

North West Kent College

**Report and Financial Statements**

For the year ended 31 July 2012

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## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES

North West Kent College is one of the leading education providers to the Thames Gateway, ideally situated in both Dartford and Gravesend which is an area of economic and social regeneration. The College successfully delivers training and education to around 7,000 students from South East London and Kent.

The members present their report and the audited financial statements for the year ended 31 July 2012.

### Legal Status

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

### Mission

The College's mission as approved by its members is:

To provide high quality education, learning and training which, through partnership working, offers young people and adults the opportunity to achieve their potential and contribute to the success of the community.

### Implementation of Strategic Plan

In 2008, the College adopted a Strategic Plan for the period 1 September 2008 to 31 August 2012. Due to the changes in funding methodologies and a major Capital re-development programme at the College, a revised Strategic Plan was produced to run from September 2009 to August 2013 to allow time for the make-up of the College and its funding environment to be clarified. In 2011/12 following an organisation wide re-structure in line with the new environment a new Strategic Vision was set for the period 2012-2015 and significantly builds on this. For 2011/12 the College's 6 strategic priorities were:

- Priority 1** - Improving quality through transforming learning
- Priority 2** - Ensure that all 14-19 year olds have access to high quality, relevant learning opportunities
- Priority 3** - Deliver targeted high quality learning provision to adults
- Priority 4** - Ensure employment skills provision is high quality and is responsive to individual and employer needs
- Priority 5** - Provide developmental opportunities for all College staff to enable them to meet College priorities
- Priority 6** - Transform the College estate to provide a 21st century world class learning environment

The new Strategic Vision has a goal for the College to become outstanding by July 2015, and is underpinned by 6 aims and 12 objectives used to measure its progress. The Corporation monitors the College's performance against these plans, and are updated on its progress. These are set out below:

- Aim 1** - Excellent success across the board
  - Objective - Achieve an overall course success rate of 89%
  - Objective - At least 89% of all leavers find new or better employment
- Aim 2** - Innovative and market-leading range of provision
  - Objective - Increase student numbers by 10%
  - Objective - Seen as innovative and market leading by 75% of students and employers
- Aim 3** - Powerful partnerships and commercial relationships
  - Objective - Achieving a partnership/customer satisfaction rating of more than 90%
  - Objective - Increasing alternative funding to 15%
- Aim 4** - Strong finances
  - Objective - Achieve an underlying surplus each year
  - Objective - Make best and efficient use of all resources
- Aim 5** - Inspirational teaching and learning experiences
  - Objective - More than 85% of teaching at good/outstanding
- Aim 6** - Amazing People
  - Objective - External feedback on the student experience in the top 10% nationally
  - Objective - Achieve Investors in Gold or Best Companies recognition
  - Objective - Industry practitioners within all departments

The College is on track to achieving this vision.

## Operating and Financial Review (continued)

### FINANCIAL POSITION

#### Financial Objectives

The College's financial objectives for 2011/12 were to:

- Achieve an underlying surplus in its operating result - Achieved
- To increase incrementally the percentage of alternative funding - Not achieved
- Maintain cash days of 10 or more at all times - Achieved
- Have a current ratio of more than 1.0, excluding finance relating to the capital project - Achieved.
- Meet the College's loan covenants - Achieved
- Maintain reserves of at least 25% of income during the period - Achieved

#### Performance Indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner views")
- Satisfaction survey (formerly "employer views")

In 2011/12 the College achieved its funding target 16-18 year olds and Adults based on its original allocations.

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency.

The College achieved an improved financial health score of Good, based on the Skills Funding Agency scoring assessment for the College's, profitability, working capital and gearing. For 2009/10 the College achieved Satisfactory.

#### Financial Results

The College reversed two year's of successive deficits make an operating surplus of £53,000 in 2011/12 (2010/11 deficit : £1,580,000).

The College has accumulated reserves and net assets of £5,311,000 (2010/11: £8,393,000) and cash balances of £3,606,000 (2010/11: £658,000). The 3-year development plan underlying the College vision is to generate reserves which will be available for on-going re-investment in the organisation, as well as providing a safeguard in the current economic climate.

Tangible fixed asset additions during the year amounted to £3,219,000 following the completion of the Dartford re-development which opened in Autumn 2011 providing modern, and well equipped learning environments for students.

The College has a strong reliance on funding from its main funding bodies for its principal funding source, largely from recurrent grants. For 2011/12, the funding bodies provided 82% of the College's total income. Moving forward the College's aim is to increase the percentage of alternative funding to help re-dress the balance.

The College has three subsidiary companies, North West Kent College Training Trust (NWKCTT), North West Kent Business Services Ltd (NWKBS Ltd) and Knowledge Warehouse Ltd (KW Ltd). A review of these operations concluded in year that the College would operate more effectively as one business for its stakeholders. As a result the College agreed to transfer the principal business of KW Ltd for its provision of specialist refrigeration and air conditioning training to the main College, and would cease trading on the 31st July 2012. In addition the charitable funds held by NWKCTT were agreed to be transferred to the College by the 31st July 2012, with it ceasing operation from this date. NWKBS Ltd ceased trading at 31 July 2008 and is currently dormant.

## Operating and Financial Review (continued)

### Resources

The College has various resources that it deploys in pursuance of its Strategic Aims.

#### -Tangible

North West Kent College has two main sites in Dartford and Gravesham, with three additional specialist sites; a Maritime and Fire Fighting facility on the bank of the River Thames in Gravesend, the Learning Shop at Bluewater, and SusCon at The Bridge, Dartford

#### -Financial

The College has £79.7 million of net assets (including £9.1 million of pension liability) and long term loans of £12.9 million.

#### -People

The College employs 548 people (expressed as full-time equivalents), of whom 248 are teaching staff. The College's investment in staff was recognised in year with the College achieving an Investors in People Bronze Award.

#### -Reputation

The College has a good reputation locally and regionally, and nationally for its specialist maritime provision

### Treasury Management

The College has a treasury management policy in place to effectively manage the College's cashflows, its banking, money markets 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 number of borrowings related to the sites and developments, details of which are contained in the main body of the statutory accounts.

### Cash Flows

For 2011/12 the College had a cash inflow of £x, which benefitted from receipts relating to the new build re-development. The next cashflow allowed the College to repay as planned £8m in loans relating to this project.

### Liquidity

The College's liquidity improved in year, with a significant improvement in the cash balance at £3.606m (£658,000 in 2009/10). The College is due to repay the final £5m of the Dartford related loan in July 2013, with related grants fund of £4.7m due in April 2013.

### Current and Future Development and Performance

#### Student numbers and Achievement

The College achieved its original funding targets for the EFA and SFA, with some underachievement on additional activity for the SFA.

The College uses the software package, ProAchieve, to enable it to monitor retention, achievement and success rates on a continual basis. All curriculum managers have access to ProAchieve, allowing them to compare programme performance against national benchmarks. In 2011/12 the College continued to make progress on both retention and achievement. Success rates in 2010/11 rose to 80% an increase of 1% from 2009/10. Expected success rates for 2011/12 are not fully confirmed but rates are expected to build on last year's gain.

#### Curriculum developments

The College has identified the following as they key in its curriculum offer:

- Vocational Qualifications
- Entry Level/Level 1
- Apprenticeships
- Functional Skills and GCSEs
- Study programmes and Higher Education

In 2011/12 Curriculum benefitted from the significant improvements in teaching environments at Dartford with the new buildings on this site, which brought enhanced equipment to many areas. In addition, the new Suscon building in Dartford, started delivery of programmes in Sustainable Construction which links with the Government's drive on the Green Deal for sustainability. Following a college-wide review the Curriculum areas were reduced from 7 to 5 to help drive up standards and embed quality at all levels of the provision. It is hoped that this will further improve success rates for 2011/12 and beyond.

## Operating and Financial Review (continued)

### Taxation

The College is an exempt charity and not liable to corporation tax. Knowledge Warehouse Ltd activities are taxable and the liability for 2011/12 is £Nil (2010/11 £nil).

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Future Developments

In 2011/12 the College has been focusing on implementing and embedding in it Strategic Vision rolled out in the year. A new Curriculum Strategy is being written to help translate this effectively curriculum and planning. For 2012/13 the College has been awarded the right to enrol its own students onto Higher Education programmes following the increase in HE fees, providing students a local more cost effective alternative.

As a wider result of the Strategic Vision a set of operational objectives has been implemented to bring an all-round focus to raise standards and to become outstanding by July 2015. These are being used to good effect when balancing decision making on future developments areas.

### PRINCIPAL RISKS AND UNCERTAINTIES

The College has embedded a system of internal controls, which include financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

#### 1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2011/12, 82% of the College's revenue was ultimately sector funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The changes to Education Funding Agency funding for students in 2013/14, will require all sector providers to review their provision and how this delivered in line with the new funding parameters.
- The introduction of 24+ Advanced Learning Loans for learners over the age of 24, will for the first time require all adults at this stage to self-fund their studies, effects of this on recruitment will need to be reviewed.
- The current economic conditions and continued uncertainty over government Funding will continue to create a difficult market place to encourage growth in the sector, only a drive for increased quality will it be hoped bring additional work through increased reputation.

This risk is mitigated in a number of ways.

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

#### 2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50% in 2012/13. In line with the majority of other colleges, the College will review its tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood in addition to the new 24+ Advanced Learning Loans for 2013/14. The risk for the College is that demand falls off as fees are increased. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways.

- By ensuring the College is rigorous in delivering high quality education and training, thus by ensuring value for money for students
- Close monitoring of the demand for courses as prices change

#### 3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

## Operating and Financial Review (continued)

### STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, North West Kent College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade Unions
- Professional bodies.

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

### Equal Opportunities Policies and Employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy and Transgender Policies, is published on the College's Internet site.

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, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

- Government Offices/Regional Development Agencies;
- The local community;
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## Operating and Financial Review (continued)

### Disability statement

North West Kent College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005.

- a In 2006/07 the college secured a substantial grant from the LSC to undertake works at both Dartford and Gravesend campus which enabled us to comply with both acts and the capital redevelopment on both sites were designed to comply with the acts;
- b there is a list of specialist equipment, lighting for audio facilities, etc, which the College can make available for use by students;
- c the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- f counselling and welfare services are available and are detailed in the College charter and the College's published Policy on Disability and Discrimination.

### 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.

Approved by order of the members of the Governing Body/Corporation on 5 December 2012 and signed on its behalf by:



Mr E C Anderson  
Chairman

**Operating and Financial Review (continued)**

**Professional advisers**

Financial statements and regularity auditor:

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

Internal auditor:

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

Bankers:

Lloyds TSB Plc  
High Street  
Dartford  
Kent  
DA1 1BY

Solicitors:

Maples Teesdale  
21 Lincoln's Inn Fields  
London  
WC2A 3DU

## Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the 'UK Corporate Governance Code' issued by the London Stock Exchange 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 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 2012.

### The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 1.

**Table 1: Governors serving on the College board during 2011/12**

Name	Date of Appointment/ re-appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served
Mr E C Anderson (Chairman)	July 2009	4 years		Local Community Nominee	Remuneration; Governors Review; Policy & Finance
Dr R Finney (Vice Chairman from Jan 2010)	March 2009	4 years	June 2011	Co-opted	Standards; Search; Special; Policy & Finance
Mr O Oguns	March 2009	4 years	February 2012	Business	Estates & Facilities; Quality & Curriculum
Mr G Moody	March 2008	4 years	End of Term March 2012	Staff	Quality & Curriculum; Audit
Mr N Butterfield	July 2009	4 years	October 2012	Staff	Policy & Finance; Staff & Students
Ms E Birchenough	March 2009	4 years		Business	Estates & Facilities; Governors Review; Special
Mr J Parkes	December 2007	4 years		Business	Audit; Remuneration; Special Governors Review
Mr R Singh Gill	March 2008	4 years		Co-opted	Search; Special; Staff & Students
Mrs S Adams	July 2009	4 years		Business	Search; Governors Review; Estates & Facilities
Mr B Newell	October 2010	4 years		Local Authority Nominee	Governors Review; Policy & Finance; Staff & Students
Mrs P Jones	July 2007	4 years		Local Community Nominee	Quality & Curriculum; Remuneration
Ms D Wroblewski	March 2010	4 years	June 2011	Business	Audit;
Mr R Higgins	May 2010	4 years	October 2012	Business	Audit; Staff & Students
Mr S Besa		1 year		Student	
Mr A Johnson		1 year		Student	
Mr A Parkinson	July 2010	4 years	July 2011	Business	Audit; Estates & Facilities
Mr D Gleed	April 2010	Ex-officio		Principal	Estates & Facilities; Governors Review; Policy & Finance; Quality & Curriculum; Remuneration; Search;
Ms W Davies	July 2012	4 years		Staff	Quality & Curriculum

Yolanda Hughes is Clerk to the Corporation

## Statement of Corporate Governance and Internal Control (continued)

The following persons also acted as trustees and directors, respectively, of the North West Kent College Training Trust and its subsidiary, North West Kent Business Services Limited and Knowledge Warehouse Limited.

NWKCTT:	Mr E Anderson Mr T Knight, <i>retired 31 August 2011</i> Mr J Parkes Mr D Gleed
NWKBS Ltd:	Mr D Holland, <i>retired 14 December 2011</i> Ms E Birchenough Mrs A Komzolik Mr D Gleed
KW Ltd:	Mr D Holland, <i>retired 14 December 2011</i> Mrs A Komzolik Ms E Birchenough Mr D Gleed

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 Policy and Finance, Remuneration, Search, Audit, Estates and Facilities, Quality and Curriculum, Staff and Students; Governors' Review and Special.

The Policy and Finance and Audit Committees meet not less than 3 times per year. The Quality and Curriculum, Estates and Facilities and Staff and Students Committees meet 3 times a year. The Remuneration Committee meets once a year. The Search, Governors' Review and Special Committees are convened as necessary.

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

North West Kent College  
Oakfield Lane  
Dartford  
Kent DA1 2JT

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 dismissal of the Clerk are matters for the Corporation as a whole.

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

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

### ***Appointments to the Corporation***

There were no new appointments in the year.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

### ***Remuneration Committee***

Throughout the year ended 31 July 2012, the College's Remuneration Committee comprised Mr E Anderson (Chairman), Mr J Parkes, Mrs P Jones and Mr D Gleed. 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 2012 are set out in notes 6 and 7 to the financial statements.

### ***Audit Committee***

The Audit Committee comprises four members of the Corporation who exclude the Principal and Chair. The committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors 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 undertake 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.

### ***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 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 Young Peoples Learning Agency (YPLA) and Skills Funding Agency (SFA). He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

#### ***The Purpose of the System of Internal Control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objects; 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 North West Kent College for the year ended 31 July 2012 and up to the date of approval of the annual report and accounts.

## 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 period ending 31 July 2012 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *Risk and Control Framework*

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

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

The College has an internal audit service, which operates in accordance with the requirements of the 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 a 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. 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; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

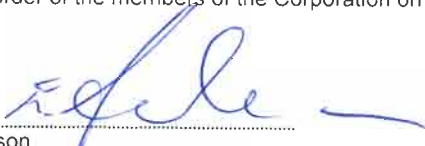
The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

### *Going Concern*

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

Approved by order of the members of the Corporation on 5 December 2012 and signed on its behalf by:

  
.....  
Mr E C Anderson  
Chairman

  
.....  
Mr D Gleed  
Principal

## Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation of the College 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 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 jointly by the Skills Funding Agency and the Young People's Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Approved by order of the members of the Corporation on 5 December 2012 and signed on its behalf by:



Mr E C Anderson  
Chairman

## Independent Auditor's Report to the Corporation of North West Kent College

We have audited the financial statements of North West Kent College for the year ended 31 July 2012 which comprise the consolidated income and expenditure account, the Group and College balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses 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 the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Corporation of North West Kent College and Auditor

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

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### 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 Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Members' Report 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

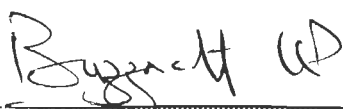
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Groups' and of the College's affairs as at 31 July 2012 and of the Group'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.

### 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.



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

20 December 2012  
Date

**Independent Auditor's Report on Regularity to the Corporation of North West Kent College ('the Corporation') and the Chief Executive of the Skills Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the Chief Executive of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of North West Kent College ('the College') for the year ended 31 July 2012 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 Chief Executive of the Skills Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Chief Executive of the Skills Funding Agency those matters we are required to state to them 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 the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

**Respective responsibilities of the Members of the Corporation of North West Kent College and Auditor**

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 Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2012 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 Learning and Skills Council. 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 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



20 December 2012

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

Date

**Consolidated Income and Expenditure Account  
for the year ended 31 July 2012**

	Note	2012 £'000	2011 £'000
<b>Income</b>			
Funding body grants	2	27,243	27,302
Tuition fees and education contracts	3	2,797	3,314
Other income	4	3,272	4,121
Investment income	5	11	6
		<hr/>	<hr/>
<b>Total income</b>		<b>33,323</b>	<b>34,743</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Expenditure</b>			
Staff costs	6	19,246	22,369
Other operating expenses	8	8,742	9,069
Depreciation	14	3,800	2,642
Interest and other financial costs	9	1,125	887
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>32,913</b>	<b>34,967</b>
		<hr/> <hr/>	<hr/> <hr/>
Surplus/(deficit) on continuing operations prior to restructuring costs		410	(224)
Exceptional items: Restructuring costs	10	(357)	(1,356)
		<hr/>	<hr/>
Surplus/(deficit) on continuing operations after restructuring costs and before tax		53	(1,580)
Taxation	11	-	-
		<hr/>	<hr/>
<b>Surplus/(deficit) for the year retained within general reserves</b>	12	<b>53</b>	<b>(1,580)</b>
		<hr/> <hr/>	<hr/> <hr/>

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

**Consolidated Statement of Historical Cost Surpluses and Deficits  
for the year ended 31 July 2012**

	<i>Note</i>	2012 £'000	2011 £'000
Surplus (deficit) on continuing operations after depreciation of assets at valuation and tax		53	(1,580)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	143	145
<b>Historical cost surplus (deficit) for the year before taxation</b>		<b>196</b>	<b>(1,435)</b>
<b>Historical cost surplus (deficit) for the year after taxation</b>		<b>196</b>	<b>(1,435)</b>

**Consolidated Statement of the Total  
Recognised Gains and Losses  
for the year ended 31 July 2012**

Surplus (deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax		53	(1,580)
Actuarial losses in respect of the pension scheme	25	(3,135)	(253)
Actuarial gain in respect of enhanced pension scheme	20	-	1
<b>Total recognised losses since last report</b>		<b>(3,082)</b>	<b>(1,832)</b>
<b>Reconciliation</b>			
Opening reserves (restated - see note 23)		8,393	10,225
Total recognised losses for the year		(3,082)	(1,832)
<b>Closing reserves</b>		<b>5,311</b>	<b>8,393</b>

The opening reserves for the year ended 31 July 2011 have been restated (see note 23).

**Consolidated Balance Sheet**  
**at 31 July 2012**

	Note	2012 £'000	2011 (restated) £'000
<b>Fixed assets</b>			
Intangible assets	13	4	5
Tangible assets	14	101,673	102,256
Investments	15	1	1
		<u>101,678</u>	<u>102,262</u>
<b>Current assets</b>			
Stock		34	34
Debtors	16	5,483	13,348
Cash at bank and in hand		3,606	658
<b>Total current assets</b>		<u>9,123</u>	<u>14,040</u>
<b>Less creditors:</b> Amounts falling due within one year	17	(9,067)	(14,475)
<b>Net current assets (liabilities)</b>		<u>56</u>	<u>(435)</u>
<b>Total assets less current liabilities</b>		<u>101,734</u>	<u>101,827</u>
<b>Less creditors:</b> Amounts falling due after more than one year	18	(12,940)	(13,613)
<b>Less:</b> Provisions for liabilities	20	(26)	(53)
<b>Net assets excluding pension liability</b>		<u>88,768</u>	<u>88,161</u>
<b>Net pension liability</b>	25	(9,080)	(5,463)
<b>Net assets including pension liability</b>		<u>79,688</u>	<u>82,698</u>
<b>Deferred capital grants</b>	21	74,377	74,305
<b>Reserves</b>			
Revaluation reserve	22	3,847	3,990
Income and expenditure account excluding pension reserve	23	10,449	9,771
Pension reserve	23	(9,080)	(5,463)
Income and expenditure account including pension reserve		<u>1,369</u>	<u>4,308</u>
Capital reserve	24	12	95
Restricted reserve	24	83	-
		<u>95</u>	<u>95</u>
<b>Total reserves</b>		<u>5,311</u>	<u>8,393</u>
<b>Total</b>		<u>79,688</u>	<u>82,698</u>

The financial statements on pages 15 to 40 were approved by the Corporation on 5 December 2012 and were signed on its behalf by:

Mr E C Anderson  
 Chairman

Mr D Gleed  
 Principal

**College Balance Sheet**  
**at 31 July 2012**

	Note	2012 £'000	2011 (restated) £'000
<b>Fixed assets</b>			
Intangible assets	13	4	5
Tangible assets	14	101,673	102,256
Investments	15	1	1
<b>Total fixed assets</b>		<u>101,678</u>	<u>102,262</u>
<b>Current assets</b>			
Stock		33	34
Debtors	16	5,758	13,326
Cash at bank and in hand		3,242	431
<b>Total current assets</b>		<u>9,033</u>	<u>13,791</u>
<b>Less creditors: Amounts falling due within one year</b>	17	<u>(8,990)</u>	<u>(14,321)</u>
<b>Net current assets/(liabilities)</b>		<u>43</u>	<u>(530)</u>
<b>Total assets less current liabilities</b>		<u>101,721</u>	<u>101,732</u>
<b>Less creditors: Amounts falling due after more than one year</b>	18	<u>(12,940)</u>	<u>(13,613)</u>
<b>Less: Provisions for liabilities</b>	20	<u>(25)</u>	<u>(53)</u>
<b>Net assets excluding pension liability</b>		<u>88,756</u>	<u>88,066</u>
<b>Net pension liability</b>	25	<u>(9,080)</u>	<u>(5,463)</u>
<b>Net assets including pension liability</b>		<u>79,676</u>	<u>82,603</u>
<b>Deferred capital grants</b>	21	<u>74,377</u>	<u>74,305</u>
<b>Reserves</b>			
Revaluation reserve	22	3,847	3,990
Income and expenditure account excluding pension reserve	23	10,449	9,771
Pension reserve	23	(9,080)	(5,463)
Income and expenditure account including pension reserve		<u>1,369</u>	<u>4,308</u>
Restricted reserve	24	83	-
<b>Total reserves</b>		<u>5,299</u>	<u>8,298</u>
<b>Total</b>		<u>79,676</u>	<u>82,603</u>

The financial statements on pages 15 to 40 were approved by the Corporation on 5 December 2012 and were signed on its behalf by:

.....  
 Mr E C Anderson  
 Chairman

.....  
 Mr D Gleed  
 Principal

**Consolidated Cash Flow Statement  
for the year ended 31 July 2012**

	<i>Note</i>	2012 £'000	2011 £'000
Cash inflow/(outflow) from operating activities	26	9,326	(8,741)
Returns on investments and servicing of finance	27	(950)	(722)
Capital expenditure and financial investment	28	(796)	(3,414)
Financing	29	(4,632)	8,758
		<hr/>	<hr/>
Increase/(decrease) in cash	30	2,948	(4,119)
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of Net Cash Flow to Movement in net debt**

		2012 £'000	2011 £'000
Increase/(decrease) in cash in the period		2,948	(4,119)
Cash flow from debt and lease financing	29	4,632	(8,758)
		<hr/>	<hr/>
Movement in net debt in period		7,580	(12,877)
Net debt at 1 August		(22,403)	(9,526)
		<hr/>	<hr/>
Net debt at 31 July	30	(14,823)	(22,403)
		<hr/> <hr/>	<hr/> <hr/>

## Notes

### 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 jointly by the Skills Funding Agency and the EFA in the 2011/12 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 and in accordance with applicable United Kingdom Accounting Standards.

#### *Basis of consolidation*

The consolidated financial statements include the College and its subsidiaries, North West Kent Training Trust, North West Kent Business Services Limited and the Knowledge Warehouse Limited. Intra-group sales and profits are eliminated fully on consolidation. 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 2012.

#### *Recognition of income*

The recurrent grant from HEFCE represent the funding allocations attributable to the current financial year and are credited direct to the Income and Expenditure account.

The 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 at the end of November following the year end, and the results of any funding audits. 16 - 18 Learner Responsive Funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

The income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

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.

Notes (continued)

## 1 Accounting policies (continued)

### **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).

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinennial valuations using a prospective benefit method. As stated in Note 25, 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 a college annually. An estimate of the expected future cost of any enhancement of the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

### **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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Building improvements made since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College. The College has adopted the transitional provisions of FRS 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included within the financial statements. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 2 and 50 years.

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset(s) 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 re-valued in 1996, but not to adopt a policy of re-valuations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

#### *Assets under construction*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets (continued)*

##### *Subsequent expenditure on existing fixed assets*

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

- 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

Such expenditure termed short life accommodation will have an expected useful life of 15 years.

##### *Buildings owned by third parties*

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

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

##### *Equipment*

Individual equipment costing £1,000 and above is capitalised. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of ten years. All other equipment is depreciated over its useful economic life as follows:

Plant	15-25 years
Motor vehicles and general equipment	10 years
Computer equipment	5 years
Furniture and fittings	10 years

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. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

##### *Investments*

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

## Notes (continued)

### 1 Accounting policies (continued)

#### **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. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

#### **Taxation**

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

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

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

#### **Liquid resources**

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

#### **Provisions**

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

#### **Agency Arrangements**

The College acts as an agent in the collection and payment of Bursary and Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 35, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes (continued)

**2 Funding body income**

	2012 £'000	2011 £'000
Main funding body recurrent grant	24,822	24,487
HEFCE	70	46
Releases of deferred capital grants (note 21)	2,351	1,852
Non-recurrent grants	-	917
	<hr/>	<hr/>
<b>Total</b>	<b>27,243</b>	<b>27,302</b>
	<hr/> <hr/>	<hr/> <hr/>

**3 Tuition fees and education contracts**

	2012 £'000	2011 £'000
Tuition fees	1,693	2,022
Education contracts	1,104	1,292
	<hr/>	<hr/>
	<b>2,797</b>	<b>3,314</b>
	<hr/> <hr/>	<hr/> <hr/>

**4 Other income**

	2012 £'000	2011 £'000
Residences, catering and conferences	534	486
Other income generating activities	251	112
Other income	2,487	3,523
	<hr/>	<hr/>
	<b>3,272</b>	<b>4,121</b>
	<hr/> <hr/>	<hr/> <hr/>

	2012 £'000	2011 £'000
Other income includes:		
Other grants	1,226	2,064
Nursery income	601	489
Examination and registration fees	153	119
Body matters	40	41
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

**5 Investment income**

	2012 £'000	2011 £'000
Other interest receivable	11	6
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

**6 Staff numbers and costs**

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

	2012 Number	2011 Number
Teaching staff	248	310
Non-teaching staff	300	342
	<u>548</u>	<u>652</u>

Staff costs for the above persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	15,216	18,373
Social security costs	1,144	1,292
Other pension costs (including FRS17 adjustments of £318,000) - (2011 - £195,000)	2,075	2,358
	<u>18,435</u>	<u>22,023</u>
Payroll sub-total	18,435	22,023
Contracted out staffing cost	811	346
	<u>19,246</u>	<u>22,369</u>

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

	2012		2011	
	Number of senior postholders	Number of other staff	Number of senior postholders	Number of other staff
<£10,000	2	-	-	-
£10,000 - £20,000	1	-	-	-
£30,000 - £40,000	1	2	-	-
£40,000 - £50,000	1	1	-	-
£70,001 to £80,000	-	-	1	1
£80,001 to £90,000	-	3	1	3
£90,001 to £100,000	-	2	-	1
£110,001 to £120,000	1	-	2	-
£160,001 to £170,000	1	-	1	-
	<u>7</u>	<u>8</u>	<u>5</u>	<u>5</u>

No pay award was made during the year which was approved by the Corporation/Governing Body.

The following posts have been held by two different individuals this Financial year:

- Clerk to the Governors
- Finance Director
- Director of Estates

Notes (continued)

**7 Senior post holders emoluments**

Senior post holders form part of the senior management team.

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.

	2012 Number	2011 Number
The number of senior post-holders including the Principal was	7	6
Senior post-holders' emoluments are made up as follows:		
	2012 £'000	2011 £'000
Salaries	302	494
Benefits in kind	14	23
Pension contributions	42	70
	<hr/>	<hr/>
	358	587
	<hr/> <hr/>	<hr/> <hr/>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior postholder)

	2012 £'000	2011 £'000
Salaries	140	140
Benefits in kind	6	6
Pension contributions	22	22
	<hr/>	<hr/>
	168	168
	<hr/> <hr/>	<hr/> <hr/>

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

**Compensation for loss of office paid to a former Senior postholder or higher paid employee**

	2012 £'000	2011 £'000
Compensation paid to the former post-holders	65	51
Estimated value of other benefits, including provisions for pension benefits	-	-

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

Notes (continued)

**8 Other operating expenses**

	2012 £'000	2011 £'000
Teaching costs	791	1,146
Non-teaching costs	6,309	4,555
Premises costs	1,642	3,368
	<hr/>	<hr/>
<b>Total</b>	<b>8,742</b>	<b>9,069</b>
	<hr/> <hr/>	<hr/> <hr/>

Other operating expenses

Auditor's remuneration:

Financial statements audit: current year	22	22
Internal audit	27	28
Other services provided by external and internal audit	54	7
Hire of other assets – operating leases	247	235
Revenue capital project costs	-	526
	<hr/>	<hr/>

**9 Interest payable**

	2012 £'000	2011 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in less than 5 years	945	701
	<hr/>	<hr/>
	945	701
On finance leases	16	27
Pension finance costs (note 25)	164	159
	<hr/>	<hr/>
	<b>1,125</b>	<b>887</b>
	<hr/> <hr/>	<hr/> <hr/>

**10 Exceptional Items**

The second phase of the Corporate restructure continued in 2011-12 and the staff changes are shown below:

	2012 Number	2011 Number
Number of staff leaving under the corporate restructure	44	63
Reduction in staff through changes to teaching and sessional requirements	-	26
Other (including retirements and end of fixed term contracts)		14
	<hr/>	<hr/>
	<b>44</b>	<b>103</b>
	<hr/> <hr/>	<hr/> <hr/>
	2012 £'000	2011 £'000
Cost of the corporate restructure	357	895
Cost of charges to teaching and sessional requirements	-	397
Cost of other changes	-	64
	<hr/>	<hr/>
	<b>357</b>	<b>1,356</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**11 Taxation**

The members of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during the year ended 31 July 2012 (2011 - £nil).

**12 Surplus/(deficit) on continuing operations for the year**

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

	2012 £'000	2011 £'000
College's surplus/(deficit) for the year	53	(1,312)
Deficit generated by subsidiary undertakings	-	(268)
	<hr/>	<hr/>
	53	(1,580)
	<hr/> <hr/>	<hr/> <hr/>

**13 Intangible fixed assets (Group and College)**

The College has developed a reputation for teaching and learning around Sustainable Construction. From this the SUSCON brand has been established with the College.

The development of the SUSCON brand incurred a cost of £7,000, which is being amortised over a period of 5 years on a straight line basis.

Notes (continued)

14 Tangible fixed assets (Group and College)

	Land & Buildings Freehold £'000	Assets under Construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2011	56,013	47,765	13,923	117,701
Additions	2,645	-	574	3,219
Transfer of Assets Under Construction	44,828	(47,765)	2,937	-
Write off of fully depreciated assets	-	-	(2)	(2)
<b>At 31 July 2012</b>	<b>103,486</b>	<b>-</b>	<b>17,432</b>	<b>120,918</b>
<b>Accumulated depreciation</b>				
At 1 August 2011 (restated - see note 23)	8,177	-	7,268	15,445
Charge for year	1,927	-	1,875	3,802
Write off of fully depreciated assets	-	-	(2)	(2)
<b>At 31 July 2012</b>	<b>10,104</b>	<b>-</b>	<b>9,141</b>	<b>19,245</b>
<b>Net book value</b>				
<b>At 31 July 2012</b>	<b>93,382</b>	<b>-</b>	<b>8,291</b>	<b>101,673</b>
At 31 July 2011	47,836	47,765	6,655	102,256

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Lawrence Hewitt Partnership, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £4,161,553 (2011: £4,449,529) have been financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

Fixed assets include buildings with a net book value of £72,661,593 which have been partially funded by a grant from the SFA. It was anticipated that the LSC and Skills Funding Agency will provide £75,052,000 over 7 years for both the Gravesend and Dartford campuses. At 31 July 2012 £4,686,906 of the £52,221,777 claimed for the Dartford Campus was outstanding.

The net book value of tangible fixed assets includes an amount of £266,511 (2011: £341,096) in respect of assets held under finance leases. The accumulated depreciation on these assets for the year was £227,380 (2011: £204,336).

Notes (continued)

**15 Investments – Group and College**

	2012 £'000	2011 £'000
Investment in The Retail Academy	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

The College has significant influence over the North West Kent College Training Trust, which is a registered charity (No 802702) and company limited by guarantee (No 02453237). The charity, in turn, owns 100% of the issued ordinary shares of North West Kent Business Services Ltd, a company incorporated in Great Britain and registered in England and Wales (No 02369960).

The Retail Academy was set up to promote training within the retail sector. The shares were purchased in April 2004, the College being one of many participating training providers involved with the Retail Academy.

The College owns 100% of the issued ordinary £1 shares of The Knowledge Warehouse Ltd, a company incorporated in Great Britain and registered in England and Wales (No 06073562). Following a review of the business, the Directors agreed to transfer the operations to the College with effect from 1 August 2012.

**16 Debtors**

	2012		2011	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	137	106	369	294
Other debtors	13	13	6	6
Prepayments and accrued income	646	646	508	507
Amounts owed by associate undertakings	-	306	-	54
Amounts owed by the Skills Funding Agency	4,687	4,687	12,465	12,465
	<u>5,483</u>	<u>5,758</u>	<u>13,348</u>	<u>13,326</u>

The Skills Funding Agency debt of £4,686,906 is expected to be paid within one year.

**17 Creditors: Amounts falling due within one year**

	2012		2011	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts (note 19)	5,489	5,489	9,421	9,421
Obligations under finance leases (note 19)	62	62	149	149
Trade creditors	701	690	676	647
Other taxation and social security	372	350	692	677
Accruals and deferred income	1,725	1,681	3,177	3,098
Other funding body deferred income	355	355	99	99
Other creditors	363	363	261	230
	<u>9,067</u>	<u>8,990</u>	<u>14,475</u>	<u>14,321</u>

Notes (continued)

18 Creditors: Amounts falling due after more than one year

	2012		2011	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans (note 19)	12,878	12,878	13,441	13,441
Obligations under finance leases (note 19)	-	-	50	50
Retention on Capital project	-	-	59	59
Long Term Insurance Liability	62	62	63	63
	<u>12,940</u>	<u>12,940</u>	<u>13,613</u>	<u>13,613</u>

19 Analysis of borrowings

*Bank loans and overdrafts*

	2012		2011	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
In one or less	5,489	5,489	9,421	9,421
Between one and two years	687	687	422	422
Between two and five years	1,966	1,966	1,407	1,407
In five years or more	10,225	10,225	11,612	11,612
	<u>18,367</u>	<u>18,367</u>	<u>22,862</u>	<u>22,862</u>

The current bank loan consists of long term loans of £10,000,000 fixed to 2019 at 5.195%, a further £3,841,000 at 1% above 3 month LIBOR. Capital repayments on both facilities commenced in Autumn 2011. £8,500,000 from the original floating facility of £15,000,000 (for which £13,500,000 was drawn down) was repaid with the balance of £5,000,000 due at 31st July 2013.

*Finance leases*

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

	2012		2011	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	62	62	149	149
Between two and five years	-	-	50	50
	<u>62</u>	<u>62</u>	<u>199</u>	<u>199</u>

Finance lease obligations are secured on the assets to which they relate.

Notes (continued)

## 20 Provisions for liabilities

### Pensions provision

Total  
£'000

At 1 August 2011	53
Expenditure in the period	(27)
<b>At 31 July 2012</b>	<b>26</b>

The pensions provision relates to staff who have already left the College's employment and represents the College's commitment to their pension.

## 21 Deferred capital grants

### *Group and College*

2012  
£'000

2011  
£'000

At 1 August 2011	74,305	50,335
Cash received	2,423	25,822
Released to income and expenditure account	(2,351)	(1,852)
<b>At 31 July 2012</b>	<b>74,377</b>	<b>74,305</b>

Notes (continued)

**22 Revaluation reserve**

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
<b>At 1 August</b>	<b>3,990</b>	<b>3,990</b>	4,135	4,135
Transfer from revaluation reserve to income and expenditure account in respect of:				
Depreciation on re-valued assets	(143)	(143)	(145)	(145)
<b>At 31 July 2012</b>	<b>3,847</b>	<b>3,847</b>	3,990	3,990

**23 Movement on general reserves**

	Group 2012 £'000	College 2012 £'000	Group 2011 (restated) £'000	College 2011 (restated) £'000
At 1 August 2011	4,308	4,308	5,901	5,432
Prior year adjustment	-	-	(172)	(141)
At 1 August 2011(restated)	4,308	4,308	5,729	5,291
Surplus/(deficit) retained for the year	53	53	(1,580)	(876)
Transfer from capital reserves	-	-	266	-
Transfer from Revaluation Reserve	143	143	145	145
Actuarial losses in respect of pension scheme (LGPS)	(3,135)	(3,135)	(253)	(253)
Actuarial gain in respect of enhanced pension scheme	-	-	1	1
<b>At 31 July 2012</b>	<b>1,369</b>	<b>1,369</b>	4,308	4,308
Balance represented by:				
Pension reserve	(9,080)	(9,080)	(5,463)	(5,463)
Income and expenditure account reserve excluding pension	10,449	10,449	9,771	9,771
	1,369	1,369	4,308	4,308

The opening reserves at 1 August 2010 have been restated following a re-assessment of the value of fixed assets and stock held. The impact of the restatement is set out below.

	Group £'000	College £'000
Opening reserves at 1 August 2010	10,397	9,567
Prior year adjustments	(172)	(141)
<b>Restated opening reserves at 1 August 2010</b>	<b>10,225</b>	<b>9,426</b>

Notes (continued)

**24 Capital Reserve**

	NWK College Training Trust £'000	Total £'000
Balance at 1 August 2011	95	95
Net outgoing resources for the year	<u>(83)</u>	<u>(83)</u>
<b>Balance at 31 July 2012</b>	<b><u>12</u></b>	<b><u>12</u></b>

**Restricted Reserve**

	College £'000	Total £'000
Balance at 1 August 2011	-	-
Net incoming resources for the year	<u>83</u>	<u>83</u>
<b>Balance at 31 July 2012</b>	<b><u>83</u></b>	<b><u>83</u></b>

At the balance sheet date the College held £83,439 of North West Kent College Training Trust monies in a restricted reserve transferred from the capital reserve.

**25 Pensions and similar obligations – Group & College**

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 Kent County Council. Both are defined-benefit schemes

	2011/12 £'000	2010/11 £'000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,061	1,278
Local Government Pension Scheme	696	886
FRS17 adjustment	<u>318</u>	<u>194</u>
<b>Total Pension Cost for Year</b>	<b><u>2,075</u></b>	<b><u>2,358</u></b>

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

## Notes (continued)

### 25 Pensions and similar obligations – Group & College (continued)

#### Teachers' Pension Scheme

The TPS 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 purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2010
Actuarial method	Prospective benefits
Investment returns per annum	6.20%
Salary scale increases per annum	4%
Notional value of assets at date of last valuation	£162,650million

Proportion of members' accrued benefits covered by the notional value of the 98.88%

Following the implementation of Teacher's Pension (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 2011 to 31 July 2012 the employer contribution was 14.1% per cent. The employee rate was 6.4% for the period to 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1 April 2012. 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 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2012 was £1,017,103 of which employers contributions totalled £724,006 and employee's contributions totalled £293,096. The agreed contribution rates for future years are 15.6% for employers and between 5.5% and 7.5% for employees depending on their salary scale.

#### FRS 17

##### Principal Actuarial Assumptions:

	31 July 2012	31 July 2011
Inflation assumption	1.80%	2.70%
Rate of increase in salaries	4.00%	5.00%
Rate of increase in pensions	1.80%	2.70%
Discount rate for scheme liabilities	3.90%	5.30%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	31 July 2012	31 July 2011
Retiring today		
Males	20	19.8 yrs
Females	24	23.9 yrs
Retiring in 20 yrs		
Males	22	21.90 yrs
Females	25.9	25.80 yrs

Notes (continued)

25 Pensions and similar obligations – Group & College (continued)

The assets in the scheme and the expected rates of return were:

	2012		2011	
	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000	Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000
Equities	5.60%	10,750	6.80%	10,391
Bonds	3.90%	1,620	5.30%	1,850
Property	3.60%	1,325	4.80%	1,281
Cash	3.00%	589	3.00%	569
Guilts	2.80%	147	4.00%	142
Target Return on Portfolio	2.00%	295	0.00%	-
Total market value of assets		14,726		14,233
Present value of scheme liabilities				
-Funded		(23,805)		(19,695)
-Unfunded		(1)		(1)
Deficit in the scheme		(9,080)		(5,463)
		Year ended 31 July 2012 £'000		Year ended 31 July 2011 £'000
<b>Analysis of the amount charged to income and expenditure</b>				
Employer service cost (net of employee contributions)		979		1,127
Past service cost		-		-
Total operating charge		979		1,127
		Year ended 31 July 2012 £'000		Year ended 31 July 2011 £'000
<b>Analysis of pension finance income</b>				
Expected return on pension scheme assets		897		777
Interest on pension liabilities		(1,061)		(936)
Pension finance costs		(164)		(159)

Notes (continued)

25 Pensions and similar obligations – Group & College (continued)

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	(664)	(623)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>(2,471)</u>	<u>370</u>
<b>Actuarial losses recognised in STRGL</b>	<b><u>(3,135)</u></b>	<b><u>(253)</u></b>

**Movement in deficit during year**

Deficit in scheme as at 1 August 2011	(5,463)	(4,857)
Movement in year:		
Current employer service charge	(979)	(1,127)
Past Service Gains	-	-
Employer Contributions	901	957
Net interest/return on assets	(164)	(159)
Actuarial losses	(3,135)	(253)
Settlement or curtailment	<u>(240)</u>	<u>(24)</u>
<b>Deficit in scheme at 31 July 2012</b>	<b><u>(9,080)</u></b>	<b><u>(5,463)</u></b>

**Asset and Liability Reconciliation**

**Reconciliation of Liabilities**

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
<b>Liabilities at start of period</b>	<b>19,696</b>	<b>18,048</b>
Service Cost	979	1,127
Interest Cost	1,061	936
Employee Contributions	293	364
Actuarial losses (gains)	2,471	(370)
Benefits paid	(934)	(433)
Past Service cost	-	-
	<u>240</u>	<u>24</u>
	<b><u>23,806</u></b>	<b><u>19,696</u></b>

Notes (continued)

25 Pensions and similar obligations - Group & College (continued)

Reconciliation of Assets

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
<b>Assets at start of period</b>	<b>14,233</b>	13,191
Expected return on assets	897	777
Actuarial losses	(664)	(623)
Employer contributions	901	957
Employee contributions	293	364
Benefits paid	(934)	(433)
	<hr/>	<hr/>
Assets at end of period	<b>14,726</b>	14,233
	<hr/> <hr/>	<hr/> <hr/>

The estimated value of employer contributions for the year ended 31 July 2012 is £901,000.

History of experience gains and losses

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets:	(664)	(623)	1,112	(1,363)	(1,796)
Experience gains/(losses) on liabilities	-	1,001	-	1	(66)
Recognised in STRGL	(3,135)	(253)	724	(3,227)	(875)

26 Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities

	2012 £'000	2011 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	53	(1,580)
Depreciation (note 14) and amortisation (note 13)	3,803	2,644
Loss on disposal of tangible fixed assets	-	10
Deferred capital grants released to income (note 21)	(2,351)	(1,852)
Interest receivable (note 5)	(11)	(6)
Interest payable (note 9)	961	728
FRS17 Pensions cost less contributions payable (notes 6 and 25)	318	212
FRS17 Pensions finance cost (note 9)	164	159
Decrease in Stock	-	(8)
Decrease/(increase) in debtors	7,865	(7,270)
Decrease in creditors	(1,449)	(1,779)
(Decrease)/increase in provisions	(27)	1
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>9,326</b>	(8,741)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

		2012	2011
<b>27 Returns on investments and servicing of finance</b>		<b>£'000</b>	<b>£'000</b>
Interest received		11	6
Interest paid		(945)	(701)
Interest element of finance lease rental payment		(16)	(27)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(950)</b>	<b>(722)</b>
<b>28 Capital expenditure and financial investment</b>		<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets		(3,219)	(29,236)
Deferred capital grants received		2,423	25,822
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(796)</b>	<b>(3,414)</b>
<b>29 Financing</b>		<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
Debt due beyond a year:			
Repayments of amounts borrowed		4,495	9,021
Capital element of finance lease rental payments		137	(263)
<b>Net cash inflow from financing</b>		<b>4,632</b>	<b>8,758</b>
<b>30 Analysis of changes in net funds</b>			
	31 July 2011	Cash Flows	31 July 2012
	£'000	£'000	£'000
Cash at bank and in hand	658	2,948	3,606
Debts due within 1 year	(9,421)	3,932	(5,489)
Debts due after 1 year	(13,441)	563	(12,878)
Finance leases	(199)	137	(62)
<b>Total</b>	<b>(22,403)</b>	<b>7,580</b>	<b>(14,823)</b>
<b>31 Capital commitments</b>			
	2012		2011
	Group	College	Group
	£'000	£'000	£'000
Commitments contracted for at 31 July			
Redevelopment at Dartford	-	-	2,798
Redevelopment at Gravesend	-	-	100