specifically addresses issues relating to students and staff with disabilities and learning difficulties.

### **Employment of Disabled Persons**

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

### **Disability Statement**

The College's mission is to be a learner-centred college dedicated to providing opportunities for lifelong learning for the diverse range of London adults who may not be able to study full time, particularly those who have missed out on their initial education.

As part of its commitment to inclusive education and equality of opportunity the College welcomes students with learning difficulties and disabilities. We endeavour to be flexible and match the learning support to each student's individual needs as set down in the Disability Discrimination Act 2005.

The aims of the College include

- identifying and responding to individual student needs, to continually improve students' learning experience
- ensuring all students achieve their full potential through the provision of a high quality student centred learning environment
- actively promoting equality of opportunity for all students
- ensuring appropriate steps are taken to guarantee that a disabled student is not placed at a substantial disadvantage in comparison with a student who is not disabled

This statement outlines the application process prospective students, carers and helpers should use when applying for a place at the College, and explains how to find out whether the College can support specific needs.

#### *Scope*

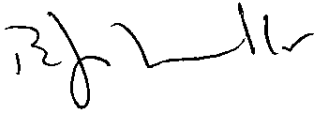
If a student has a learning difficulty or disability, they may be entitled to extra support to help achieve their learning goals. Examples of disabilities include, but are not restricted to

- physical disability
- hearing impairment
- visual impairment
- specific learning difficulty such as dyslexia
- learning difficulty

- mental health
- chronic conditions such as ME

**Signed on behalf of the Corporation**

**Date**      17/2/13

**Chair**        
TOM SCHULLER

***Professional Advisors***

<b>Financial Statements &amp; Regularity Auditors</b>	<b>Internal Auditors (to July 2013)</b>
Buzzacott LLP 130 Wood Street London EC2V 6DL	MHA MacIntyre Hudson New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ
<b>Investment Managers</b>	<b>Solicitors</b>
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<b>Loan Finance.</b>	<b>Loan Finance</b>
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<b>Bankers</b>	<b>Surveyors</b>
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Norman Bromley Partnership LLP Bridge House, 97-101 High Street Tonbridge Kent TN9 1DR	Glanville Cornerstone House, 62 Foxhall Road Didcot Oxon OX11 7AD
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Michael Mitchell 71 Durham Road London N2 9DR	Paul Murphy Architects The Foundry, 7 Glenthorne Mews London W6 0LJ
<b>Quantity Surveyors</b>	<b>Tax Advisors</b>
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<b>Solicitors (Building Project)</b>	
MCMS 45 Tabernacle Street London, EC2A 4AA	



## Statement of Corporate Governance and Internal Control

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

In the opinion of the Members of the Corporation, the College complies with all the provisions of the Code in so far as they apply to the Further Education sector and it has complied throughout the year ended 31 July 2013.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 18 July 2012.

### Governors of the Corporation

The Governors who served on the Corporation during the year ending 31 July 2013 and up to the date of signature of this report are listed below. Resignations and appointments during the year are indicated by \*

Name	Date of (Re-) Appointment	Date First Appointed	Term of Office	Date of Resignation	Status of Appointment	Committees
Margaret Alexander	31/03/2011	16/03/2005	3 Years		Appointed	A, Q(Ch), R, S
Kate Bell (Vice Chair)	28/03/2012	16/07/2008	3 Years		Appointed	F, R, S
Philip Badman	14/12/2011	14/12/2011	3 Years		Appointed	A(Ch)
Barbara Burman	27/03/2013	16/07/2008	3 Years	17/07/2013	Appointed	Q
Severine Campos	27/03/2013	27/03/2013	1 Year		Nominated Student	Q
Lucy de Groot (Vice Chair)	28/03/2012	28/03/2007	3 Years		Appointed	F, R, S
Nigel Franklin	31/03/2011	Pre-31/12/1991	3 Years		Appointed	F, Q
Satnam Gill	01/02/1999	01/02/1999	Ex Officio		Principal	F, Q, S
Ruth Hawthorn	31/03/2011	24/03/2004	3 Years	17/07/2013	Appointed	Q
Martin Jones (Vice Chair)	28/03/2012	12/12/2001	1 Year	12/12/2012	Appointed	A, R, S
Shingo Nakatani	13/07/2011	16/03/2005	3 Years		Nominated T Staff	Q
Kazi Nessa	15/12/2010	15/12/2010	3 Years		Nominated Bus Staff	-
David Offenbach	27/03/2013	17/10/2001	3 Years		Appointed	F(Ch), S
Abdul Quadir	31/03/2011	17/07/2002	3 Years		Appointed	F
Erik Richards	28/03/2012	28/03/2012	1 Year	27/03/2013	Nominated Student	A, Q

Michal Sasadeusz	27/03/2013	27/03/2013	1 Year	27/03/2013	Nominated Student	A, Q
Tulip Siddiq	17/12/2012	17/12/2012	3 Years		Appointed	
Tom Schuller (Chair)	27/03/2013	17/12/2008	3 Years		Appointed	R, S
Ivy Simmonds	28/03/2012	28/03/2012	1 Year	27/03/2013	Nominated Student	Q
Paula Whittle	27/03/2013	15/07/2009	3 Years		Appointed	Q

*Key to committees*

A	Audit	R	Remuneration
S	Search	Q	Quality and Standards
F	Finance, Personnel and Development	(Ch)	Committee Chair

There were four Appointed Governor vacancies as at 31 July 2013. An appointment process by advertisement was put in place during the summer term 2013. Four appointments were recommended on 12 September 2013 by a Panel of the Search Committee, for consideration at the next meeting of the WMC Corporation on 11 December 2013.

The Articles of Association for WMC Corporation were last amended and approved by the Department of Business, Innovation and Skills (BIS) and adopted by the Corporation on 7 July 2010.

The Revised Articles of Association included provision for retirement by rotation for Appointed Governors; organised via three cohorts to avoid uneven bunching of consideration of re-appointments.

The Principal is, ex officio, a Nominated Governor. The date of his appointment as a Nominated Governor and the date of his retirement or removal from office are determined by the Appointed Governors.

The Working Men's College Corporation is a Company Limited by Guarantee and its Appointed Governors are also Members of the company. Every member undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, such amount as may be required but not exceeding five pence.

Alan Conway is the Clerk to the Corporation and Company Secretary.

### Fellows of the College

Fellows are honorary appointments of between five and seven years, intended for former or retiring governors, or other people who have served the College with distinction, or whose association may benefit the College. The Corporation Fellows are shown below.

Name	Date Appointed	Term of Office
Selwyn Midgen	31/03/2010	6 Years
Bipin Patel	30/03/2011	6 Years
Dame Ruth Silver	31/03/2010	6 Years
Baroness Janet Whitaker	31/03/2010	6 Years
Martin Jones	11/12/2012	6 Years

## Role of the Corporation

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 full Corporation meets at least termly. There were no Strategy Days held in 2012/13, as an OFSTED Inspection was impending and a Strategy Day has been scheduled for October 2013. The other committees meet at least once each term with the exception of the Search and Remuneration Committees which meet as required with Remuneration Committee meeting on at least one occasion a year.

The Corporation conducts its business through a number of committees, each chaired by a Governor. Each committee has terms of reference which have been approved by the full Corporation. The committees which operated during the year were

- Audit Committee
- Finance, Personnel and Development Committee
- Quality and Standards Committee
- Remuneration Committee
- Search Committee

Full minutes of all meetings, except those deemed by the Corporation to be confidential, are available from the Clerk to the Corporation, Alan Conway, at

Working Men's College  
44 Crowndale Road  
London  
NW1 1TR

Minutes for Corporation and Corporation AGM meetings can be downloaded from the Governors' page of the College Website  
<http://www.wmcollege.ac.uk/pages/working-mens-college-governors.aspx>

The Governors receive no remuneration for their services, but are entitled to claim out of pocket expenses. £726 was claimed by three governors (comprising the sums £390, £194 and £143) for the year to 31 July 2013 (£15 in 2011/12, claimed by one governor). The Clerk to the Corporation maintains a register of financial and personal interests of the Governors and the Senior Post Holders of the College. The register is available for inspection on application to him.

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 that could materially interfere with the exercise of their independent judgement.

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee comprising seven Governors, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate induction and training is provided as required. Members of the Corporation are appointed initially for a term of office not exceeding three years.

### **Remuneration Committee**

The Remuneration Committee comprises five Governors (excluding the Principal). 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 2013 are set out in note 6 to the financial statements.

### **Audit Committee**

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

The Audit Committee meets three times during the year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Skills Funding Agency as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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. The appointment of financial statements auditors is an item of business for the WMC Corporation AGM

## **Internal Control**

### **Scope of Responsibility**

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the Skills Funding Agency. He 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 within Working Men's College for the year ended 31 July 2013 and up to the date of approval of the Annual Report and Financial Statements

### **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 2013 and up to the date of approval of the Annual Report and Financial Statements. 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

Working Men's College has an internal audit service, which operates in accordance with the requirements of the relevant 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 College's Governing Body on the recommendation of the Audit Committee. At minimum annually, the internal auditors provide the Governing Body with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of internal control, risk management controls and governance processes, including internal financial control.

### 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 regularity auditors in their management letters and other reports

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

The College's Senior Management Team (SMT) 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 SMT and the Audit Committee also receive regular reports from the internal auditors, 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 SMT and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Audit Committee receives a report from the Risk Management Group at each of its meetings. The report updates the Risk Register, which is then recommended for adoption by the Corporation. At its December 2013 meeting the Corporation will carry out the annual assessment for the year ended 31 July 2013 by considering documentation from the SMT and internal audit, and taking account of events since 31 July 2013.


#### **Public Benefit**

The Governors of the Corporation confirm that they have considered the Charity Commission's general guidance on public benefit when reviewing the College's aims and objectives and in planning future activities and setting policies for the year.

#### **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 the going concern basis has been used in preparing the financial statements for the year ended 31 July 2013.

**Signed**



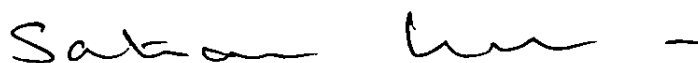
**Date**

11/12/13

**Chair**

**Tom Schuller**

**Signed**



**Date**

11/12/13

**Principal**

**Satnam Gill**

## **Statement of the Responsibilities of the Governors of the Corporation**

The Governors of the Corporation (who are also the directors of the company for the purpose of the Companies Act and trustees for the purposes of the Charities Act) are required to present audited financial statements for each financial year

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College (the Corporation) through the Principal, the Corporation is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the “Accounts Direction for 2012-13 Financial Statements” issued jointly by the Skills Funding Agency and the Education Funding Agency, 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 also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College

The Corporation is responsible for ensuring that adequate accounting records that disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements comply with the Companies Act 2006 are kept. The Corporation is also responsible for ensuring that the assets of the College are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the Governors of the Corporation confirms that

- so far as the Governor is aware, there is no relevant audit information of which the College's auditors are unaware, and
- the Governor has taken all steps that they ought to have taken as a director/trustee in order to make themselves aware of any relevant audit information and to establish that the College's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

The maintenance and integrity of the Working Men's College website is the responsibility of the Governing Body of the College, the work carried out by the auditors does not involve



consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Governors 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 are used only in accordance with the Financial Memorandum with the SFA and any other conditions that the SFA may prescribe from time to time. Governors 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, Governors 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 are not put at risk.

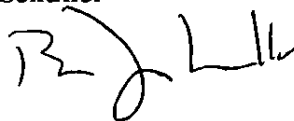
**Signed on behalf of the Corporation**

**Date**

11/12/13

**Chair**

**Tom Schuller**



## **Independent auditor's report to the Members of the Corporation of Working Men's College**

We have audited the financial statements of Working Men's College for the year ended 31 July 2013 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Governors of the Corporation of Working Men's College and auditors**

As explained more fully in the Statement of Responsibilities, the Governors of the Corporation (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards' (APB's) Ethical Standards for Advisors.

### **Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2013 and of the College's surplus of income over expenditure, for the year then ended,
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions,
- have been prepared in accordance with the Companies Act 2006; and
- the information given in the Board of Governors Operating and Financial Review is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Governors' remuneration specified by law are not made, or
- we have not received all the information and explanation we require for our audit

**Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council**

In our opinion

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



**Katharine Patel, Senior Statutory Auditor  
for and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL**



**Date**

## **Independent auditor's report on regularity to the Members of the Corporation of the Working Men's College ('the Corporation') and the Skills Funding Agency ('the SFA')**

In accordance with the terms of our engagement letter dated 2 April 2008 and further to the requirements of the SFA, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Working Men's College ('the College') for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the Corporation and the SFA. Our review work has been undertaken so that we might state to the Corporation and the SFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the SFA, for our review work, for this report, or for the opinion we have formed

### **Respective responsibilities of the Governors of the Corporation of Working Men's College and auditors**

The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the SFA. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the SFA. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure

### **Opinion**

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2013 has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them



19 December 2013

**Buzzacott LLP**

Date

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

**Working Men's College Corporation**  
**Income and Expenditure Account for the year ended 31 July 2013**

	Notes	Year ended 31 July 2013 £	Year ended 31 July 2012 £
<b>Income</b>			
Funding Council grants	1	4,093,730	3,474,491
Tuition fees and education contracts	2	876,377	949,600
Other income	3	62,472	87,043
Investment income (including income on endowment funds)	4	139,911	127,745
<b>Total Income</b>		<b>5,172,490</b>	<b>4,638,879</b>
<b>Expenditure</b>			
Cost of generating funds		2,654	18,971
Staff costs	5	3,367,696	2,898,803
Other operating expenses	7	1,253,586	1,055,038
Interest payable	7	74,428	76,967
Depreciation	9	338,062	260,785
<b>Total Expenditure</b>		<b>5,036,426</b>	<b>4,310,564</b>
<b>Surplus on continuing operations before tax</b>		<b>136,064</b>	<b>328,315</b>
Taxation	8	-	-
<b>Surplus on continuing operations after tax</b>		<b>136,064</b>	<b>328,315</b>

The income and expenditure account is in respect of continuing activities

## Working Men's College Corporation

### Statement of Total Recognised Gains and Losses for the year ended 31 July 2013

	Notes	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Surplus on continuing operations after depreciation of assets at valuation and tax		136,064	328,315
Realised gains on disposal of investments	10c	2,772	-
Unrealised gains on investments	10c	499,962	32,492
<b>Total recognised gains relating to the year</b>		<b>638,798</b>	<b>360,807</b>
<b>Reconciliation</b>			
Opening reserves and endowments		6,840,710	6,479,903
Total recognised gains for the year		638,798	360,807
<b>Closing reserves and endowments</b>		<b>7,479,508</b>	<b>6,840,710</b>



### Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2013

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Total recognised gains relating to the year	638,798	360,807
Less unrealised gains on investments	(499,962)	(32,492)
Difference between gains on disposal of investments on a historical cost basis and gains on disposal based on revalued amounts	0	(5,635)
<b>Historical cost surplus for the year before taxation</b>	<b>138,836</b>	<b>322,680</b>
<b>Historical cost surplus for the year after taxation</b>	<b>138,836</b>	<b>322,680</b>

**Working Men's College Corporation**  
**Balance Sheet as at 31 July 2013**

		31 July 2013 £	31 July 2013 £	31 July 2012 £	31 July 2012 £
	<b>Notes</b>				
<b>Fixed assets</b>					
Tangible fixed assets	9	6,445,534		6 101,688	
Investments	10a	<u>2 150 458</u>		<u>1 822 438</u>	
			8,595,992		7,924,126
<b>Endowment assets</b>	10b		<u>1,436,512</u>		<u>1,281,698</u>
			10,032,504		9,205,824
<b>Current assets</b>					
Debtors	11	235,387		287,758	
Cash at bank and in hand		<u>1,046,284</u>		<u>956,303</u>	
		1,281,671		1,244,061	
<b>Creditors amounts falling due within one year</b>	12	<u>(673,724)</u>		<u>(617,123)</u>	
<b>Net current assets</b>			607,947		626,938
<b>Total Assets less Current Liabilities</b>			<u>10,640,451</u>		<u>9 832 762</u>
<b>Creditors amounts falling due after more than one year</b>					
Bank Loan	12a		(1,231,588)		(1,290 160)
<b>NET ASSETS</b>			<u><u>9,408,863</u></u>		<u><u>8,542,602</u></u>
<b>Deferred capital grants</b>	13		1,929,355		1 701,892
<b>Endowments</b>					
Specific	15	189 997		182,701	
General	15	<u>1,246,515</u>		<u>1,098,997</u>	
		1 436 512		1,281,698	
<b>Reserves</b>					
Restricted reserve	16	1,717,869		1,595,621	
General reserve	16	4 240,212		3 878 476	
Designated Fund-150th Anniversary Appeal Fund		<u>84,915</u>		<u>84,915</u>	
		6 042 996		5 559 012	
			7 479,508		6 840 710
<b>TOTAL</b>			<u><u>9,408,863</u></u>		<u><u>8,542,602</u></u>

The financial statements on pages 27 to 43 were approved by the Governing Body on 11th December 2013 and were signed on its behalf by -

Principal   
SATNAM GILL  
Chair   
TOM SCHULLER

Working Men's College Corporation (Company Registration Number 0008894 (England and Wales))

**Working Men's College Corporation**  
**Cash Flow Statement for the year ended 31 July 2013**

	Notes	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Cash flow from operating activities	17	466,706	645,131
Returns on investments and servicing of finance	18	65,483	50,778
Capital expenditure and financial investment	19	(386,943)	(1,083,301)
Financing	20	(55,165)	(47,922)
<b>Increase/(Decrease) in cash in the year</b>	20	<b>90,081</b>	<b>(435,314)</b>

**Reconciliation of net cash flow to movement in net funds/(debt)**

Increase/(Decrease) in cash in the year	20	90,081	(435,314)
Cash outflow from repayment of borrowings		55,165	47,922
<b>Movement in net funds in year</b>		<b>145,246</b>	<b>(387,392)</b>
Net debt at 1 August 2012	20	(389,020)	(1,628)
<b>Net debt at 31 July 2013</b>	20	<b>(243,774)</b>	<b>(389,020)</b>



## Notes to the Financial Statements for the year ended 31 July 2013

### Statement of Accounting Policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2012-13 financial statements and in accordance with applicable Accounting Standards

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. In order to present a true and fair view, the College has not followed the provisions of the Companies Act 2006 regarding the format of the financial statements where these are not appropriate to the College's activities.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of fixed asset investments and endowment assets.

#### Going concern

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

The College currently has £1.3 of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### Recognition of income

Tuition fee income is recognised in the period for which it is received and includes all fees chargeable to students.

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.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the 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.

### **Post-Retirement Benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and a group personal pension scheme.

Contributions to the TPS, which is a final salary scheme, are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Contributions to the group personal pension scheme, which is not a final salary scheme, are a fixed percentage of salary and are charged to the income and expenditure account on an accruals basis.

### **Tangible fixed assets**

Land and buildings and improvements to buildings are stated in the balance sheet at cost.

Individual items of equipment costing greater than £500 and with an expected useful life exceeding one year are capitalised at cost.

Tangible fixed assets are depreciated over their useful economic lives, on a straight line basis, as follows:

- |                         |  |
|-------------------------|--|
| • Freehold buildings    | - 2% per year for new buildings,<br>5% per year for existing buildings |
| • Building improvements | - 10% per year   |
| • Technical equipment   | - 25% per year   |
| • Computer hardware     | - 33 <sup>1</sup> / <sub>3</sub> % per year                            |
| • Computer software     | - 33 <sup>1</sup> / <sub>3</sub> % per year                            |

- Furniture, fixtures and fittings - 16<sup>2</sup>/<sub>3</sub>% per year

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2013. They are not depreciated until they are brought into use.

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

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

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

#### **Leased assets**

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

#### **Investment policy**

Investments are included on the balance sheet at their market value, as provided by the investment manager, at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of total gains and losses in the year in which they arise.

#### **Maintenance of premises**

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

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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.

**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 SFA 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. The College does not employ a member of staff dedicated to the administration of Learner Support Fund applications and payments, though staff from both the Students Services and Finance teams work closely to ensure compliance with the guidance for the use and disbursement of these funds.

Contributions from other bodies towards the Learner Support Fund are treated in the same way as the grant from the SFA, except that the percentage of administration costs available to the College varies according to each funder's conditions.

## Working Men's College Corporation

### 1 Funding Council grants

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Recurrent grants from SFA and EFA	4,035,881	3,430,823
Release of deferred capital grants (note 13)	45,847	35,361
Other funds	12,002	8,307
	<b>4,093,730</b>	<b>3,474,491</b>

### 2 Tuition fees and education contracts

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
UK Further Education students	653,368	583,944
UK Higher Education students	20,821	61,500
European Union (EU) (excluding UK) students	12,920	12,369
Non-EU students	3,445	3,298
<b>Total fees paid by or on behalf of individual students</b>	<b>690,555</b>	<b>661,112</b>
Education contracts	185,822	288,488
	<b>876,377</b>	<b>949,600</b>

### 3 Other income

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Release of deferred capital grants (non Funding Council) (note 13)	1,655	21,763
Rental income	47,566	38,748
Donations	-	20,108
Other income	13,251	6,424
	<b>62,472</b>	<b>87,043</b>

### 4 Investment income (including income on endowment funds)

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Investment income - Endowment funds	89,066	81,787
Investment income - Unrestricted funds	42,306	39,048
Other interest receivable	8,539	6,910
	<b>139,911</b>	<b>127,745</b>

## Working Men's College Corporation

### 5 Staff costs

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

	Year ended 31 July 2013 Number	Year ended 31 July 2012 Number
Teaching departments - teaching staff	64	51
Teaching departments - other staff	7	8
Teaching support services	5	5
Administration and central services	17	17
Premises	4	4
	<b>97</b>	<b>85</b>

#### Staff costs for the above persons

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Wages and salaries	2,906,071	2,460,895
Social security costs	219,982	191,050
Other pension costs	223,556	205,851
	<b>3,349,609</b>	<b>2,857,796</b>

Agency staff	354	20,474
Staff restructuring	17,733	20,533
	<b>3,367,696</b>	<b>2,898,803</b>

Teaching departments -teaching staff	1,855,856	1,465,375
Teaching departments -other staff	161,039	188,692
Teaching support services	429,994	296,281
Administration and central services	747,043	773,499
Premises	156,031	154,423
Staff restructuring	17,733	20,533

<b>Total</b>	<b>3,367,696</b>	<b>2,898,803</b>
--------------	------------------	------------------

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Employment costs for staff on permanent contracts	2,432,805	2,211,455
Employment costs for staff on short-term and temporary contracts	916,804	646,341
Agency staff	354	20,474
Staff restructuring	17,733	20,533
	<b>3,367,696</b>	<b>2,898,803</b>

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

	Senior post-holders		Other staff	
	Year ended 31 July 2013	Year ended 31 July 2012	Year ended 31 July 2013	Year ended 31 July 2012
£ 50,001 to £ 60,000	1	1	-	-
£ 70,001 to £ 80,000	-	2	-	-
£ 80,001 to £ 90,000	1	-	-	-
£ 110,001 to £ 120,000	1	1	-	-
	<b>3</b>	<b>4</b>	<b>-</b>	<b>-</b>

## Working Men's College Corporation

### 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

	Year ended 31 July 2013	Year ended 31 July 2012
	Number	Number
The number of senior post-holders including the Principal was	37	47
Senior post-holders' emoluments are made up as follows	£	£
Salaries	314,693	354,833
Benefits in kind	3,276	6,283
Pension contributions	37,988	48,031
<b>Total emoluments</b>	<b>355,957</b>	<b>409,147</b>

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

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Salary	116,882	108,540
Benefits in kind	1,092	754
	<b>117,974</b>	<b>109,294</b>
Pension contributions	<b>16,480</b>	<b>15,304</b>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme for three senior postholders (2011/12 - four) and the College's group personal pension scheme for 07 employees (2011/12 - 07) and are paid at the same rates as for other employees

The members of the Corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Out of pocket expenses for travel and subsistence totalling £726 (2011/12 - £15) were claimed by three Governors (2011/12 - one) in the year to 31 July 2013

Senior post-holders, including the Principal and other higher paid staff, received a pay increase of between 1% and 4% in line with the general pay award

#### Overseas activities

None of the Governors, senior postholders or other staff were involved in any overseas activity on behalf of the College during the year ended 31 July 2013 (2011/12 - none)

### 7 Other operating expenses

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Teaching departments	135,672	104,635
Teaching support services	19,623	20,517
Other support services	62,420	32,898
Administration and central services	396,950	299,527
General education	228,016	185,156
Premises costs - running costs	278,557	229,349
Premises costs - Leighton Place	51,588	78,706
Payment to HGSI	-	45,958
Rent - Green Man	23,230	-
Premises costs - maintenance	57,530	58,292
<b>Sub Total</b>	<b>1,253,586</b>	<b>1,055,038</b>
Property Loan Interest payable	74,428	76,967
<b>Total</b>	<b>1,328,014</b>	<b>1,132,005</b>

**Working Men's College Corporation**  
**7 Other operating expenses (continued)**

Other operating expenses include	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Auditors' remuneration		
Financial statements audit	15,600	15 060
Regulatory audit	4,140	4,080
Internal audit	23 280	14,405
Mock funding audit	<u>5 640</u>	<u>-</u>

**8 Taxation**

The College has charitable status for taxation purposes and the Governors or the Corporation consider that all activities of the College during the year fell within qualifying categories. Accordingly no provision for corporation tax is made in the accounts.

**9 Tangible fixed assets**

	Land and buildings			Equipment		
	Freehold land and buildings £	Building improve- ments £	Assets in the course of construction	Computer equipment £	Furniture, fixtures & equipment £	Total £
<b>Cost</b>						
At 1 August 2012	5,091,684	371 360	1368 828	428,637	371 147	7 631,656
Additions	-	182,710	243 847	217 912	37,439	681,908
Transfers	1,612 675	-	(1,612,675)	-	-	-
At 31 July 2013	<u>6,704,359</u>	<u>554,070</u>	<u>-</u>	<u>646,549</u>	<u>408,586</u>	<u>8,313,564</u>
<b>Depreciation</b>						
At 1 August 2012	598,129	296,619	-	349 585	285,635	1,529 968
Charge for year	139 432	36,410	-	120,764	41,456	338,062
Eliminations	-	-	-	-	-	-
At 31 July 2013	<u>737,561</u>	<u>333,029</u>	<u>-</u>	<u>470,349</u>	<u>327,091</u>	<u>1,868,030</u>
<b>Net book value</b>						
At 31 July 2013	<u>5,966,798</u>	<u>221,041</u>	<u>-</u>	<u>176,200</u>	<u>81,495</u>	<u>6,445,534</u>
<b>Net book value</b>						
At 1 August 2012	<u>4,493,555</u>	<u>74,741</u>	<u>1,368,828</u>	<u>79,052</u>	<u>85,512</u>	<u>6,101,688</u>



**Working Men's College Corporation**

**10 Fixed asset investments and endowment assets**

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
<b>a) Fixed asset investments</b>		
Market value of listed investments at 1 August 2012	1,822,436	1,802,853
Additions	-	-
Disposal proceeds	-	-
Realised gains on disposal of investments	-	-
Unrealised gains	327,920	19,583
Market value of listed investments at 31 July 2013	<u>2,150,356</u>	<u>1,822,436</u>
Cash held by investment managers - capital account	102	2
Total portfolio value at 31 July 2013	<u>2,150,458</u>	<u>1,822,438</u>
Cost of listed investments at 31 July 2013	<u>2,219,285</u>	<u>2,219,285</u>
Total net unrealised gains/(losses) at 31 July 2013 included above	<u>(68,929)</u>	<u>(396,849)</u>
<b>b) Endowment assets</b>		
Market value of listed investments at 1 August 2012	1,281,698	1,248,789
Additions	-	20,000
Disposal proceeds	(20,000)	-
Realised gains on disposal of investments	2,772	-
Unrealised gains	172,042	12,909
Market value of listed investments at 31 July 2013	<u>1,436,512</u>	<u>1,281,698</u>
Cash held by investment managers - capital account	-	-
Total portfolio value at 31 July 2013	<u>1,436,512</u>	<u>1,281,698</u>
Cost of listed investments at 31 July 2013	<u>1,281,698</u>	<u>1,289,950</u>
Total net unrealised gains/(losses) at 31 July 2013 included above	<u>154,814</u>	<u>(8,252)</u>
<b>c) Total fixed asset investments and endowment assets</b>		
Market value of listed investments at 1 August 2012	3,104,134	3,051,642
Additions	-	20,000
Disposal proceeds	(20,000)	-
Realised gains on disposal of investments	2,772	-
Unrealised gains	499,962	32,492
Market value of listed investments at 31 July 2013	<u>3,586,868</u>	<u>3,104,134</u>
Cash held by investment managers - capital account	102	2
Total portfolio value at 31 July 2013	<u>3,586,970</u>	<u>3,104,136</u>
Represented by		
<b>Listed investments</b>		
Pooled investment vehicles	<u>3,586,868</u>	<u>3,104,134</u>
<b>Cash balances</b>	<u>102</u>	<u>2</u>
<b>Total</b>	<u>3,586,970</u>	<u>3,104,136</u>

At 31 July 2013 listed investments included the following holding deemed material when compared with the overall portfolio valuation as at that date

	Market value £	% of portfolio value
Newton Global Growth & Income Fund for Charities	3,586,868	100.0%

**Working Men's College Corporation**  
**11 Debtors**

	31 July 2013 £	31 July 2012 £
Amounts falling due within one year		
Trade debtors	51,719	138,428
Other debtors	7,240	7,019
Prepayments and accrued income	176,428	142,311
<b>Total</b>	<b>235,387</b>	<b>287,758</b>

**12 Creditors' amounts falling due within one year**

	31 July 2013 £	31 July 2012 £
Payments received in advance	105,589	211,121
Trade creditors	135,292	109,840
Other taxation and social security	88,813	59,346
Accruals	217,335	136,460
Bank Loan (note 12b)	58,572	55,165
Other creditors	68,123	45,191
<b>Total</b>	<b>673,724</b>	<b>617,123</b>

**12a Creditors: amounts falling due after more than one year**

Lloyds Loan	784,585	822,879
Barclays Loan	447,003	467,281
<b>Total Bank Loans</b>	<b>1,231,588</b>	<b>1,290,160</b>

**12b Bank Loans**

	Barclays	Lloyds	Total 31 July 2013	Total 31 July 2012
	£	£	£	£
In one year or less	20,153	38,419	58,572	55,165
Between one and two years	21,288	40,565	61,853	58,570
Between two and five years	71,196	135,356	206,552	195,655
In five years or more	354,520	608,663	963,183	1,035,935
<b>Sub Total</b>	<b>447,004</b>	<b>784,584</b>	<b>1,231,588</b>	<b>1,290,160</b>
<b>Total</b>	<b>467,156</b>	<b>823,004</b>	<b>1,290,160</b>	<b>1,345,325</b>

Capital and fixed interest at 5.485% on the Lloyd TSB bank loan are repayable by quarterly instalments falling due between 3 December 2007 and 1 December 2027. Capital and fixed interest at 5.73% on the Barclays bank loan are repayable by quarterly instalments falling due between 14 November 2011 and 14 August 2028. These loans are unsecured.

**13 Deferred capital grants**

	At 1 August 2012 £	Cash received £	Released to income and expenditure account £	At 31 July 2013 £
<b>Funding body</b>				
Building improvements	1,701,892	270,000	(45,847)	1,926,045
<b>Other grants</b>				
Computer equipment	-	4,965	(1,655)	3,310
<b>Total</b>	<b>1,701,892</b>	<b>274,965</b>	<b>(47,502)</b>	<b>1,929,355</b>

**Working Men's College Corporation**  
**15 Endowments**

	Specific £	General £	Total £
At 1 August 2012	182,701	1,098,997	1,281,698
Unrealised gains in year on endowment asset investments	24,524	147,518	172,042
Disposals	(20,000)	-	(20,000)
Realised gains	2,772	-	2,772
At 31 July 2013	<u>189,997</u>	<u>1,246,515</u>	<u>1,436,512</u>
<b>Representing</b>			
Prizes funds	62,600	-	62,600
Library funds	98,069	-	98,069
Other funds	29,328	1,246,515	1,275,843
Total	<u>189,997</u>	<u>1,246,515</u>	<u>1,436,512</u>

**16 Movement on reserves**

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
<b>General reserve - Income and Expenditure Account</b>		
At 1 August 2012	3,878,476	3,557,878
Movement on income and expenditure account after depreciation and tax	136,064	328,315
Transfers from/(to) endowment fund	20,000	(20,000)
Unrealised investment gains/(losses)	205,672	12,283
At 31 July 2013	<u>4,240,212</u>	<u>3,878,476</u>
<b>Restricted reserves</b>		
At 1 August 2012	1,595,621	1,588,321
Realised investment gains	-	-
Unrealised investment gains	122,248	7,300
At 31 July 2013	<u>1,717,869</u>	<u>1,595,621</u>

**17 Reconciliation of operating surplus to net cash inflow from operating activities**

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Surplus on continuing operations after depreciation of Assets at valuation and tax	136,064	328,315
Depreciation (note 9)	338,062	260,785
Deferred capital grants released to income (notes 1 & 13)	(47,502)	(57,124)
Investment income receivable (note 4)	(131,372)	(120,835)
Interest receivable (note 4)	(8,539)	(6,910)
Interest payable	74,428	76,967
Decrease in debtors	52,371	59,188
Decrease in creditors	53,194	111,988
(Increase) in long term creditors	-	(7,243)
Net cash inflow from operating activities	<u>466,706</u>	<u>645,131</u>

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

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Income from investments	131,372	120,835
Interest receivable	8,539	6,910
Interest payable	(74,428)	(76,967)
Net cash inflow from returns on investment and servicing of finance	<u>65,483</u>	<u>50,778</u>

## Working Men's College Corporation

### 19 Capital expenditure and financial investment

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
Purchase of tangible fixed assets	(681,908)	(1,063,301)
Payments to acquire fixed assets investments	-	(20,000)
Sales of fixed assets investments	20,000	-
Capital grants received	274,965	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(386,943)</b>	<b>(1,083,301)</b>

### 20 Analysis of changes in net debt

	At 1 August 2012 £	Cashflows £	At 31 July 2013 £
<b>Cash</b>			
Cash in hand, and at bank	956,303	89,981	1,046,284
Cash held with fund managers as part of investment portfolio	2	100	102
<b>Sub Total</b>	<b>956,305</b>	<b>90,081</b>	<b>1,046,386</b>
<b>Bank Loan</b>			
Debt within 1 year	(55,165)	(3,407)	(58,572)
Debt after 1 year	(1,290,160)	58,572	(1,231,588)
<b>Sub Total</b>	<b>(1,345,325)</b>	<b>55,165</b>	<b>(1,290,160)</b>
<b>Total</b>	<b>(389,020)</b>	<b>145,246</b>	<b>(243,774)</b>

### 21 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) and a Group Personal Pension Scheme (GPPS). The total pension cost for the year was £223,556 (year ended 31 July 2012 - £205,851). The total contribution to the TPS was £192,412 (year ended 31 July 2012 - £176,600). Contributions to the GPPS were £31,144 (year ended 31 July 2012 - £29,251). No FRS17 liability arises as a result of contributions to the GPPS.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

## **Working Men's College Corporation**

### **21 Pension and similar obligations (continued)**

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

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

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

#### **Scheme Changes**

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. For 2013-14, the employer contribution rate will range between 6.4% and 11.2%. Further changes to the employee contribution rate will be applied in 2014/15.

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

#### **FRS 17**

Under the definitions set out in Financial Reporting Standard 17 (FRS17) 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.

## Working Men's College Corporation

### 22 Capital commitments

The College had the following contracted capital commitments at the year end

	Year ended 31 July 2013 £	Year ended 31 July 2012 £
<b>Accommodation extension and improvement project</b>		
Building improvements Phase 2	-	290,603
	<u>-</u>	<u>290,603</u>

### 23 Learner Support Funds

	Funding body £	Year ended 31 July 2013 Total £	Year ended 31 July 2012 Total £
<b>Access Funds</b>			
Balance brought forward from prior year	39,954	38,525	38,525
<b>Current Year</b>			
Funding body grants			
- Hardship funds	111,342	111,342	107,680
- Childcare	128,545	128,545	67,070
Disbursed to students	(168,381)	(168,381)	(166,367)
Administration fees	(12,202)	(12,202)	(8,307)
Examination fees	<u>(43,006)</u>	<u>(43,006)</u>	<u>(37,364)</u>
<b>Current year total</b>	<b>16,298</b>	<b>16,298</b>	<b>(37,288)</b>
Grants received from other organisations			
LSC grant recycling from prior years	-	-	38,717
Balance unspent at 31 July 2013, included in creditors	<u>56,252</u>	<u>54,823</u>	<u>39,954</u>

Funding body grants are 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.

### 24 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

### 25 Directors' and officers' liability insurance

The College has purchased directors' and officers' liability insurance. The insurance premium paid by the College for the year ended 31 July 2013 was £1,707 (2012 £1,707) and provides cover of up to a maximum of £1,000,000 for all claims during a year.

### 26 Members' liability

Every member of the Corporation undertakes to contribute to the assets of the College, in the event of it being wound up while he/she is a member, such amount as may be required but not exceeding five pence.