

**Kingston College
Report and Financial Statements
For Year Ended 31st July 2010**

Kingston College

Contents

	Page number
Operating and financial review	2
Statement of corporate governance and internal control	10
Statement of responsibilities of the members of the Corporation	15
Independent auditors' report to the Corporation of Kingston College	16
Independent Auditor's report on Regularity to the Corporation of Kingston College ('The Corporation') and the Chief Executive of Skills Funding	18
Consolidated income and expenditure account	19
Consolidated statement of total recognised gains and losses	20
Consolidated statement of historical cost surpluses and deficits	20
Balance sheets	21
Consolidated cash flow statement	22
Notes to the accounts	23

Kingston College

Operating and financial review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2010.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Kingston College. The college is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

Background

Kingston College is a regional college, providing a broad range of curriculum to meet local, regional and national priorities.

- The college is committed to professional excellence and to providing a friendly and purposeful place in which to work and study.
- The college plays a key role in the local community and has developed strong local partnerships in order to effectively deliver Higher Education provision, community-based provision and training for local commerce and industry.
- The college provides excellent resources to support increased demand for information technology and continues to develop the use of e-learning in curriculum delivery. It is also committed to supporting management processes through the efficient use of new technology in providing tools for curriculum, student and financial management.
- The college is committed to inclusion and the promotion of equal opportunities. Removing barriers to education remains a key priority.

Mission

The mission defined below underpins the college's work to raise achievement of both young people and adults:

- "Kingston College aims to provide high quality and best value education and training, post-16".

Implementation of strategic plan

The college began the 2010/11 academic year with a new set of strategic objectives for that period underpinned by a new values statement agreed by the Senior Management Team, the wider college management group and the governing body.

This constitutes the first stage in a significant re-appraisal of the college's strategic direction and mission which will take place during the first term of the 2010/11 academic year and involve consultation with our key partners.

This exercise will take into account the challenging financial context in which the college will be operating in the next 3 – 5 years and absorb the lessons of the OFSTED inspection of the college which took place in September 2010.

The college undertook a major institutional review in the summer of 2010. This led to a significant restructuring of the organisation and a significant reduction in the levels of staffing in support and corporate services areas and in management throughout the college.

Kingston College

Operating and financial review (continued)

The college's underpinning values are defined as:

- Versatility
- Opportunity
- Inclusion
- Choice
- Excellence

The strategic objectives for 2010/11 are to:

- Revitalise the college's mission, vision and values so as to put learning, learners and excellence at the heart of all we do.
- Raise college standards by:
 - increasing learner success rates to equal or exceed national benchmarks for all age cohorts at all levels
 - raising the proportion of good or better lesson observations to at least 70%.
- Implement our new college structure from November 2010, developing new and existing staff across the college to improve the effectiveness of our operations.
- Expand our curriculum offer and increase our non-government income by 20%.
- Identify and significantly reduce the college's three worst equalities performance gaps.
- Engage successfully with our Ofsted inspection, achieving at least a grade 3 overall and a grade 2 for our capacity to improve.
- Develop our guidance, outreach and marketing activities to improve on our matrix excellence standard.
- Improve our safeguarding practice to a point where 85% or more of our learners and staff feel safe or very safe at the college and no more than 2% of either group feel unsafe.
- Establish and implement a new Information Systems Strategy to enhance learning, and accelerate improvement in at least three key areas of college activity.
- Establish a new accommodation strategy to replace unsatisfactory college spaces by 2014.
- Reduce the college's budget deficit and plan for a 1% surplus in 2011/12.
- Strengthen college partnerships, building relationships with funding agencies, employers and education partners across south-west London, nationally and internationally.

Financial objectives

The college's financial objectives are:

- to implement a new college structure from November 2010
- to increase our non-government income by 20%
- to reduce the college's budget deficit and plan for a 1% surplus in 2011/12.

A series of performance indicators have been agreed to monitor progress against these objectives.

Kingston College

Operating and financial review (continued)

Performance indicators

The main performance indicators that the college uses to monitor progress against its financial objectives are:

- Staff costs as a percentage of income
- Operating surplus as a percentage of income
- Level of non-government income

Financial position

Financial results

The financial statements are presented as consolidated accounts including the accounts of the college's subsidiary company.

The group generated an operating deficit in the year of £528,000 (2008/09 – deficit of £2,263,000). The result in 2009/10 is stated after accounting for restructuring costs of £1,032,000 and pension credits of £2,010,000 resulting from the announcement in the emergency budget that future public sector pension increases would be linked to CPI not RPI.

The group has accumulated reserves of £9,836,000 and cash balances of £4,653,000. The pension liability at the end of the year was £7,250,000.

The accounts also include a provision of £1,460,000 for enhanced pensions. The cash balances of £4,653,000 include £1,424,000 which is ring fenced to cover this liability.

The college has significant reliance on the LSC and its successor organisations for its principal funding source, largely from recurrent grants. In 2009/10 the LSC and its successor organisations provided 67% of the college's total income.

The college has a subsidiary company, KCTC Limited that undertakes specific commercial activities for the benefit of the college. The principal activity of KCTC Limited is the rental of college facilities. In the current year, the surplus generated was £68,000.

Treasury management

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

The college has a separate treasury management policy in place.

Cash flows

The net cash inflow from operating activities was £151,000. The net cash outflow after capital expenditure and financing costs was £342,000.

Liquidity

At the year end, current assets were £5,537,000 and current liabilities were £2,694,000: a current ratio of 2.1. The liquidity of the college is expected to improve during 2010/11.

Going concern and future financial performance

The new college structure resulting from the recent restructuring exercise took effect from 1 November 2010. The new structure will improve efficiency, and the college's financial position is expected to improve during 2010/11.

Kingston College

Operating and financial review (continued)

Current and Future Developments

Student numbers

Enrolments overall in 2009/10 exceeded the 2008/09 figure by 5%, reaching an approximate total of 11,325. The LSC, which was replaced by the Young Peoples' Learning Agency (YPLA) and the Skills Funding Agency in April 2010, remained the most significant funding source. The college exceeded its allocations in both learner and employer responsive adult work. Enrolments on full-time franchised Higher Education programmes increased by some 11% over 2008/09 and the numbers of cost-recovery enrolments showed an increase of approximately 25%.

Colleges continue to be measured in a number of different ways by funding bodies. These include contribution to national targets, expressed as learner numbers in priority areas recorded in the Summary Statement of Activity. The college continued to increase the volumes of priority work during 2009/10 across all age ranges.

Student achievements

Ofsted inspected the college in the week ended 1 October 2010. They assessed the overall effectiveness of the college as satisfactory noting that student achievements were below national average in 2008/09. They commented on the dramatic improvement to results in 2009/10 and highlighted a number of actions that the college could take to sustain this improvement. Improving teaching and learning will be our main focus during 2010/11.

Curriculum developments

Methods of teaching and learning are under continuous review and the curriculum develops year-on-year to ensure that it meets the needs of the local and wider community.

Investment in information and learning technologies (ILT) over a period of time has embedded the Moodle managed learning environment in curriculum delivery at all levels across the college. External project funding was secured to support these developments. Investment has also been made to ensure that staff are trained to use ILT effectively. In November 2009 the college won a national Beacon award for the use of ILT within the curriculum and was shortlisted for a further national Beacon award in November 2010 for the development and rollout of new ILT initiatives.

The college takes an active part in 14-19 strategic planning groups established by the Local Authority.

A significant collaboration with Carshalton College to deliver full-cost commercial training under the branding of the 'Power Assessment and Training Centre' was established and made an encouraging start.

Links with Kingston, Thames Valley and Middlesex universities were strengthened further during the year with franchised provision being delivered by the college particularly at Foundation Degree and Degree level.

The implementation of the college's Strategy on Skills and Employer Engagement continued and the college acted as the lead partner in a South London consortium delivering 'Train to Gain' activity.

Resources

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

Tangible resources include freehold sites at Kingston Hall Road, Penrhyn Road and Richmond Road.

Kingston College

Operating and financial review (continued)

Financial

The college has £15 million of net assets (including a £7 million pension liability) and long term debt of £1 million.

People

The college employs 578 people (expressed as full time equivalents), of whom 365 are teaching staff.

Reputation

Our students say that they like the way that the college treats them as adults, helps them to believe in themselves and listens to what they say.

Employers say that they like the way that the college tailors its approach to meet their requirements.

College maintenance programme

The summer works programme for 2010 has been completed across the college estate and this year has focussed on:

- improving the quality of teaching accommodation,
- addressing emerging issues in relation to health and safety,
- energy conservation
- prioritised planned maintenance
- recommended works arising from the condition survey carried out in 2007 (reviewed annually).

The resulting charge to the income and expenditure account was £988,000 (2009: £890,000).

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.

Working from the strategic plan, the Risk Management sub-committee of Management Board undertakes an on-going and comprehensive review of the risks to which the college is exposed. They identify emerging risks and develop approaches to contain, reduce or mitigate the potential impact of exposure to such risks. Appropriate internal controls are then implemented through the appropriate Management Board member's area of responsibility. The Risk Management sub-committee of Management Board will also consider any risks which may arise as a result of a new area of work being undertaken by the college. Risks are prioritised using a consistent scoring system.

A risk register is maintained at the college level which is formally reviewed and modified three times each year by the Risk Management sub-committee of Management Board. During the year the risk register was considered by the Audit Committee, Finance and Personnel Committee, Property Committee and Strategic Planning Committee of the Governing Body.

The annual self-assessment and review processes ensure that the college-wide risk register is considered at local level by faculties and administrative divisions and discussed with members of the Principalship at regular meetings.

Kingston College

Operating and financial review (continued)

Outlined below is a summary of the significant areas of high risk identified in the institution's risk register at the end of the 2009/10 year.

- Impact of the deteriorating economic climate and the anticipated squeeze on public expenditure on the core operations of the college.
- Inability to match income to expenditure within the financial forecast.
- Inability to develop more efficient models of staff deployment at a time of constrained growth in income.
- Failure to meet fee income targets and assumptions in relation to LSC and cost-recovery work.
- University partners' imposition of tighter funding conditions on franchised HE provision.
- Changes to the organisation and funding of the sector arising from the transition to a post-LSC framework.
- Inability to grow employer-related work as planned.
- Impact of poor success rates in curriculum areas.

In each area the risk register identifies appropriate controls and responses. In all cases it was felt that the college's exposure to these potential areas of risk was being properly managed.

Accounting for defined benefit pension schemes under FRS17 is a risk as the Local Government Pension Scheme is not under the direct control of the college, being managed by bodies appointed by the Royal Borough of Kingston under the oversight of trustees appointed by the Royal Borough of Kingston, and is accounted for in accordance with the advice of independent qualified actuaries. Significant judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member longevity that underpin their valuations. These valuations include current stock market values which are liable to change over a short term whereas the fund is for the longer term.

Stakeholder Relationships

Kingston College has many stakeholders. These include:

- Students;
- Funding Councils;
- Universities (especially Kingston University);
- Staff;
- Local employers;
- Sector skills councils;
- Chamber of Commerce;
- Local Authorities;
- London Development Agency;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Private training organisation;
- Awarding bodies.

The college recognises the importance of these relationships and engages in regular communication with them through a wide range of networking procedures and opportunities. Where contractual arrangements feature in the relationship the form and content of any agreements are kept under constant review.

Acting on a recommendation from internal auditors the college has instituted a new policy on partnerships and initiated a partnership register.

Kingston College

Operating and financial review (continued)

Staff and student involvement

The college gives high priority to maintaining effective channels of communication with staff and students. Regular newsletters are produced by the Principal and these, together with other updates, are circulated in print and electronic formats. The college intranet, KC on-line, has proved to be a successful and vibrant communication channel. The format of the regular cross-college staff development days was reviewed to ensure that they provide an effective opportunity for consultation with staff and a termly briefing for management staff is held. Additionally, staff are encouraged to participate in formal committees and working parties at college level and within their particular areas of work. An annual staff survey takes place.

A regular student survey provides an opportunity for learners to feedback their views and experiences of the college whilst a system of focus group discussions is used to evaluate the effectiveness of particular aspects of the college. During 2009/10 a series of college events was held to encourage student participation. These events included Black History Month and Health Promotion Week.

Equal opportunities and employment of disabled persons

Kingston College is committed to providing equality of opportunity for all learners and employees. We value difference, whether it be in terms of race, disability, gender, age, sexual orientation, transgender, religion or belief. We endeavour to remove conditions which place people at a disadvantage and we strive to dispel prejudice. Our Equalities Policy and Single Equality Scheme are published on the college website and we review them regularly.

The college considers all applications 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 commensurate with those of other employees.

Disability statement

The college seeks to achieve the objectives set down in the Equality Act 2010 and associated legislation. We continue to make all reasonable arrangements to support students with learning difficulties and disabilities to ensure that they are able to access the full range of services and provision and we have published our Single Equality Scheme and Disability Statement on the college website.

Disclosure of information to auditors

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

Kingston College

Operating and financial review (continued)

Professional advisers

Financial statements and regularity auditors:
Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

Internal auditors:
Mazars LLP
Tower Bridge House
St Katharine's Way
LONDON
E1W 1DD

Bankers:
Lloyds TSB Bank plc
25 Gresham Street
LONDON
EC2V 7HN

Solicitors:
Carter Bells Solicitors
King's Stone House
12 High Street
KINGSTON UPON THAMES
KT1 1HD

Clerk to the Corporation:
Mr C Vickery
Kingston College
Kingston Hall Road
KINGSTON UPON THAMES
KT1 2AQ

Signed on behalf of the Corporation on 9 December 2010

Dr J Farmer
Chair

Kingston College

Statement of corporate governance and internal control

The college is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the college has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the college complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2010.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are listed below.

Governors serving on the college board during 2009/10.

	Date appointed	Term of office	Date resigned	Committees served
Chairman				
Dr J Farmer	01/04/10	4 yrs		Finance & Personnel, Search, Property, Strategic, Remuneration
Vice-Chairman				
Mr J Perry	01/04/08	3 yrs		Finance & Personnel, Search, Property, Strategic, Remuneration, Special
Other general members				
Mr B Ash	01/04/10	4 yrs		Property, Search
Mr J Azah	01/04/09	4 yrs		
Ms A Bell	01/04/10	4 yrs		Audit, Search
Dr J Brumwell	01/04/09	4 yrs		Finance & Personnel, Remuneration, Special
Mr D Cane	01/08/09	4 yrs		Audit
Mr D Cheema	06/07/10	4 yrs		Special
Mr C Fogg	01/08/09	4 yrs		Finance & Personnel
Mr P Gray	01/04/09	2 yrs		Finance & Personnel, Property, Strategic, Special
Dr. D Mackintosh	01/04/10	4 yrs		
Cllr S Mirza	01/04/08	3 yrs		Audit, Special
Mr D Spratling	01/04/08	3 yrs		Finance & Personnel, Search, Strategic, Special, Remuneration
Ms J Wackett	01/04/08	3 yrs		Finance & Personnel, Strategic, Special
Mr G Willett	03/07/08	4 yrs		Strategic
Staff members				
Mr A Hetherington	01/04/10	4 yrs		Audit
Mr M Hopkins	01/04/10	4 yrs		Property
Mr A Williams	01/04/06	4 yrs	31/03/10	Property
Student members				
Mr M Singh	31/10/09	1 yr	31/07/10	Strategic
Ms J Termos	31/10/09	1 yr	31/07/10	Strategic
Principal				
Mr. P Mayhew-Smith	01/04/10			Finance & Personnel, Property, Strategic, Search
Dr N Sinnamon	01/09/05		31/03/10	Finance & Personnel, Property, Strategic, Search
Mr C Vickery acts as Clerk to the Corporation.				

Kingston College

Statement of corporate governance and internal control (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Finance & Personnel, Property, Strategic Planning, Remuneration, Search, and Special. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Kingston College
Kingston Hall Road
Kingston upon Thames
KT1 2AQ

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

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 in that the roles of the Chairman and Principal 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, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ended 31 July 2010, the college's Remuneration Committee comprised four members of the Corporation. The committee's responsibilities are to make recommendations to the board on the remuneration and benefits of the Principal, the Clerk, and other senior post-holders.

Kingston College

Statement of corporate governance and internal control (continued)

Details of remuneration for the year ended 31 July 2010 are set out in notes 6 and 7 to the financial statements.

Audit Committee

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

The Audit Committee meets on a termly basis and provides a forum for reporting by the college's internal, regularity and financial 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 LSC and its successor organisations 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, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

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 Kingston College and the LSC and its successor organisations. 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 in Kingston College for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts.

Kingston College

Statement of corporate governance and internal control (continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the college's significant risks that has been in place for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the college who have responsibility for the development and maintenance of the internal control framework
- comments made by the college's financial statements auditors and by 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the faculties and divisions and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior

Kingston College

Statement of corporate governance and internal control (continued)

management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2009 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2010 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

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, it continues to adopt the going concern basis in preparing the financial statements.

Approved by members of the Corporation on 9 December 2010 and signed on its behalf by:

Dr J Farmer
Chair

Mr P Mayhew-Smith
Principal

Kingston College

Statement of responsibilities of the members of the Corporation

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

Within the terms and conditions of the financial memorandum agreed between the LSC and its successor organisations and the Corporation of the college, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued by the Learning and Skills Council, and which give a true and fair view of the state of affairs of the college and the result for that year.

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

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

The Corporation is also required to prepare a members' report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the college.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the college, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the college and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the LSC and its successor organisations are used only in accordance with the financial memorandum with the LSC and its successor organisations and any other conditions that the LSC and its successor organisations may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the college's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC and its successor organisations are not put at risk.

Approved by members of the Corporation on 9 December 2010 and signed on its behalf by:

Dr J Farmer
Chair

Kingston College

Independent Auditor's Report to the Corporation of Kingston College

We have audited the group and financial statements ("the financial statements") of Kingston College for the year ended 31 July 2010, which comprise the income and expenditure account, the balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost surpluses and deficits and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Corporation as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation as a body, those matters we are required to state to them in an 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 members of the Corporation of Kingston College and the auditor

As described in the Statement of Responsibilities of the Members of the Corporation on page 15, the college's Corporation is responsible for preparing the Members' Report and financial statements in accordance with the 2009/10 Accounts Direction, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the college has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or inconsistencies with the financial statements.

Basis of audit opinion

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

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

Kingston College

Independent Auditor's Report to the Corporation of Kingston College

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the college and the group as at 31 July 2010 and of the group's deficit of expenditure over income for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Chief Executive of Skills Funding and the Young People's Learning Agency and the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education.

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

Date

Kingston College

Independent Auditor's report on Regularity to the Corporation of Kingston College ('The Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 4 May 2010 and further to the requirements of the Chief Executive of Skills Funding, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Kingston College for the year ended 31 July 2010 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 Chief Executive of Skills Funding. Our work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding 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 Chief Executive of Skills Funding, for our work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Kingston College and Auditors

The college's Corporation are 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 work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. We report to you whether, in our opinion, in all material respects, expenditure and income for the year ended 31 July 2010 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 work in accordance with the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. Our work 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 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

Date

Kingston College

Consolidated income and expenditure account for the year ended 31 July 2010

	Notes	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Income			
Funding Body income	2	22,500	22,906
Tuition fees and education contracts	3	8,406	8,181
Other income	4	825	853
Investment income	5	31	172
Total income		31,762	32,112
Expenditure			
Staff costs	6	23,390	22,869
Past service cost - Local Government Pension Scheme	28	(1,890)	-
Past service cost - Provision for unfunded pension liabilities	18	(120)	-
Restructuring costs	6	1,032	-
Other operating expenses	8	7,747	9,576
Depreciation	12	1,497	1,467
Interest and other finance costs	9	616	444
Total expenditure		32,272	34,356
Deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax		(510)	(2,244)
Deficit on continuing operations after depreciation of assets at valuation and exceptional items and disposal of assets but before tax		(510)	(2,244)
Taxation	10	(18)	(19)
Deficit on continuing operations after depreciation of assets at valuation, and tax	11	(528)	(2,263)

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

Kingston College

Consolidated statement of the total recognised gains and losses for the year ended 31 July 2010

	Notes	Year ended 31 Jul 10	Year ended 31 Jul 09
		£000	£000
Deficit on continuing operations after depreciation of assets at valuation and tax		(528)	(2,263)
Actuarial loss in respect of enhanced pension provision	18	(10)	(300)
Actuarial gain/(loss) in respect of pension scheme	28	210	(3,100)
Total recognised losses relating to the period		<u>(328)</u>	<u>(5,663)</u>
Reconciliation			
Opening reserves		12,785	18,448
Total recognised losses for the year		(328)	(5,663)
Closing reserves		<u>12,457</u>	<u>12,785</u>

Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2010

	Notes	Year ended 31 Jul 10	Year ended 31 Jul 09
		£000	£000
Deficit on continuing operations before taxation		(510)	(2,244)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	20	583	583
Historical cost surplus/(deficit) for the period before taxation		<u>73</u>	<u>(1,661)</u>
Historical cost surplus/(deficit) for the period after taxation		<u>55</u>	<u>(1,680)</u>

Kingston College

Balance sheets as at 31 July 2010

	Notes	Group	College	Group	College
		2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Tangible assets	12	22,626	22,626	23,515	23,515
Current assets					
Stock		12	12	9	9
Debtors	14	872	859	1,425	1,414
Cash at bank and in hand		4,653	4,556	4,995	4,906
Total current assets		5,537	5,427	6,429	6,329
Creditors: amounts falling due within one year	15	2,694	2,666	2,785	2,756
Net current assets		2,843	2,761	3,644	3,573
Total assets less current liabilities		25,469	25,387	27,159	27,088
Less: creditors - amounts falling due after more than one year	16	1,037	1,037	1,179	1,179
Less: provisions for liabilities and charges	18	2,141	2,141	1,570	1,570
Net assets excluding pension liability		22,291	22,209	24,410	24,339
Net pension liability	28	(7,250)	(7,250)	(8,880)	(8,880)
Net assets including pension liability		15,041	14,959	15,530	15,459
Deferred capital grants	19	2,584	2,584	2,745	2,745
Reserves					
Income and expenditure account excluding pension reserve		9,836	9,754	11,211	11,140
Pension reserve	28	(7,250)	(7,250)	(8,880)	(8,880)
Income and expenditure account including pension reserve	21	2,586	2,504	2,331	2,260
Revaluation reserve	20	9,871	9,871	10,454	10,454
Total reserves		12,457	12,375	12,785	12,714
FUNDS		15,041	14,959	15,530	15,459

The financial statements on pages 19 to 46 were approved and authorised for issue by the governing body on 9 December 2010 and were signed on its behalf by:

Dr J Farmer
Chair

P Mayhew - Smith
Principal

Kingston College

Consolidated cash flow statement for the year ended 31 July 2010

	Notes	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Cash outflow from operating activities	22	151	(1,450)
Returns on investments and servicing of finance	23	15	128
Taxation	10	(18)	(19)
Capital expenditure and financial investment	24	(382)	(1,999)
Management of liquid resources	25	-	-
Financing	26	(108)	(113)
Decrease in cash in the period	27	(342)	(3,453)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period		(342)	(3,453)
Cash flow from liquid resources	25	-	-
Change in net debt resulting from cash flows	26	108	113
Movement in net funds in period		(234)	(3,340)
Net funds at 1 August		4,045	7,385
Net funds at 31 July		3,811	4,045

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows.

Kingston College

Notes to the accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council in the Accounts Direction Handbook.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the college and its subsidiary, KCTC Ltd. In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2010.

Recognition of income

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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

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

Income from grants, contracts and other services rendered is included to the extent of the 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.

Post retirement benefits

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

Kingston College

Notes to the accounts (continued)

1. Accounting policies (continued)

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi employer scheme and the college is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. This is reviewed at the end of each year, and the provision is adjusted for any changes to the estimated costs.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Land and buildings are depreciated over their useful economic life as follows:

- freehold land – not depreciated
- freehold buildings – between 20 and 50 years
- leasehold buildings – over lower of 50 years and life of lease
- leasehold improvements – over lower of 50 years and life of lease

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the college followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Kingston College

Notes to the accounts (continued)

1. Accounting policies (continued)

Equipment

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

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

- building improvements – 10 years on a straight-line basis
- technical equipment – 6 years on a straight-line basis
- motor vehicles – 4 years on a straight-line basis
- computer equipment – 4 years on a straight-line basis
- furniture, fixtures and fittings – 6 years on a straight-line basis

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

Leased Assets

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

Investments

Current asset investments are stated at the lower of their cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Taxation

The college is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 1119 of the Corporation Tax Act 2010. Accordingly, the college is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part A of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The college receives no similar exemption in respect of Value Added Tax. For this reason the college is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The college's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

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

Kingston College

Notes to the accounts (continued)

1. Accounting policies (continued)

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.

Agency arrangements

The college acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the LSC or its successor organisations and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 33, 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 employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2. Funding council income

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Recurrent grant - YPLA*	15,586	14,936
Recurrent grant - Skills Funding Agency*	3,346	3,657
Recurrent grant - HEFCE	605	405
Non recurrent grants - YPLA*	445	533
Non recurrent grants - Skills Funding Agency* **	1,883	2,277
Non recurrent grants - HEFCE	160	167
Non recurrent grants - other	88	274
Releases of deferred capital grants (note 19)	387	657
	22,500	22,906

*Funding received before 31 March 2010 came from the Learning and Skills Council (LSC)

** The college is the lead partner in a consortium to deliver Train To Gain in the London region .The income shown above includes that earned by the college in its capacity both as a provider and as the consortium lead. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Train To Gain income	1,231	1,862
Paid to non college partners	(656)	(1,330)
Paid to FE college partners	-	(6)
Retained by the college	575	526

Kingston College

Notes to the accounts (continued)

3. Tuition fees and education contracts

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Tuition fees	3,022	2,612
Education contracts	5,384	5,569
	8,406	8,181

4. Other income

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Catering	346	419
Other income generating activities	479	434
	825	853

5. Investment income

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Other investment income	11	32
Other interest receivable	20	140
	31	172

6. 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 Jul 10	Year ended 31 Jul 09
	Number	Number
Teaching Staff	365	336
Non teaching staff	213	193
	578	529

Kingston College

Notes to the accounts (continued)

6. Staff costs (continued)

The staff costs for the above were:

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Wages and salaries	19,231	18,928
Social security costs	1,508	1,469
Other pension costs (excluding past service costs) (see note 28)	2,514	2,340
Restructuring costs (excluding exceptional items)	96	12
Payroll sub-total	23,349	22,749
Contracted out staffing services	41	120
Staff costs	23,390	22,869
Past service cost - Local Government Pension Scheme	(1,890)	-
Past service cost - Provision for unfunded pension liabilities	(120)	-
Exceptional restructuring costs	1,032	-
Total staff costs for the year	22,412	22,869

The restructuring costs were approved by the college's remuneration committee.

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

	Senior post-holders		Other staff	
	2010 No.	2009 No.	2010 No.	2009 No.
£ 60,001 to £ 70,000	1	-	11	10
£ 70,001 to £ 80,000	-	-	8	8
£ 80,001 to £ 90,000	-	-	2	1
£ 90,001 to £ 100,000	-	-	2	2
£ 100,001 to £ 110,000	1	-	3	5
£ 120,001 to £130,000	1	1	1	-
£ 170,001 to £ 180,000	1	1	-	-
	4	2	27	26

Kingston College

Notes to the accounts (continued)

7. 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. The Vice-Principal (Curriculum and Quality) became a senior post holder on 1 July 2010.

	Number 2010	Number 2009
The number of senior post-holders including the Principal was:	<u>4</u>	<u>3</u>

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

	£000	£000
Salaries	301	292
Benefits in kind	14	15
Pension contributions	46	44
Total emoluments	<u>361</u>	<u>351</u>

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

	Year ended 31 Jul 10	Year ended 31 Jul 09
Principal 1 (left 31 Mar 2010)	£000	£000
Salary	97	142
Benefits in kind	7	9
Pension contributions	14	20
	<u>118</u>	<u>171</u>
Principal 2 (started 01 Apr 2010)		
Salary	41	-
Benefits in kind	-	-
Pension contributions	6	-
	<u>47</u>	<u>-</u>
	<u>165</u>	<u>171</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme and are paid at the same rate 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.

Kingston College

Notes to the accounts (continued)

8. Other operating expenses

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Teaching Costs	2,209	3,551
Non teaching costs	2,401	2,661
Premises costs	3,137	3,364
Total	7,747	9,576

Other operating expenses include:

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
Auditors' remuneration:		
financial statements audit*	25	25
internal audit**	14	16
other services from external audit	5	11
other services from internal audit	-	-
Hire of other assets - operating leases	376	260

*includes £22,000 in respect of the college (2008/09: £22,000)

**includes £14,000 in respect of the college (2008/09: £16,000)

9. Interest and other finance costs

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	16	44
	16	44
Enhanced pension provision finance costs (note 18)	90	70
Pension finance costs (note 28)	510	330
Total	616	444

Kingston College

Notes to the accounts (continued)

10. Taxation

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
UK corporation tax on profits for the year	18	18
Adjustments in respect of previous periods	-	1
Total	18	19

11. Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows.

	Year ended 31 Jul 10	Year ended 31 Jul 09
	£000	£000
College's deficit for the year	(539)	(2,276)
Surplus generated by subsidiary undertaking	68	68
	(471)	(2,208)
Consolidation adjustment	(57)	(55)
Total	(528)	(2,263)

Kingston College

Notes to the accounts (continued)

12. Tangible fixed assets (group)

	Land and buildings				Total £000
	Freehold £000	Long leasehold £000	Leasehold improve- £000	Equip- ment £000	
Cost or valuation					
At 1 Aug 09	33,339	1,669	486	2,491	37,985
Additions	469	-	-	139	608
Disposals	-	-	-	(379)	(379)
Transfer	1,449	(1,449)	-	-	-
At 31 Jul 10	35,257	220	486	2,251	38,214
Depreciation					
At 1 Aug 09	12,790	256	28	1,396	14,470
Charge for year	1,093	8	49	347	1,497
Eliminated in respect of disposals	-	-	-	(379)	(379)
Transfer	44	(44)	-	-	-
At 31 Jul 10	13,927	220	77	1,364	15,588
Net book value at 31 Jul 10	21,330	-	409	887	22,626
Net book value at 31 Jul 09	20,549	1,413	458	1,095	23,515
Inherited	10,454	-	-	-	10,454
Financed by capital grant	2,584	-	-	-	2,584
Other	8,292	-	409	887	9,588
Net book value at 31 Jul 10	21,330	-	409	887	22,626

Kingston College

Notes to the accounts (continued)

12. Tangible fixed assets (college only)

	Land and buildings				Total £000
	Freehold £000	Long leasehold £000	Leasehold improve- £000	Equip- ment £000	
Cost or valuation					
At 1 Aug 09	33,339	1,669	486	2,482	37,976
Additions	469	-	-	139	608
Disposals	-	-	-	(379)	(379)
Transfer	1,449	(1,449)	-	-	-
At 31 Jul 10	35,257	220	486	2,242	38,205
Depreciation					
At 1 Aug 09	12,790	256	28	1,387	14,461
Charge for year	1,093	8	49	347	1,497
Eliminated in respect of disposals	-	-	-	(379)	(379)
Transfer	44	(44)	-	-	-
At 31 Jul 10	13,927	220	77	1,355	15,579
Net book value at 31 Jul 10	21,330	-	409	887	22,626
Net book value at 31 Jul 09	20,549	1,413	458	1,095	23,515
Inherited	10,454	-	-	-	10,454
Financed by capital grant	2,584	-	-	-	2,584
Other	8,292	-	409	887	9,588
Net book value at 31 Jul 10	21,330	-	409	887	22,626

The college's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet based on a valuation existing at 31 July 1999 when the college first implemented FRS15. The depreciated value of these inherited assets is £10,454,000. They have not been revalued since incorporation. Should they be sold, the college would either have to surrender the sale proceeds to the LSC or use them for LSC approved purposes.

Kingston College

Notes to the accounts (continued)

13. Investments

	College Year ended 31 Jul 10	College Year ended 31 Jul 09
	£	£
Investments in subsidiary company	<u>100</u>	<u>100</u>

The college owns 100% of the issued ordinary £1 shares of KCTC Limited, a company incorporated in England and Wales. The principal business activity of KCTC Limited is the rental of college facilities.

14. Debtors: amounts falling due within one year

	Group Year ended 31 Jul 10	College Year ended 31 Jul 10	Group Year ended 31 Jul 09	College Year ended 31 Jul 09
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	238	228	524	518
Prepayments and accrued income	634	631	901	896
Total	<u>872</u>	<u>859</u>	<u>1,425</u>	<u>1,414</u>

15. Creditors: amounts falling due within one year

	Group Year ended 31 Jul 10	College Year ended 31 Jul 10	Group Year ended 31 Jul 09	College Year ended 31 Jul 09
	£000	£000	£000	£000
Bank loans and overdrafts	119	119	117	117
Payments received in advance	447	441	472	467
Trade creditors	270	270	621	621
Corporation tax	19	-	19	-
Other taxation and social security	947	947	900	900
Accruals	648	645	656	651
Voluntary severance payable	244	244	-	-
Total	<u>2,694</u>	<u>2,666</u>	<u>2,785</u>	<u>2,756</u>

Kingston College

Notes to the accounts (continued)

16. Creditors: amounts falling due after more than one year

	Group Year ended 31 Jul 10 £000	College Year ended 31 Jul 10 £000	Group Year ended 31 Jul 09 £000	College Year ended 31 Jul 09 £000
Bank loans	723	723	833	833
Other taxation and social security	314	314	346	346
Total	1,037	1,037	1,179	1,179

17. Borrowings

	Group Year ended 31 Jul 10 £000	College Year ended 31 Jul 10 £000	Group Year ended 31 Jul 09 £000	College Year ended 31 Jul 09 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less or on demand	119	119	117	117
Between one and two years	120	120	118	118
Between two and five years	303	303	345	345
In five years or more	300	300	370	370
Total	842	842	950	950

Bank loans and overdrafts at rates between 1.50% and 2.00% (2009: 1.50% and 2.00%) are repayable by instalments falling due quarterly until October 2019 and are secured on the freehold land and buildings comprising the Kingston Hall Road site.

18. Provisions for liabilities and charges

	Group and College		Total
	Pension £000	Severance £000	£000
At 1 August 2009	1,570	-	1,570
Expenditure in the period	(90)	-	(90)
Transferred to income and expenditure account	90	-	90
Past service cost	(120)	-	(120)
Actuarial losses	10	-	10
Provision for Redundancy	-	681	681
At 31 July 2010	1,460	681	2,141

Kingston College

Notes to the accounts (continued)

18. Provisions for liabilities and charges (continued)

The enhanced pension provision relates to the cost of staff who have already left the college's employ. The college maintains a cash fund equivalent to 97.5% of the pension provisions. This provision has been recalculated by independent qualified actuaries.

The principal assumptions for this calculation are:

	At 31 Jul 10	At 31 Jul 09
Price inflation	3.40%	3.92%
Rate of increase to pensions in payment	2.7%	3.7%
Discount rate for scheme liabilities	6.0%	6.0%

19. Deferred capital grants

	Group and College		
	LSC grants £000	Other grants £000	Total £000
At 1 Aug 09	2,546	199	2,745
Cash received		226	226
Released to income and expenditure account	(161)	(226)	(387)
Total	2,385	199	2,584

20. Revaluation reserve

	Group Year ended 31 Jul 10 £000	College Year ended 31 Jul 10 £000	Group Year ended 31 Jul 09 £000	College Year ended 31 Jul 09 £000
At 1 Aug	10,454	10,454	11,037	11,037
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(583)	(583)	(583)	(583)
At 31 Jul	9,871	9,871	10,454	10,454

Kingston College

Notes to the accounts (continued)

21. Movement on general reserves

	Group Year ended 31 Jul 10	College Year ended 31 Jul 10	Group Year ended 31 Jul 09	College Year ended 31 Jul 09
	£000	£000	£000	£000
Income and expenditure account reserve				
At 1 August	2,331	2,260	7,411	7,353
Deficit retained for the year	(528)	(539)	(2,263)	(2,276)
Transfer from revaluation reserve	583	583	583	583
Actuarial gain / (loss) in respect of:				
Enhanced pension provision	(10)	(10)	(300)	(300)
Pension scheme	210	210	(3,100)	(3,100)
At 31 July	2,586	2,504	2,331	2,260
Balance represented by:				
Pension reserve	(7,250)	(7,250)	(8,880)	(8,880)
Income and expenditure reserve excluding pension reserve	9,836	9,754	11,211	11,140
At 31 July	2,586	2,504	2,331	2,260

Kingston College

Notes to the accounts (continued)

22. Reconciliation of consolidated operating deficit to net cash flow from operating activities

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Deficit on continuing operations after depreciation of assets at valuation	(510)	(2,244)
Depreciation (note 12)	1,497	1,467
Profit on disposal of fixed assets	-	-
Deferred capital grants released to income (note 2)	(387)	(657)
Interest payable (note 9)	16	44
Pension cost less contributions payable (note 28)	(1,420)	170
Increase in stocks	(3)	(2)
Decrease / (increase) in debtors	553	(193)
(Decrease) / increase in creditors	(125)	159
Increase / (decrease) in provisions	561	(22)
Interest receivable (note 5)	(31)	(172)
Net cash inflow / (outflow) from operating activities	151	(1,450)

23. Returns on investments and servicing of finance

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Other interest received	31	172
Interest paid	(16)	(44)
Net cash inflow from returns on investment and servicing of finance	15	128

24. Capital expenditure and financial investment

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Purchase of tangible fixed assets	(608)	(2,603)
Deferred capital grants received	226	604
Net cash (outflow)/ inflow from capital expenditure and financial investment	(382)	(1,999)

Kingston College

Notes to the accounts (continued)

25. Management of liquid resources

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Withdrawals from deposits	-	-
Placing of deposits	-	-
Net cash inflow from management of liquid resources	-	-

26. Financing

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Debt due beyond a year: Repayment of amounts borrowed	(108)	(113)
Net cash outflow from financing	(108)	(113)

27. Analysis of changes in net funds

	At 1 Aug 09 £000	Cash flows £000	Other changes £000	At 31 Jul 10 £000
Cash in hand, and at bank	4,995	(342)	-	4,653
	4,995	(342)	-	4,653
Debt due within 1 year	(117)	(2)	-	(119)
Debt due after 1 year	(833)	110	-	(723)
Total	4,045	(234)	-	3,811

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations

The college's employees belong to two principal pension schemes: the Teachers Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Royal Borough of Kingston upon Thames. Both are defined benefit schemes.

Total pension cost for the year	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Local Government Pension Scheme		
Contributions paid	940	870
Adjustment	(40)	(160)
Charge for the year	900	710
Teachers Pension Scheme		
Contributions paid	1,614	1,630
Total pension cost for the year before exceptional items	2,514	2,340
Local Government Pension Scheme		
Past Service Costs	(1,890)	-
Total pension cost for the year after exceptional items	624	2,340

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS was 31 March 2007.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is assessed no less than every four years in accordance with the advice of the government actuary. The Government Actuary's Department has been working on the current valuation (as at 31 March 2008) but this has been suspended pending the final report by the Independent Public Service Pensions Commission and full consideration of the Spending Review announcements.

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations (continued)

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employer contributions. For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1%. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

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

Accordingly, the college has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The college has set out above the information available on the scheme and the implications for the college in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2010 was £1,250,000 of which employer's contributions totalled £940,000 and employees' contributions totalled £310,000. The agreed contribution rates for future years are 20.6% for employers. Employee contribution rates will vary from 5.5% to 7.5% depending upon salary levels.

FRS 17

Principal actuarial assumptions

The latest actuarial valuation of the fund took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund for FRS17 purposes (expressed as weighted averages) were:

	At 31 Jul 10	At 31 Jul 09
Inflation	3.4%	3.7%
Rate of general long-term increase in salaries	4.9%	5.2%
Rate of increase to pensions in payment	2.7%	3.7%
Rate of increase to deferred pensions	2.7%	3.7%
Discount rate for scheme liabilities	5.3%	6.0%
Expected rate of return on scheme assets	7.5%	6.4%

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations (continued)

The college employs a building block approach in determining the rate of return on scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

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

	At 31 Jul 10	At 31 Jul 09
Retiring now		
Male	23.2	23.1
Female	25.2	25.0
Retiring in 20 years		
Male	25.6	25.4
Female	27.4	27.3

The major categories of scheme assets were as follows :

	Value at 31 Jul 10 £000	Value at 31 Jul 09 £000
Equities	10,279	6,522
Bonds	1,776	2,575
Property	535	553
Cash	470	990
Total fair value of assets	<u>13,060</u>	<u>10,640</u>

The actual return on scheme assets was as follows:

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Actual return on assets		
Expected return on assets	680	730
Actuarial gain / (loss)	1,130	(1,260)
Actual return on assets	<u>1,810</u>	<u>(530)</u>

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations (continued)

The amounts recognised in the balance sheet are as follows:

	Value at 31 Jul 10 £000	Value at 31 Jul 09 £000
Fair value of scheme assets	13,060	10,640
Present value of funded liabilities	(20,310)	(19,520)
Deficit	(7,250)	(8,880)

Changes in the fair value of scheme assets were:

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Reconciliation of assets		
Opening fair value of scheme assets	10,640	10,370
Expected return on assets	680	730
Actuarial gain / (loss)	1,130	(1,260)
Employer contributions	940	870
Employee contributions	310	280
Benefits paid	(640)	(350)
Closing fair value of scheme assets	13,060	10,640

The estimated value of employer contributions for the year ended 31 July 2011 is £990,000.

Changes in the present value of scheme liabilities were:

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Reconciliation of liabilities		
Opening present value of scheme liabilities	19,520	15,980
Current service cost	900	710
Interest cost	1,190	1,060
Employee contributions	310	280
Actuarial loss	920	1,840
Benefits paid	(640)	(350)
Past service cost	(1,890)	-
Closing present value of scheme liabilities	20,310	19,520

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations (continued)

The amounts recognised in the income and expenditure account are:

	Year ended 31 Jul 10 £000	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000	Year ended 31 Jul 09 £000
Included in staff costs				
Current service cost	900		710	
Past service cost	-		-	
		900		710
Included in interest and other finance costs				
Interest on pension liabilities	1,190		1,060	
Expected return on pension scheme assets	(680)		(730)	
		510		330
Included as exceptional item				
Past service cost	(1,890)		-	
		(1,890)		-
		<u>(480)</u>		<u>1,040</u>

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The college has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit in the Income and Expenditure account. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

The amounts recognised in the statement of total recognised gains and losses are:

	Current year		Cumulative	
	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Actuarial gains / (losses)	210	(3,100)	(1,742)	(1,952)

Kingston College

Notes to the accounts (continued)

28. Pensions and similar obligations (continued)

The history of asset values, present values of liabilities and deficit is:

	Value at 31 Jul 10 £000	Value at 31 Jul 09 £000	Value at 31 Jul 08 £000	Value at 31 Jul 07 £000	Value at 31 Jul 06 £000
Fair value of Fund assets	13,060	10,640	10,370	10,180	9,210
Present value of liabilities	(20,310)	(19,520)	(15,980)	(14,480)	(14,210)
Deficit	(7,250)	(8,880)	(5,610)	(4,300)	(5,000)

The history of experience gains and losses is:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Difference between the expected and actual return on assets	1,130	(1,260)	(960)	260	448
Experience gains and losses on scheme liabilities	180	(50)	(590)	(20)	(20)

29. Capital commitments

	Group and College Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Commitments contracted for at 31 July	-	-

30. Financial commitments

At 31 July 2010, the college had the following annual commitments under non-cancellable operating leases:

	Group and College Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Land and buildings		
Expiring within one year	-	-
Expiring within two to five years inclusive	123	123
Expiring in over five years	247	247
	370	370

Kingston College

Notes to the accounts (continued)

31. Contingent liabilities

There are no contingent liabilities (2009: none).

32. Related party transactions

Owing to the nature of the college's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest.

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

No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

33. Amounts disbursed as agent

Learner support funds

	Year ended 31 Jul 10 £000	Year ended 31 Jul 09 £000
Access funds		
Learning and Skills Council grants:		
- Hardship funds	120	126
- Childcare	45	48
- Discretionary ESOL	6	6
- Supplementary learner support funds	-	-
Interest earned	-	-
	<hr/> 171	<hr/> 180
Disbursed to students	(162)	(168)
Administration costs	(9)	(9)
	<hr/>	<hr/>
Under spent during year	-	3

Funding body grants are available solely for students. In the majority of instances, the college only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the college's financial statements relates to the administrative charge permitted, the payment of some fees and the purchase of some equipment from the access fund on the students' behalf.

Kingston College
Kingston Hall Road
Kingston upon Thames
KT1 2AQ
Telephone 020 8546 2151
www.kingston-college.ac.uk

This publication is available on our website.