

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 31 JULY 2016

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CONTENTS

	Page(s)
Board Report	1 - 11
Corporate Governance	12 - 18
Statement of responsibilities of the members of the Corporation Board	19
Independent Auditors' Report to the members of Cornwall College Further Education Corporation	20 - 22
Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Cornwall College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency	23 - 25
Consolidated Statement of Comprehensive Income	26
Consolidated Balance Sheet	28
College Balance Sheet	29
Consolidated Statement of Changes in Equity	30 - 31
College Statement of Changes in Equity	32 - 33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	35 - 68

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

The Corporation Board members are pleased to present their report and the audited consolidated financial statements for the year ended 31 July 2016.

NATURE, STRATEGIES AND OBJECTIVES

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Cornwall College. Cornwall College is an exempt charity for the purposes of the Charities Act 2011.

The Cornwall College Group

The College and its subsidiaries are known collectively as The Cornwall College Group (TCCG) and references to the College refer to the institution in its own right.

TCCG is one of the largest education establishments in the South West, with a turnover of £67m. It operates across eight campuses in Devon and Cornwall, with extensive outreach facilities and partnerships. The Group has four main customer facing brands, with a specialist brand for businesses working across the Group which is Cornwall College Business:

- Cornwall College
- Duchy College
- Bicton College
- Falmouth Marine School

Our specialist curriculum areas are organised to reflect the key employment opportunities that are important to the growth of the economy in the South West, these are:

- Academic Studies
- Community
- Rural Economy
- Health & Wellbeing
- Cultural & Visitor Economy
- Foundation Learning
- Business & Professional
- Technology
- Science & Natural Environment

TCCG is the fifth largest further education college provider of apprenticeships in England and the largest in the South West, with over 3,000 apprentices in 42 vocational areas. TCCG is actively involved in developing and implementing apprentices in line with the new standards, ensuring relevance and value for employers in the region.

As one of the most significant providers of higher education in the region TCCG supports over 2,000 higher education students studying with us.

Collectively these activities combine to make TCCG one of the largest providers of technical and professional skills in the Country.

Mission and values

TCCG's mission as approved by the Board is:

'Making learning work'

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Shared values have been approved by the Board following widespread consultation. They underpin all aspects of College work and help guide the behaviour and attitude of staff and students:

- Can do
- Caring
- Celebrating
- Connected
- Consistent
- Courageous
- Creative

Public benefit

In setting and reviewing TCCG strategic objectives, the Corporation Board has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality learning and teaching – through our brilliant learning strategy
- Widening participation and tackling social exclusion – in particular through being an inclusive organisation with a focus on assisting re engagement and success for learners with low prior attainment or difficult prior experiences of education
- Excellent progression into employment and further study – through preparing learners for work with the Universal, Specialist and Personal (USP) curriculum model
- Strong student support systems – through our focus on strong tutorials and more personalised support from personal learning advisors
- Strong links with employers, industry and commerce – through our focus on innovative collaborations and partnerships

Additional detail of public benefit is demonstrated throughout this report.

Implementation of the strategic intent

The Cornwall College Board agreed a plan covering the period 2014 to 2018. The Corporation Board monitors the performance of TCCG against this plan. TCCG's strategic goals are:

- Personal Impact: Now – exceptional choice and range of courses
Next – lively and inclusive learning, inspiring individuals to be ambitious in life, society and work
- Social Impact: Now – major contribution in engaging the communities we serve
Next – Deeper connectivity between individuals, business and the voluntary sector, so communities prosper
- Economic Impact: Now – Responsive to changing demands from employers
Next – True partnerships with employers focused on shared purpose and sustainable futures
- Every Learner Develops their USP: Now – learners value learning and teaching that is learner-led
Next – Ambitious learners expand their learning through USP
- Brilliant Learning Organisation: Now – good College with outstanding characteristics
Next – brilliant College shaped by individuals, communities and employers

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

- Networks of Expertise: Now – geographically spread College sites with some exceptional specialisms
Next – world class communities of practice energise new ideas, new outlooks and new learning
- Future Talent Pipeline: Now – strong learner progression to further and higher education and employment
Next – coveted learners with deep expertise and wider capabilities to enable the regional economy
- Career-led Curriculum: Now – high levels of learner success in achieving national qualifications
Next – work-ready learners confident to capitalise on immediate and future career opportunities.
- Entrepreneurial Thought and Action: Now – successful sponsor of social enterprise
Next – innovative individuals and partnership create opportunities for themselves and communities

Financial objectives

The Cornwall College Group's financial objectives are reviewed and updated by the Corporation Board annually in the Financial Plan agreed by the Board in 2016. They are set out as:

- Deliver the budget targets agreed by the Board – 2016/17 an operating breakeven, 2017/18 an operating surplus of greater than £500k
- Achieve a minimum cash at bank of £3.0m by 31 July 2017 and £4.0m by 31 July 2018
- Improve the layout and commentary to the monthly management accounts using sector best practice as guidance by October 2016
- Meet all monthly and annual financial reporting targets with accurate and reliable information and unqualified financial statements
- Agree new financial covenants with the College's lenders by 31 December 2016 and meet them over the remaining term of the loans.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance Indicators

TCCG is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual financial record for the Skills Funding Agency/Education Funding Agency. The College is assessed by these agencies as having an inadequate financial health grading. This grading is based on the performance against the following performance indicators:

	2015/16	2014/15
EBITDA as a % of income (excluding exceptional items)	5.1%	(3.00)%
Current Ratio	0.19	0.32
Borrowing as a % of income	24.59	25.87

The financial plan approved by the Board in July 2016 demonstrates the Group regaining a satisfactory financial health rating in 2016/17, subject to delivery of its plans.

FINANCIAL POSITION

Financial results

TCCG generated a deficit before other gains and losses of £4,390,000 (2014/15: £9,869,000 deficit). This deficit includes a non cash actuarial pension and interest charge of £2,138,000. The deficit before these charges of £2,252,000 compares with a Board target of £660,000 deficit. Staff costs include an exceptional item of £1,055,000 (2014/15: £1,017,000) in respect of restructuring costs.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Profit on disposal of fixed assets is £365,000 giving an overall deficit for the year of £4,025,000.

Total income of £67,662,000 (2014/15: £69,574,000) was 2.7% lower than last year and expenditure of £72,052,000 (2014/15: £79,443,000) was 9.3% lower than last year, demonstrating the achievement of significant efficiency cost savings as part of the strategy to move towards an operating surplus.

The total comprehensive expense in 2015/16 of £19,797,000 (2014/15: £14,069,000) is stated after accounting for non cash actuarial losses of £15,772,000 on defined benefit pension schemes.

The Income and Expenditure revenue reserves deficit has increased to £33,749,000 (2014/15: deficit of £14,214,000). £17,707,000 of this movement is due to an increase in the net pension liability.

TCCG has consolidated the profits from the following subsidiary undertakings. Any profits generated by these companies are gift aided to the College.

Name	Nature of Business	Profit generated £	Gift Aid Payment £	Retained Profit £
CC Education Services Limited	Co-financing projects and property services	10,779	10,871	65,113
CCMS (2000) Limited	Recruitment services	193,614	195,236	23,387

Treasury policies and objectives

Treasury management is the management of TCCG'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. TCCG has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits agreed in the College's Financial Memorandum with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

At a net cash outflow of £1,606,000 (2014/15: inflow of £533,000), operating cash flow has decreased. The cash balance has reduced to £377,000 (2014/15: £2,394,000) due to a combination of £1,606,000 net cash deficit on operating activities; £355,000 cash surplus on sale of assets; and £766,000 net cash used to service financing activities.

The size of TCCG's total borrowing and its approach to interest rate management are assessed to ensure a reasonable balance between the total cost of servicing debt and operating cash flow. As part of the Bicton Merger in 2014/15, and due to the anticipated cash operating deficit in 2015/16 the College had already planned to augment liquidity through the sale of assets no longer required for educational purposes. This strategy is recognised as a short term measure until operating cashflows are bought back into surplus through the implementation of cost efficiency savings as set out in the Group financial plan.

Bank loans

Following the financial performance for the years ended 31 July 2015 and 31 July 2016, TCCG breached its banking covenants with Lloyds Bank. The Bank has continued to support the Group and has issued a reserved matters notice, whilst participating in discussions to agree a revised set of covenants. These discussions are ongoing and therefore, the bank loans previously shown under long term liabilities have been classified as short term liabilities in the 2014/15 and 2015/16 balance sheets.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The main element of funding comes from the SFA and Education Funding Agency (EFA) and is dependent upon the level of activity each year. In 2015/16 the College delivered activity that has produced £26,346,000 in SFA/EFA recurrent grant funding (2014/15: £24,412,000). TCCG had 11,761 SFA/EFA-funded and 16,802

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

non-SFA/EFA funded students.

Student achievements

The headline all ages overall education and training achievement rate (excluding English and Maths) is 84.8% which is an improvement of 2% on the previous year. When English and Maths is included the figure is 79.0% compared with 80.2% in the previous year. Twice as many 16-18 leavers were studying English and Maths in 2015/16 than in the previous year (39.3% compared to 19.3%).

High numbers of learners continue to develop their English and Mathematics skills. Overall value added for vocational courses is at the national average (Alps grade 5) with 40.3% of 16-18 learners on level 3 BTEC courses achieving Distinction*/Distinction. GCE A level achievement rates are excellent with large numbers of A2 learners achieving grades A*-B and a value added Alps score of grade 1 ranking the College in the top 1% of the Alps national benchmark. As a consequence of the Group's focus on Universal, Specialist and Personal (USP) skills, learners develop very good personal, social and employability skills with high progression rates to higher level qualifications and employment.

The Group is the largest further education provider of apprenticeships in the South West region. Apprentices routinely achieve well and make good progress.

Curriculum and other developments

TCCG has aligned its curriculum to its mission and continues to develop in line with the needs of learners and the regional economy. The following are key curriculum developments:

- Following a major strategic review involving local partners in 2013-14 the Group determined to do more to redress the issues of skills mismatch, under-employment and low business start-ups across its localities. This directly resulted in the radical alignment of learning programmes to 'prosperity clusters' linked to local and regional skills needs - and our core purpose of 'Making learning work.' It was this vision, focused on developing world class curriculum specialisms linked to regional skills priorities that also led in March 2015, to our merger with Bickton College. This merger is delivering a regional skills infrastructure to support the land-based sector across the South West of England.
- The Group's extensive work with employers and partnerships means that it is well placed to continue to meet business requirements and national curriculum developments. Employers and education partners are involved frequently in review and planning to ensure that provision is closely matched to local and regional needs and priorities. Many award winning enterprises have the Group as a key partner.
- In higher education (HE), the Group continues to increase higher skills opportunities for learners in the county, region and nationally, and specifically increased our provision to deliver full and post-graduate degrees in response to the needs of industry. Our merger with Bickton College presents the opportunity to develop new HE provision at the Bickton site which will create further opportunity for HE study within the region, particularly within the Rural Economy sector. The Group has also applied for Foundation Degree Awarding Powers.

TCCG continued to reinvest in resources to enable it to deliver its mission and significant developments during the year included:

- Investment in new Plant Operations equipment to assist in meeting the predicted skills needs for the Hinkley Point Power Station Development
- Refurbishment of parts of Bickton House
- Investment in Facilities in partnership with The Eden Project to service growth in Higher Education numbers on that site
- Investment in IT equipment to enable an increase in Technology Enhanced Learning
- Investment in IT software to support the development of a learner professional services function and enhanced management reporting

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Other achievements

TCCG's achievements during 2015/16 are summarised below:

- Ofsted "Good" awarded to TCCG in December 2015
- Number one in the South West for Apprenticeships
- 98% of agricultural apprenticeships are awarded through TCCG in Cornwall
- Record breaking year for A-level results with a pass rate of 99.6%
- 800+ university level students graduated at Truro Cathedral in November
- 200+ young people passed through the National Citizenship Services run collaboratively between TCCG, BF Adventure and Young People Cornwall
- TCCG is the largest provider of adult skills training in the region – in the top 5% of all providers (by budget delivered) nationally
- TCCG's Student Invasive Non-Native Group was identified as "the best example of innovation in a STEM course or training" by NEF Institute of Knowledge and Innovation
- Staff and student achievements were celebrated in December and June respectively at the annual Star Awards held at Eden Project
- Cornwall College Media students won three more awards at the Cornwall Film Festival; that is 34 in the last 11 years
- Duchy College (through the Tournament Golf College) had their first win in the Andalucia Junior European Open
- World Skills medals success continues with a silver medal in roofing and a gold in cabinet making
- Student gardeners from Eden Project Learning built and exhibited their award winning show garden at RHS Hampton Court Palace Flower Show
- TCCG were runners up in the national TES FE Awards
- Member of staff wins the FE Lecturer of the Year Award in the Cornwall Teaching Awards
- Matrix quality standard was successfully retained for Information, Advice and Guidance services
- Cloisters and Trevenson restaurants were shortlisted for The AA College Restaurant of the Year Award
- AoC used TCCG as a case study for its good practice in using Labour Market Intelligence in planning
- Supreme Milk Quality award to the Stoke Climsland Dairy at Duchy College for consistently producing top quality milk
- 4,000 people took part in the annual Greenpower event, which promotes STEM subjects
- Education and Business Training Awards, organised through Cornwall College Business, celebrated successful achievements
- Memory Café launched at Camborne as part of the College's dementia friendly initiative
- Artwork produced by a Cornish student has been used to front a national campaign for Dyslexia Awareness Week
- Fifteen Cornwall celebrated their 10th anniversary and our partnership in this initiative
- A new Digital Academy was co-created with Software Cornwall

Payment performance

The late payment of Commercial Debts (Interest) Act 1998 which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of the goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period there were times when the TCCG performance fell below this level. The Group's financial plan aims to rebuild liquidity to a position where it will be able to meet the target.

Events after the end of the reporting period

There are no post balance sheet events that require disclosure in these financial statements.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Future prospects

The spending cuts and austerity measures imposed by Government over recent years have created significant challenges for TCCG, with some lines of funding being reduced by 25%. Competitive pressures have also played a part, with falling learner numbers, in particular in EFA funded provision.

Following the submission of the financial statements for 2014/15 to the Skills Funding Agency in February 2016 the Group was issued with a notice of financial concern and required to produce a recovery plan. The key challenges being breach of lending covenants, operating costs in excess of income and significantly depleted working capital.

The Board approved an updated Financial Plan in July 2016, which aims to move the Group into positive operating cashflows in 2016/17 and ensure that this is sustainable into the future. The Group aims to significantly increase contribution by introducing a number of efficiencies over the next two years. These fall under the following five headings:

- Faster/deeper implementation of accommodation/facilities strategy.
- Lean, efficient and effective professional services - complete the process/systems review to deliver increased efficiency and extend the review to all professional service areas.
- Invest for growth and optimise trading operations.
- Streamline management and optimise the use of different workforce contract types.
- Curriculum innovation and the model of delivery.

The Board is confident that significant progress has been made on each of these strands in the reporting period. Estimated cost savings of £2m are to be delivered in 2016/17, the majority of which have already been implemented.

The Group has long term borrowing of £16m with Lloyds Bank and an overdraft facility of £500k with Barclays Bank. The results for 2014/15 led to a breach of two lending covenants with Lloyds Bank and the subsequent reclassification of bank loans previously shown under long term liabilities as short term liabilities. Lloyds Bank continue to support the Group and have issued a notice of reserved matters. Discussions are ongoing to agree a revised set of covenants and a review of security arrangements.

The Group's recovery plan identifies the disposal of land and buildings worth approximately £3.8m that are no longer required for educational purposes. Completion of these disposals over the next year will enable liquidity to be restored and ensure a sustainable working capital base for the Group into the future. £300k relating to these disposals has been completed and received post year-end; £1.95m has been sale- agreed; and the remainder is at an advanced stage of the sales process with final offers anticipated in early January 2017. Of the £1.95m sales agreed there is £450k where the asset is secured with Lloyds Bank and the Group is negotiating a transfer of this security with them.

Given the uncertainty regarding the completion and receipt of funds relating to these disposals the Group submitted a request for short term exceptional financial support to the Skills Funding Agency in November 2016 and drew down £2.5m in December 2016 to be repaid upon the completion of the disposals and receipt of proceeds. The Group has recourse to additional short term support funds of up to £2m in the period to 31 July 2017 should it require them.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. However, taking into account the current performance of the Group; the financial plan, principal risks, cashflow projections and the position of the Bank and the Skills Funding Agency, the Board believes that the Group remains a going concern and will be able to continue its operations and meet its liabilities into the foreseeable future. The financial statements have, therefore, been prepared on a going concern basis and do not include adjustments that would be required if the Group was unable to continue as a going concern.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Resources

TCCG has £26,691,000 of net assets excluding pension liability. The pension liability is £54,098,000 resulting in overall net liabilities of £27,407,000. The pension liabilities are being addressed through a long term plan and this doesn't restrict the use of net assets in the pursuit of the Group's strategic objectives.

Taxation

The College's primary activities are not subject to corporation tax.

Principal risks and uncertainties

TCCG 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 TCCG's assets and reputation.

Based on the strategic intent, the Executive Leadership Team (ELT) undertakes a comprehensive review of the risks to which TCCG is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on TCCG. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the ELT will also consider any risks which may arise as a result of a new area of work being undertaken by TCCG.

Risk registers are maintained at curriculum and cross college department level and these are reviewed at least annually by the ELT to ensure that they are comprehensive and to specifically identify risks which are ranked as strategic. The Audit Committee receives the relevant minutes and recommendations from ELT meetings. The committee reviews, amongst other things, the adequacy and effectiveness of the Group's risk management arrangements and Board assurance framework, and reports to the Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on TCCG and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout TCCG.

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

- Cash flow and cost control

The Group's highest and most significant risk is currently managing the cash flow and controlling costs. The Group is under a financial notice of concern based on the final outturn position in 2014/15. Management continue to closely monitor and control income and expenditure.

- Recruitment targets

TCCG has experienced falls in learner recruitment, in particular for 16-18 year olds, due to a combination of a falling population demographic for this age group and because of competition from other providers. The Callywith College development by the Group's main competitor (Truro and Penwith College) is due to open in September 2017 and is expected to have a negative impact on learner recruitment for the Group, in particular at the St Austell site.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

- Quality

TCCG continues to monitor performance criteria for further education and apprenticeship programmes and has a continuous improvement strategy which has already resulted in the Group achieving success rates which are in line with national averages for all FE provision. In December 2015 this resulted in the Group achieving Ofsted ratings of good for all areas of its activities. TCCG is continuing to focus on this high priority area to both remove the risk of losing educational provision as a result of performance and to continue to improve the overall success rates of students to levels above national averages. The strategy includes:

- staff development
- identifying courses with poor levels of success rates
- removing provision that is consistently poor

These risks are mitigated in a number of ways:

- Ensuring a number of alternative liquidity options whilst capital disposals are brought to a close
- Seeking to ensure that funding is derived through a number of direct and indirect contractual arrangements
- Pursuing a rigorous approach in delivering high quality education and training through the brilliant learning strategy
- Placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies and the Group's lenders
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the Local Enterprise Partnerships

Stakeholder relationships

In line with other colleges and with universities TCCG has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local authorities
- Government departments / Local Enterprise Partnerships
- The local community
- Other FE institutions and schools
- Trade unions
- Professional bodies

TCCG recognises the importance of these relationships and engages in regular communication with them through various networks, meetings and its website.

Staff and student involvement

The Corporation encourages staff and student involvement through membership of formal committees. There are two staff and two student members on the Corporation Board and they are each given an opportunity to present their views at every meeting.

The Corporation considers good communication with its staff to be very important and to this end produces a TCCG newsletter called "Insight," circulates regular campus communications and holds termly Principal forums on each campus.

The Corporation gathers learner views including regular independent whole college learner surveys with key findings and outcomes reported to the Board. Cornwall College Student Union (CCSU) operates a course representative system for gaining learner feedback and has its own Board of Trustees which reports through to the Corporation.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Equal opportunities and employment of disabled persons

TCCG is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value 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. TCCG's Equality and Diversity Policy, including its Race Relations and Transgender Policies, is published on TCCG's internet site.

TCCG 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 TCCG continues. TCCG'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 Equality and Diversity Annual Report is published each year following Corporation Board approval.

Disability statement

TCCG seeks to achieve the objectives set down in the Equality Act 2010 and the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005:

- TCCG has appointed access co-ordinators who provide information, advice and arrange support where necessary for students with disabilities
- there is a list of specialist equipment, such as radio aids, which TCCG can make available for use by students and a range of assistive technology is available in the learning centre
- the admissions policy for all students is outlined in TCCG's charter. Appeals against a decision not to offer a place are dealt with under the complaints policy
- TCCG has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or 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
- specialist programmes are described in TCCG prospectuses, and achievements and destinations are recorded and published
- counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction
- specialised programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format

Disclosure of information to auditors

The Corporation Board 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.

This Board Report was approved by order of the members of the Corporation Board on 14 December 2016 and signed on its behalf by:

Name I Tunbridge
Chair

Date 14 December 2016

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

BOARD REPORT FOR THE YEAR ENDED 31 JULY 2016

Professional advisers

Independent Auditors:	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Princess Court, 23 Princess Street, Plymouth, PL1 2EX
Internal auditors:	RSM Risk Assurance Services LLP, Hartwell House, 55-61 Victoria Street, Bristol, BS1 6AD
Bankers:	Barclays Bank plc, 20 High Street, Exeter, Devon, EX4 3YR Lloyds Bank plc, 1st Floor, Phase 2, South East, Canons House, Canons Way, Bristol, BS99 7LB
Solicitors:	Ashfords, Princess Court, 23 Princess Street, Plymouth, Devon, PL1 2EX Foot Anstey LLP, Salt Quay House, 4 North East Quay, Sutton Harbour, Plymouth, PL4 0BN Michelmores LLP, Woodwater House, Pynes Hill, Exeter, EX2 5WR Stephens and Scown LLP, Osprey House, Malpas Road, Truro, Cornwall, TR1 1UT Eversheds LLP, Eversheds House, 70 Great Bridgwater Street, Manchester, M1 5ES Browne Jacobson LLP, Mowbray House, Castle Meadow Road, Nottingham NG2 1BJ

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 JULY 2016

The Cornwall College Group (TCCG) is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Group has applied the principles set out in the UK Corporate Governance Code “the code” issued by the Financial Reporting Council (FRC) in September 2014. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Corporation Board members, the Group complies with all the provisions of the UK Corporate Governance Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges’ Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 17 October 2012. The Board adopted the Association of Colleges’ Code of Good Governance for English Colleges issued in March 2015 at its meeting on 21 October 2015 and is working towards compliance with this code.

The College is an exempt charity and the governors, who are also the trustees for the purposes of the Charities Act 2011, confirm that they have had due regard to the Charity Commission’s requirements as these relate to the Corporation.

The Corporation

The composition of the Corporation Board is set out on page 15. It is the Corporation Board’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

We confirm on behalf of the Corporation that, to the best of our knowledge, we believe we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency terms and conditions of funding under the College’s financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

The Corporation Board is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety, environmental issues and equality and diversity. The Corporation Board has met eight times during the year – five scheduled meetings and three special meetings.

The Corporation Board conducts its business through a number of committees. The governance structure reflects the curriculum focus of the Group management structure. Each committee has terms of reference, which have been approved by the Corporation Board. During the year these committees were Audit, Finance and Resources, Excellence and Experience, Delivery and Development, Remuneration and Search and Governance. There was also a Cluster Advisory Board for each of the Curriculum Clusters and a Community Council has been established for Bickton College Campus. . These subcommittees report to the Corporation Board through the Delivery and Development Committee. Full minutes of all meetings, excluding those items dealt with as confidential business in accordance with the Corporation Board’s agreed policy and recorded in the confidential minutes, are available on the Group’s website or from the Corporation Secretary at:

Cornwall College
Head Office
Tregonissey Road
St. Austell
Cornwall
PL25 4DJ

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

The Corporation Secretary maintains a register of financial and personal interests of the Corporation Board Members and senior staff. The Board Members' register is available for inspection during office hours at the above address.

Board members are able to take independent professional advice in furtherance of their duties at the Group's expense and have access to the Corporation Secretary who is responsible to the Corporation Board for ensuring that all applicable procedures and regulations are complied with. The appointment and dismissal of the Corporation Secretary are matters for the Corporation Board as a whole.

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

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

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

After consultation and on the recommendation of the Search and Governance Committee, where appropriate, the Corporation Board welcomed the reappointment and appointment of the following Board Members:

Mr P Child was reappointed with effect from 7.3.2016
Mr P Hardaker was reappointed with effect from 1.6.16
Professor A Tuckett OBE was reappointed with effect from 1.6.16
Professor S Blandford was appointed with effect from 19.10.16
Dr W Hudson was appointed with effect from 19.10.16
Miss A Robson was appointed with effect from 19.10.16
Mr A McGrath was appointed with effect from 19.10.16

The Board agreed at its October 2016 meeting to reappoint the following member whose term of office finishes shortly:

Mr M Bell with effect from 1.12.16

The Board appreciates the commitment and support of the following members who have now left the Corporation Board:

Ms N Taylor resigned 12.3.16
Ms J Green completed her term of office 31.5.16
Mr A Woolman completed his term of office 31.7.15
Mr L Holland completed his term of office 31.7.15

Mrs A M Phillips acted as the Corporation Secretary.

The Board wishes to place on record its appreciation of the exceptional contribution of Mr P K Rees who stood down as Chair of the Corporation Board on 31 July 2016 and will complete his term of office as a governor on 31 December 2016. Mr Rees served as a governor of the College for 16 years and Chair for 15 years. His commitment and dedication to the development of The Cornwall College Group has been outstanding.

Subsidiary companies

The Corporation has three wholly owned subsidiary companies, CC Education Services Limited and CCMS (2000) Limited and Western Edge Limited, a dormant company. The following persons acted as directors of the companies throughout the year:

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**CORPORATE GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2016**

Mr A Basi and Mr P K Rees were directors of CC Education Services Limited.

Mr A Basi, Mr A Derx (from 21.1.2016) Mr R Humphreys, Mrs M M Elwell, Mr P K Rees and Mr C Stratton were directors of CCMS (2000) Limited.

Mr A Basi and Mr P K Rees were directors of Western Edge Limited.

Mr Basi and Mr Rees resigned as directors of the three subsidiary companies with effect from 31 July 2016. Dr I Tunbridge and Mr R Humphreys were appointed as directors of CC Education Services Limited and Western Edge Limited from 1 August 2016. In addition Mr P H Child was appointed as a director of CCMS (2000) Limited with effect from 5 October 2016.

Mrs A M Phillips acted as the Company Secretary for the subsidiary companies throughout the year.

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

Name	Date of appointment or re-appointment	Years of service		Board Meeting attendance 2015/16*	Status of appointment	Current Committee Membership
		Total to 31.7.16	Remaining term From 1.8.16			
Dr I Tunbridge OBE (Chair from 1.8.16)	10.12.14	2	2	4/5	External	Chair of Remuneration Excellence and Experience Delivery and Development Finance and Resources Search and Governance
Mr A Basi	01.09.13		Resigned	4/5	Principal and CEO ex officio	
Mr J Beer OBE	08.07.15	1	3		External	Audit Delivery and Development
Mr M Bell	01.12.16	4	4	3/5	External	Chair of Delivery and Development Audit
Professor S Blandford	19.10.16	-	4	-	External	Excellence and Experience
Ms K Burrows	01.01.14	3	1	5/5	External	Finance and Resources Excellence and Experience Remuneration
Mr P Child (Vice Chair from 06 March 2014)	07.03.16	4	4	5/5	External	Chair of Finance and Resources Delivery and Development Remuneration Search and Governance
Mrs S Dudden	01.08.15	11	1	5/5	External	Delivery and Development
Ms J Green	01.06.12	8	Term ended	4/4	External	Excellence and Experience
Mr P Hardaker	01.06.16	8	2	4/5	External	Chair of Audit Search and Governance
Mr L Holland	01.08.15	1	Term ended	2/5	Student	Excellence and Experience
Dr W Hudson	19.10.16	-	4	-	External	Excellence and Experience

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

Mr R Humphreys	01.08.16					Acting Principal and CEO ex officio
Mr A McGrath	19.10.16	-	1	-		Student
Mr D Parker	17.05.14	10	2	3/5	External	Excellence and Experience
Mr P K Rees (Chair from 18.10.01 until 31.07.16)	01.01.13	16	0	5/5	External	Finance and Resources
Miss A Robson	19.10.16	-	1	-		Student
Mr D Sharples	01.08.13	3	1	5/5	Staff	Audit
Mrs T Sorensen OBE	17.12.15	9	3	4/5	External	Chair Search and Governance Finance and Resources
Mr C Stratton	14.10.13	7	1	4/5	External	Finance and Resources
Ms N Taylor	01.06.13	7	Resigned	0/3	External	Excellence and Experience Remuneration
Professor A Tuckett OBE	01.06.16	4	1	4/5	External	Chair of Excellence and Experience
Mr P Walker	01.08.13	7	1	4/5	Staff	Excellence and Experience Search and Governance
Mr A Woolman	01.08.14	1	Term Ended	4/5	Student	Excellence and Experience Search and Governance

*In addition to scheduled Board meetings there were three Special Board meetings during 2015/16. Despite being called at short notice these meetings were well attended with some members attending via telephone.

Appointments to the Corporation

Search and Governance Committee

Any appointments to the Corporation Board are a matter for the consideration of the Corporation Board as a whole. The Corporation has a Search and Governance Committee which, during the year ending 31 July 2016, comprised Mrs T Sorensen OBE (Chair), Mr P K Rees, Mr P Child, Mr P Hardaker, Mr P Walker and Mr A Woolman. The Search and Governance Committee is responsible for the selection and nomination of any new external member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training and induction for new governors is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years and can be re-appointed for a second term of four years and exceptionally for further terms.

Remuneration Committee

During the year ending 31 July 2016, the Remuneration Committee comprised Mr P K Rees (Chair), Mr P Child, Ms N Taylor and Mrs K Burrows (from 11 May 2016). The committee's responsibilities are to decide and report to the Board on the remuneration and benefits of the Principal and CEO, other senior post holders and the Corporation Secretary.

Details of remuneration for the year ended 31 July 2016 are set out in note 10 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Principal and CEO, Chair, and members of the Finance and Resources Committee), Mr P Hardaker (Chair), Mr J Beer, Mr D Sharples and Dr I Tunbridge (to 31 July 2016) and two external co-opted members, Mr J Mashen and Mr R Cowie (to 31

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

July 2016). During the year the committee secretary was Mrs A Phillips, Corporation Secretary. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least three times a year and provides a forum for reporting by the Group's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of Group management. The Committee also receives and considers reports from the Skills Funding Agency (SFA), Higher Education Funding Council for England (HEFCE) and the European Social Fund (ESF) as they affect the Group's business.

The Group'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 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 both internal and financial statement auditors and their remuneration for both audit and non-audit work.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the Group'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 and CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the Group and the Skills Funding Agency. The Principal and CEO is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Cornwall College Group for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 Corporation Board
- regular reviews by the Corporation Board 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

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

- the adoption of formal project management disciplines, where appropriate

The Group has an internal audit service, which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group 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 Board on the recommendation of the Audit Committee.

As a minimum, the internal audit service annually provides the Corporation Board with a report on internal audit activity in the Group. The report includes the internal audit service's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Acting Principal and CEO has responsibility for reviewing the effectiveness of the system of internal control. The Acting 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 Group who have responsibility for the development and maintenance of the internal control framework
- comments made by the Group's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports

The Acting Principal and CEO has been advised on the implications of the result of the 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 Executive Leadership 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 Executive Leadership Team and 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 Board's agenda includes consideration of risk and control and to receive reports thereon from the Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Capacity to handle risk

The Corporation Board has reviewed the key risks to which the Group 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 Group's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation Board.

Internal control

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation Board is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going concern

The spending cuts and austerity measures imposed by Government over recent years have created significant challenges for TCCG, with some lines of funding being reduced by 25% over the period. Competitive pressures have also played a part, with falling learner numbers, in particular in EFA funded provision.

Following the submission of the financial statements for 2014/15 to the Skills Funding Agency in February 2016 the Group was issued with a notice of financial concern and required to produce a recovery plan. The key

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

challenges being breach of lending covenants, operating costs in excess of income and significantly depleted working capital.

The Board approved an updated Financial Plan in July 2016, which aims to move the Group into positive operating cashflows in 2016/17 and ensure that this is sustainable into the future. The Group aims to significantly increase contribution by introducing a number of efficiencies over the next two years. These fall under the following five headings:

- Faster/deeper implementation of accommodation/facilities strategy.
- Lean, efficient and effective professional services - complete the process/systems review to deliver increased efficiency extend the review to all professional service areas.
- Invest for growth and optimise trading operations.
- Streamline management and optimise the use of different workforce contract types.
- Curriculum innovation and the model of delivery.

The Board is confident that significant progress has been made on each of these strands in the reporting period. Estimated cost savings of £2m are to be delivered in 2016/17, the majority of which have already been implemented.

The Group has long term borrowing of £16m with Lloyds Bank and an overdraft facility of £500k with Barclays Bank. The results for 2014/15 led to a breach of two lending covenants with Lloyds Bank and the subsequent reclassification of bank loans previously shown under long term liabilities as short term liabilities. Lloyds Bank continue to support the Group and have issued a notice of reserved matters. Discussions are ongoing to agree a revised set of covenants and a review of security arrangements.

The Group's recovery plan identifies the disposal of land and buildings worth approximately £3.8m that are no longer required for educational purposes. Completion of these disposals over the next year will enable liquidity to be restored and ensure a sustainable working capital base for the Group into the future. £300k relating to these disposals has been completed and received post year-end; £1.95m has been sale-agreed; and the remainder is at an advanced stage of the sales process with final offers anticipated in early January 2017. Of the £1.95m sales agreed there is £450k where the asset is secured with Lloyds Bank and the Group is negotiating a transfer of this security with them.

Given the uncertainty regarding the completion and receipt of funds relating to these disposals the Group submitted a request for short term exceptional financial support to the Skills Funding Agency in November 2016 and drew down £2.5m in December 2016 to be repaid upon the completion of the disposals and receipt of proceeds. The Group has recourse to additional short term support funds of up to £2m in the period to 31 July 2017 should it require them.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the group's ability to continue as a going concern. However, taking into account the current performance of the Group; the financial plan, principal risks, cashflow projections and the position of the Bank and the Skills Funding Agency, the Board believes that the Group remains a going concern and will be able to continue its operations and meet its liabilities into the foreseeable future. The financial statements have, therefore, been prepared on a going concern basis and do not include adjustments that would be required if the Group was unable to continue as a going concern.

This report was approved by order of the members of the Corporation Board on 14 December 2016 and signed on its behalf by:

I Tunbridge
Chair

R Humphreys
Acting Principal and CEO

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION BOARD

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency ('the Agency') and the Corporation Board of the College, the Corporation Board, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2015-16 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation Board 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 Board 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 to 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 Board 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 Board 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 Board 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 Skills Funding Agency are not put at risk.

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 Corporation Board on 14 December 2016 and signed on its behalf by:

I Tunbridge
Chair

14 December 2016

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

Report on the financial statements

Our opinion

In our opinion:

- Cornwall College's group financial statements and parent institution financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2016 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Emphasis of matter – going concern premise

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and institution's ability to continue as a going concern. During the year to 31 July 2016, the institution has again breached its banking covenants and, as a result, bank loans have continued to be classified as short term liabilities.

Management are currently negotiating new covenants with the bank and a short term exceptional funding support facility from the Skills Funding Agency (SFA). The Board of Governors is confident that the issues underlying the financial performance for the year ended 31 July 2016 are being addressed and expects significant improvement in the financial performance going forwards. However, negotiations with both the bank and the SFA have yet to be finalised or agreed. These conditions along with other matters explained in note 2 to the financial statements indicate the existence of material uncertainties which may cast significant doubt on the group's and institution's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and institution were unable to continue as a going concern.

What we have audited

Cornwall College Further Education Corporation's financial statements, comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2016;
- the consolidated Income and Expenditure Account for the year ended; and
- the consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Corporation has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

Opinions on other matters prescribed in the Joint Audit Code of Practice issued by the Education Funding Agency and the Chief Executive of Skills Funding

In our opinion, in all material respects:

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

Responsibilities for the financial statements and the audit

Respective responsibilities of the Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation Board set out on page 19 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they 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 with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 and parent institution'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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

Date: 19 December 2016

- (a) The maintenance and integrity of Cornwall College's website is the responsibility of the Corporation; 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Cornwall College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 19 May 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Cornwall College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Cornwall College and the reporting accountant

The corporation of Cornwall College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2015/16.

Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Cornwall College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency (continued)

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of how the corporation discharges its responsibilities to safeguard the college's assets;
- Reviewing corporation minutes to confirm there are reporting arrangements in place to regularly inform the college's Corporation of the financial health of the college;
- Reviewing policies and procedures in place which set powers of authorisation and obtain evidence over situations where corporation approval is required;
- Obtaining an understanding of how members of the corporation discharge their responsibilities as charitable trustees;
- Obtaining evidence to demonstrate that members of the corporation are discharging their responsibilities as charitable trustees;
- Reviewing evidence to demonstrate how the college periodically reviews its activities to ensure they are within its powers;
- Obtaining an understanding of the non-core activities of the College and evaluating the controls over the monitoring of financial performance to review whether these activities are being materially subsidised from public funding;
- Obtaining an understanding of how the college established appropriate arrangements for each subsidiary to enable governors to discharge their accountability responsibilities which include:
 - o appropriate representation by governors on the boards;
 - o arrangements for regular reporting of performance to the corporation;
 - o a clear memorandum of understanding in place; and
 - o coverage of activities within the internal audit plan;
- Where the college is considering or has made settlements or employment claims by a senior post holder:
 - o examining related authorisations, legal and other professional correspondence and Board minutes;
 - o evaluating whether procedures followed and decisions reached are reasonable and consistent with Financial Memorandum requirements; and
 - o Obtaining evidence to demonstrate these have been brought to the attention of an independent auditor;
- Reviewing the College's property strategy and confirming whether this has been developed in line with good practice guidance in the further education sector;
- Where property has been disposed of, obtaining evidence to demonstrate that the funding body has been notified;
- Examining policies and procedures in operation during the year for each funding stream where there are specific conditions attached;
- Evaluating the control environment for approval, administering, monitoring and applying funds in accordance with the terms and conditions attached to the funding. Where it is considered necessary to gain further assurance over the application of these funds performing substantive testing;
- For funding streams identified, evaluating the controls over the completion of funding claims and returns and obtaining evidence that all necessary returns have been completed and returned and that these have been reconciled to the specific eligible costs/activities incurred/delivered;
- Obtaining an understanding of how the College ensures it complies with funding requirements for subcontracted provision and if necessary performing substantive testing to test that the college has complied with related funding requirements;
- Obtaining policies on acceptance of gifts and/or hospitality and other relevant policies and evaluating whether the college has put reasonable procedures in place to mitigate against corruption;
- Understanding and evaluating procedures for identifying and recording potential conflicts of interest and related parties for staff in a position of trust and obtaining evidence that there is a register of interest to capture these;

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Cornwall College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency (continued)

- Obtaining evidence that the procurement process is clearly documented in college financial regulations or financial procedures;
- Obtaining an understanding of the access arrangements in place over the register of interests and confirming this covers all governors and staff with significant financial and decision making powers;
- Obtaining an understanding of and evaluating the college's whistle blowing policies and procedures and the impact of any whistle blowing allegations on the financial statements and regularity audit. Obtaining evidence that this policy has been approved by the Corporation and the confidentiality arrangements are in place; Obtaining an understanding of and evaluating the college's controls and procedures for the safeguarding of assets from fire and theft. Inspecting minutes and records to identify any occurrences in the year and obtaining details of these;
- Obtaining an understanding of the process for regular review of insurance cover in place to ensure these are sufficient and adequate and obtaining evidence of insurance cover in place over assets;
- Obtaining an understanding of the college's policies over the appointment of staff and how the college demonstrates even-handedness;
- Obtaining an understanding of if the College has entered into any subsidiary, joint ventures or similar arrangements. Where necessary, ensuring a cost/benefit analysis has been prepared and approved by the Corporation;
- Obtaining an understanding of the reporting arrangements to governors on the performance of investments, subsidiaries and joint ventures;
- Obtaining an understanding of the college's policy and procedures for monitoring overseas travel expenses and reporting arrangements to the Corporation. If considered significant, performing substantive testing to evidence that this relates to a strategy for overseas activities approved by the Corporation;
- Obtaining an understanding of policies and where necessary testing the controls over disposals of fixed assets and reviewing whether disposals are authorised in accordance with the financial regulations of the college;
- Obtaining an understanding of the policies in place over personal expense claims and performing substantive testing where necessary to confirm the controls are operating effectively;
- Obtaining an understanding of the reporting process and controls over project appraisal and monitoring from inception to completion and post implementation review. Performing substantive testing of these processes where necessary to gain assurance over the procedures in place for significant capital and revenue projects and these are in accordance with the financial regulations; and
- Obtaining evidence that the Corporation has approved expenditure levels above which formal quotations are required and that further approval levels are in place in the procurement process and documented in the financial regulations.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2015/16.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2016**

	Note	2016 £000	2015 £000
Income			
Funding body grants	4	36,756	37,484
Tuition fee and education contracts	5	13,730	13,068
Research grants and contracts	6	3,209	5,251
Other income	7	13,113	13,720
Investment income	8	12	51
Exceptional items	11	842	-
Total income		67,662	69,574
Expenditure			
Staff costs including exceptional restructuring costs of £1,055,000 (2015: £1,017,000)	9	(48,057)	(50,915)
Other operating expenses	11	(17,620)	(20,172)
Depreciation		(4,237)	(3,457)
Exceptional items	12	-	(3,032)
Interest and other finance costs	13	(2,138)	(1,867)
Total expenditure		(72,052)	(79,443)
Deficit before other gains and other losses		(4,390)	(9,869)
Profit/(loss) on disposal of fixed assets		365	(359)
Deficit before tax		(4,025)	(10,228)
Taxation	14	-	-
Deficit for the year		(4,025)	(10,228)
Actuarial losses on defined benefit pension scheme		(15,772)	(3,841)
Other comprehensive expense for the year		(15,772)	(3,841)
Total comprehensive expense for the year		(19,797)	(14,069)
Deficit for the year attributable to:			
Owners of the parent College		(4,025)	(10,228)
Deficit for the year		(4,025)	(10,228)
Total comprehensive expense for the year attributable to:			
Owners of the parent College		(19,797)	(14,069)
Total comprehensive expense for the year		(19,797)	(14,069)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**COLLEGE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2016**

		2016	2015
		£000	£000
Income			
Funding body grants	4	36,756	37,484
Tuition fees and education contracts	5	13,730	13,068
Research grants and contracts	6	3,209	5,251
Other income	7	8,777	7,848
Investment income	8	12	51
Other operating income		-	444
Raw materials and consumables		-	50
Exceptional items	12	842	-
Total income		63,326	64,196
Expenditure			
Staff costs including exceptional restructuring costs of £1,055,000 (2015: £1,017,000)	9	(43,892)	(45,818)
Other operating expenses	11	(17,461)	(19,921)
Depreciation		(4,223)	(3,439)
Exceptional items	12	-	(3,032)
Interest and other finance costs	13	(2,138)	(1,854)
Total expenditure		(67,714)	(74,064)
Deficit before other gains and losses		(4,388)	(9,868)
Profit/(loss) on disposal of fixed assets		365	(359)
Deficit before tax		(4,023)	(10,227)
Taxation	14	-	-
Deficit for the year		(4,023)	(10,227)
Actuarial losses on defined benefit pension scheme		(15,772)	(3,841)
Other comprehensive expense for the year		(15,772)	(3,841)
Total comprehensive expense for the year		(19,795)	(14,068)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2016**

	Note	£000	2016 £000	£000	2015 £000
Fixed assets					
Tangible assets	16		95,786		99,231
Investments	17		15		15
			<u>95,801</u>		<u>99,246</u>
Current assets					
Stocks	18	638		697	
Debtors	19	3,661		5,073	
Cash at bank and in hand	20	381		3,607	
		<u>4,680</u>		<u>9,377</u>	
Creditors: amounts falling due within one year	21	(24,578)		(29,307)	
			<u>(19,898)</u>		<u>(19,930)</u>
Net current liabilities					
Total assets less current liabilities			<u>75,903</u>		<u>79,316</u>
Creditors: amounts falling due after more than one year	22		(45,206)		(45,917)
Provisions for liabilities					
Other provisions	26		(4,006)		(4,618)
			<u>26,691</u>		<u>28,781</u>
Net assets excluding pension liability					
Pension liability			(54,098)		(36,391)
			<u>(27,407)</u>		<u>(7,610)</u>
Net liabilities			<u><u>(27,407)</u></u>		<u><u>(7,610)</u></u>
Capital and reserves					
Revaluation reserve	27		6,265		6,527
Restricted reserve	27		77		77
Income and expenditure reserve	27		(33,749)		(14,214)
			<u>(27,407)</u>		<u>(7,610)</u>
Total reserves			<u><u>(27,407)</u></u>		<u><u>(7,610)</u></u>

The financial statements were approved and authorised for issue by the Corporation and were signed on its behalf on 14 December 2016 by:

I Tunbridge
Chair

R Humphreys
Acting Principal and CEO

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**COLLEGE BALANCE SHEET
AS AT 31 JULY 2016**

	Note	£000	2016 £000	£000	2015 £000
Fixed assets					
Tangible assets	16		95,506		98,937
Investments	17		15		15
			95,521		98,952
Current assets					
Stocks	18	638		697	
Debtors	19	3,530		5,081	
Cash at bank and in hand	20	343		3,527	
		4,511		9,305	
Creditors: amounts falling due within one year	21	(24,193)		(28,958)	
Net current liabilities			(19,682)		(19,653)
Total assets less current liabilities			75,839		79,299
Creditors: amounts falling due after more than one year	22		(45,231)		(45,991)
Provisions for liabilities					
Other provisions	26		(4,006)		(4,618)
Net assets excluding pension liability			26,602		28,690
Pension liability			(54,098)		(36,391)
Net liabilities			(27,496)		(7,701)
Reserves					
Revaluation reserve	27		6,265		6,527
Restricted reserve	27		77		77
Income and expenditure reserve	27		(33,838)		(14,305)
Total reserves			(27,496)		(7,701)

The financial statements were approved and authorised for issue by the Corporation and were signed on its behalf on 14 December 2016 by:

I Tunbridge
Chair

R Humphreys
Acting Principal and CEO

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2015	6,527	77	(14,214)	(7,610)
Comprehensive expense for the year				
Deficit for the year	-	-	(4,025)	(4,025)
Actuarial losses on pension scheme	-	-	(15,772)	(15,772)
Other comprehensive expense for the year	-	-	(15,772)	(15,772)
Total comprehensive expense for the year	-	-	(19,797)	(19,797)
Transfer from revaluation reserve to income and expenditure reserve	(262)	-	262	-
Total transactions with owners	(262)	-	262	-
At 31 July 2016	6,265	77	(33,749)	(27,407)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2015**

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2014	6,958	77	(576)	6,459
Comprehensive expense for the year				
Deficit for the year	-	-	(10,228)	(10,228)
Actuarial losses on pension scheme	-	-	(3,841)	(3,841)
Other comprehensive expense for the year	-	-	(3,841)	(3,841)
Total comprehensive expense for the year	-	-	(14,069)	(14,069)
Transfer from revaluation reserve to income and expenditure reserve	(431)	-	431	-
Total transactions with owners	(431)	-	431	-
At 31 July 2015	6,527	77	(14,214)	(7,610)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

COLLEGE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2015	6,527	77	(14,305)	(7,701)
Comprehensive expense for the year				
Deficit for the year	-	-	(4,023)	(4,023)
Actuarial losses on pension scheme	-	-	(15,772)	(15,772)
Other comprehensive expense for the year	-	-	(15,772)	(15,772)
Total comprehensive expense for the year	-	-	(19,795)	(19,795)
Transfer from revaluation reserve to income and expenditure reserve	(262)	-	262	-
Total transactions with owners	(262)	-	262	-
At 31 July 2016	6,265	77	(33,838)	(27,496)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

COLLEGE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2015

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2014	6,958	77	(668)	6,367
Comprehensive expense for the year				
Deficit for the year	-	-	(10,227)	(10,227)
Actuarial losses on pension scheme	-	-	(3,841)	(3,841)
Other comprehensive expense for the year	-	-	(3,841)	(3,841)
Total comprehensive expense for the year	-	-	(14,068)	(14,068)
Transfer from revaluation reserve to income and expenditure reserve	(431)	-	431	-
Total transactions with owners	(431)	-	431	-
At 31 July 2015	6,527	77	(14,305)	(7,701)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2016**

	2016	2015
	£000	£000
Cash flows (used in)/generated from operating activities		
Deficit for the year	(4,025)	(10,228)
Adjustments for:		
Interest payable	735	1,108
Interest receivable	(12)	(51)
Depreciation of tangible assets	4,237	3,457
Impairments of fixed assets	-	5,866
(Profit)/loss on disposal of tangible assets	(365)	359
Government grants	(1,372)	(1,241)
Decrease in stocks	59	64
Decrease in debtors	1,412	68
Decrease in creditors	(2,592)	(2,218)
(Decrease)/increase in provisions	(612)	2,206
Difference between pension charge and contributions paid	1,935	1,143
Net cash (used in)/generated from operating activities	(600)	533
Cash flows generated from/(used in) investing activities		
Purchase of tangible fixed assets	(805)	(5,630)
Sale of tangible fixed assets	378	-
Acquisition of Bicton College	-	(445)
Interest received	12	51
Finance lease interest paid	-	(24)
Government grants received	770	2,736
Net cash generated from/(used in) investing activities	355	(3,312)
Cash flows used in financing activities		
New secured loans	-	2,000
Repayment of loans	(836)	(2,788)
Repayment of finance leases	(201)	(284)
Interest paid	(735)	(618)
Net cash used in financing activities	(1,772)	(1,690)
Net decrease in cash and cash equivalents	(2,017)	(4,469)
Cash and cash equivalents at beginning of year	2,394	6,863
Cash and cash equivalents at the end of year	377	2,394
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	381	3,607
Bank overdrafts	(4)	(1,213)
	377	2,394

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

1. General information

Cornwall College Further Education Corporation (the "College") is a further education college.

The College is an exempt charity for the purposes of the Charities Act 2011 and is registered in the United Kingdom. The address of its registered office is: Cornwall College, Head Office, Tregonissey Road, St. Austell, Cornwall, PL25 4DJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the Statement of Recommended Practice (SORP): Accounting for further and higher education 2015 (the "SORP") and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. They conform to guidance published jointly by the Skills Funding Agency and EFA, in the 2015/16 Accounts Direction Handbook.

Information on the impact of first-time adoption of FRS 102 is given in note 33.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the College's accounting policies (see note 3).

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.2 Going concern

The spending cuts and austerity measures imposed by Government over recent years have created significant challenges for TCCG, with some lines of funding being reduced by 25% over the period. Competitive pressures have also played a part, with falling learner numbers, in particular in EFA funded provision.

Following the submission of the financial statements for 2014/15 to the Skills Funding Agency in February 2016 the Group was issued with a notice of financial concern and required to produce a recovery plan. The key challenges being breach of lending covenants, operating costs in excess of income and significantly depleted working capital.

The Board approved an updated Financial Plan in July 2016, which aims to move the Group into positive operating cashflows in 2016/17 and ensure that this is sustainable into the future. The Group aims to significantly increase contribution by introducing a number of efficiencies over the next two years. These fall under the following five headings:

- Faster/deeper implementation of accommodation/facilities strategy.
- Lean, efficient and effective professional services - complete the process/systems review to deliver increased efficiency extend the review to all professional service areas.
- Invest for growth and optimise trading operations.
- Streamline management and optimise the use of different workforce contract types.
- Curriculum innovation and the model of delivery.

The Board is confident that significant progress has been made on each of these strands in the reporting period. Estimated cost savings of £2m are to be delivered in 2016/17, the majority of which have already been implemented.

The Group has long term borrowing of £16m with Lloyds Bank and an overdraft facility of £500k with Barclays Bank. The results for 2014/15 led to a breach of two lending covenants with Lloyds Bank and the subsequent reclassification of bank loans previously shown under long term liabilities as short term liabilities. Lloyds Bank continue to support the Group and have issued a notice of reserved matters. Discussions are ongoing to agree a revised set of covenants and a review of security arrangements.

The Group's recovery plan identifies the disposal of land and buildings worth approximately £3.8m that are no longer required for educational purposes. Completion of these disposals over the next year will enable liquidity to be restored and ensure a sustainable working capital base for the Group into the future. £300k relating to these disposals has been completed and received post year-end; £1.95m has been sale-agreed; and the remainder is at an advanced stage of the sales process with final offers anticipated in early January 2017. Of the £1.95m sales agreed there is £450k where the asset is secured with Lloyds Bank and the Group is negotiating a transfer of this security with them.

Given the uncertainty regarding the completion and receipt of funds relating to these disposals the Group submitted a request for short term exceptional financial support to the Skills Funding Agency in November 2016 and drew down £2.5m in December 2016 to be repaid upon the completion of the disposals and receipt of proceeds. The Group has recourse to additional short term support funds of up to £2m in the period to 31 July 2017 should it require them.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the group's ability to continue as a going concern. However, taking into account the current performance of the Group; the financial plan, principal risks, cashflow projections and the position of the Bank and the Skills Funding Agency, the Board believes that the Group remains a going concern and will be able to continue its operations and meet its liabilities into the foreseeable future. The financial statements have, therefore, been prepared on a going concern basis and do not include adjustments that would be required if the Group was unable to continue as a going concern.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 August 2014.

2.4 Recognition of income

The recurrent grants from the funding bodies and HEFCE represent the funding allocations attributable to the current financial year and are credited directly to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the Statement of Comprehensive 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 SFA adult learner responsive funding 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 bodies 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 with the SFA. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Other discrete Funding body funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the Funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Funding bodies (see note 32).

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 amortised in line with depreciation over the life of the assets.

Income from tuition fees are recognised net of discounts in the period for which it is receivable and includes all fees payable by 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.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Milk quota	-	Fully amortised
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2.6 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 25 - 50 years
Long-term leasehold property	- Shorter of 50 years and period of lease
Short-term leasehold property	- Shorter of 50 years and period of lease
Office equipment	- 3 - 25 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the College's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.16 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements in applying accounting policies

(i) Exemptions on transition to FRS 102

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition (1 July 2015) in accordance with the company's accounting policies.

(b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of the property plant and equipment, and note 2.6 for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 19 for the net carrying amount of the debtors and associated impairment provision.

(iii) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 29 for the disclosures relating to the defined benefit pension scheme.

4. Funding body grants

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Recurrent grant	26,346	24,412	26,346	24,412
Non-recurrent grant	9,397	12,623	9,397	12,623
Releases of deferred capital grants	1,013	449	1,013	449
	36,756	37,484	36,756	37,484

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

5. Tuition fees and education contracts

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Tuition fees	12,150	11,490	12,150	11,490
Education contracts	1,580	1,578	1,580	1,578
	13,730	13,068	13,730	13,068

6. Research grants and contracts

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
European Commission	1,026	2,734	1,026	2,734
Other grants and contracts	2,183	2,517	2,183	2,517
	3,209	5,251	3,209	5,251

7. Other income

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Farming activities	1,116	1,024	1,116	1,024
Recruitment services	4,488	5,464	-	-
Releases from deferred capital grants (non-SFA)	730	792	730	792
Other income	6,779	6,440	6,931	6,032
	13,113	13,720	8,777	7,848

8. Investment income

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Bank interest receivable	12	51	12	51

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

9. Staff costs

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

	Group 2016 Number	Group 2015 Number	College 2016 Number	College 2015 Number
Teaching staff	506	527	506	527
Non teaching staff	959	1,282	941	1,057
	1,465	1,809	1,447	1,584

Staff costs for the above persons were as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Teaching staff	19,701	20,936	19,701	20,936
Non teaching staff	25,518	26,199	21,353	21,102
Restructuring costs	1,055	1,017	1,055	1,017
Contracted out services	1,178	2,251	1,178	2,251
Local Government pension retirement benefit charge	605	512	605	512
	48,057	50,915	43,892	45,818

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Wages and salaries	37,754	39,966	33,589	34,869
Social security costs	2,345	2,223	2,345	2,223
Other pension costs	5,725	5,458	5,725	5,458
Restructuring costs	1,055	1,017	1,055	1,017
Payroll sub total	46,879	48,664	42,714	43,567
Contracted out services	1,178	2,251	1,178	2,251
	48,057	50,915	43,892	45,818

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

10. Emoluments of senior post holders and members

Senior postholders are defined as members of the senior management team.

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
The number of senior postholders including the Principal was	4	6	4	6

Senior postholders' emoluments are made up as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Salaries	509	523	582	523
Benefits in kind	3	1	3	1
Pension contributions	85	85	98	85
Pay in lieu of notice and other obligations	249	50	249	50
Total emoluments	846	659	932	659

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder). Details of his remuneration are disclosed later in this note.

As at 31 July 2016 there were 4 senior post holders, including the Principal. The Principal left the College on the 31 July 2016 and the Finance Director on 1 August 2016.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

10. Emoluments of senior post holders and members (continued)

The emoluments of the Principal are made up as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Salary	200	200	200	200
Benefits in kind	2	1	2	1
Pension contribution	33	28	33	28
Pay in lieu of notice and other obligations	204	-	204	-
	439	229	439	229

The Principal left the College on 31 July 2016, total emoluments include £204,000 in respect of pay in lieu of notice and other contractual obligations.

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

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

All of the senior post-holders costs were met by the College and not the subsidiary companies.

Senior post-holders and other higher paid staff did not receive a cost of living pay increase in both 2015/16 and 2014/15, which is in line with the Corporation's decision not to award a cost of living pay increase this year.

Overseas activities

The following costs were incurred in the year in respect of overseas activities.

	Total cost £000	Net cost to College £000
Members	-	-
Senior post-holders	-	-
Other higher paid staff	1	1
	1	1

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

10. Emoluments of senior post holders and members (continued)

Group and College

	2016	2016	2015	2015
	Number of senior post- holders	Number of other staff	Number of senior post- holders	Number of other staff
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	4	1	4
£80,001 to £90,000	-	1	-	4
£90,001 to £100,000	-	2	-	1
£100,001 to £110,000	1	-	-	-
£110,001 to £120,000	1	-	1	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	-	1	-
£230,001 to £240,000	1	-	-	-
£250,001 to £260,000	-	-	1	-

There was no pay award in 2015/16 (2014/15 - £Nil) as none was approved by the Corporation Board. There were no senior postholders with emoluments below £30,001 and none with emoluments above £240,000.

Emoluments included in the above bandings exclude any payments in lieu of notice.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

11. Other operating expenses

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Teaching costs	9,198	9,391	5,201	9,391
Non teaching costs	5,292	6,313	9,188	6,062
Premises costs	3,130	4,468	3,072	4,468
	17,620	20,172	17,461	19,921

Other operating expenses include:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Auditors' remuneration:				
Financial statements audit - Cornwall College*	42	76	32	54
Financial statements audit - Bicton College	-	16	-	-
Internal audit**	41	37	41	37
Other services from either external or internal audit	23	103	19	103
Operating lease charges	425	770	425	770

* - Includes £32,429 in respect of the College (2015: £35,038)

** - The remuneration is wholly in respect of the College

12. Exceptional items

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
SFA grant support for Bicton College	-	3,429	-	3,429
SFA restructuring grant for Bicton College	842	2,744	842	2,744
Total Bicton College income	842	6,173	842	6,173
Costs incurred during the year related to the merger	-	(3,339)	-	(3,339)
Goodwill written off on acquisition	-	(5,866)	-	(5,866)
Exceptional profit/(loss) on merger with Bicton College	842	(3,032)	842	(3,032)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

13. Interest and other finance costs

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
On bank loans and overdrafts	735	618	735	605
Enhanced pensions	73	68	73	68
Local Government pensions	1,330	1,157	1,330	1,157
Assets financed under finance leases	-	24	-	24
	<u>2,138</u>	<u>1,867</u>	<u>2,138</u>	<u>1,854</u>

14. Taxation

Profits generated by trading companies are gift aided to the College and the companies are therefore charged corporation tax of £Nil (2015: £Nil).

There is no tax charge due to the exemption provided under the Charities Act 2011.

15. Intangible assets

Group and College

	Milk quota £000
Cost	
At 1 August 2015	<u>236</u>
At 31 July 2016	<u>236</u>
Accumulated amortisation	
At 1 August 2015	<u>236</u>
At 31 July 2016	<u>236</u>
Net book value	
At 31 July 2016	<u>-</u>
At 31 July 2015	<u>-</u>

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

16. Tangible assets

Group

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Office equipment £000	Total £000
Cost or valuation					
At 1 August 2015	110,050	6,332	1,452	13,198	131,032
Additions	208	-	-	597	805
Disposals	-	-	-	(107)	(107)
At 31 July 2016	<u>110,258</u>	<u>6,332</u>	<u>1,452</u>	<u>13,688</u>	<u>131,730</u>
Accumulated depreciation					
At 1 August 2015	20,810	1,088	1,287	8,616	31,801
Charge for the year	2,166	128	20	1,923	4,237
Disposals	-	-	-	(94)	(94)
At 31 July 2016	<u>22,976</u>	<u>1,216</u>	<u>1,307</u>	<u>10,445</u>	<u>35,944</u>
Net book value					
At 31 July 2016	<u>87,282</u>	<u>5,116</u>	<u>145</u>	<u>3,243</u>	<u>95,786</u>
At 31 July 2015	<u>89,240</u>	<u>5,244</u>	<u>165</u>	<u>4,582</u>	<u>99,231</u>

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

College

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Office equipment £000	Total £000
Cost or valuation					
At 1 August 2015	110,050	6,332	1,452	12,836	130,670
Additions	208	-	-	597	805
Disposals	-	-	-	(105)	(105)
At 31 July 2016	<u>110,258</u>	<u>6,332</u>	<u>1,452</u>	<u>13,328</u>	<u>131,370</u>
Accumulated depreciation					
At 1 August 2015	20,810	1,088	1,287	8,548	31,733
Charge for the year	2,166	128	20	1,909	4,223
Disposals	-	-	-	(92)	(92)
At 31 July 2016	<u>22,976</u>	<u>1,216</u>	<u>1,307</u>	<u>10,365</u>	<u>35,864</u>
Net book value					
At 31 July 2016	<u>87,282</u>	<u>5,116</u>	<u>145</u>	<u>2,963</u>	<u>95,506</u>
At 31 July 2015	<u>89,240</u>	<u>5,244</u>	<u>165</u>	<u>4,288</u>	<u>98,937</u>

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

16. Tangible assets (continued)

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Stratton & Holborrow, 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.

The company applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as the deemed cost for its land and buildings. The land and buildings are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

Analysis of the revalued land and buildings valued at the date of transition to FRS 102 using the deemed cost exemption:

	2016	2015
	£000	£000
Group and College		
Revaluation	6,265	6,527
Net book value	6,265	6,527

Land and buildings with a net book value of £39,440,299 (2015: £38,182,536) have been financed from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

Fixed assets include land and buildings with a net book value of £15,830,813 (2015: £15,851,458) which have been partially funded by a grant from the funding agencies. The receipt in the current year was £148,479 (2015: £1,042,491). The Council does not have the power to guarantee future funding streams to colleges and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

The net book value of equipment includes an amount of £104,165 (2015: £381,073) in respect of assets held under finance leases.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

17. Investments

Group

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2015	<u>15</u>
At 31 July 2016	<u>15</u>
Net book value	
At 31 July 2016	<u><u>15</u></u>
At 31 July 2015	<u><u>15</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the College:

Name	Country of incorporation	Class of shares	Holding	Principal activity
CC Education Services Limited	England and Wales	Ordinary	100 %	Supply of education contracts and property services
CCMS (2000) Limited	England and Wales	Ordinary	100 %	Supply of recruitment services
Western Edge Limited	England and Wales	Limited by guarantee		Dormant

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

17. Investments (continued)

College

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2015	<u>15</u>
At 31 July 2016	<u>15</u>
Net book value	
At 31 July 2016	<u>15</u>
At 31 July 2015	<u>15</u>

18. Stocks

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Livestock and growing crops	399	544	399	544
Consumables and goods for resale	239	153	239	153
	<u>638</u>	<u>697</u>	<u>638</u>	<u>697</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

19. Debtors

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Amounts due in more than one year				
Amounts owed by group undertakings	-	-	26	789
	<u>-</u>	<u>-</u>	<u>26</u>	<u>789</u>
Amounts due within one year				
Trade debtors	2,488	1,747	2,127	1,312
Amounts owed by group undertakings	-	-	504	99
Other debtors	681	1,026	385	584
Prepayments and accrued income	492	2,300	488	2,297
	<u>3,661</u>	<u>5,073</u>	<u>3,530</u>	<u>5,081</u>

Trade debtors includes a provision for impairment of £Nil (2015: £Nil).

20. Cash at bank and in hand

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Cash at bank and in hand	381	3,607	343	3,527
Less: bank overdrafts	(4)	(1,213)	(4)	(1,213)
	<u>377</u>	<u>2,394</u>	<u>339</u>	<u>2,314</u>

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

21. Creditors: Amounts falling due within one year

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Bank overdrafts	4	1,213	4	1,213
Bank loans	16,055	15,885	16,055	15,885
Payments received on account	1,306	998	1,306	998
Trade creditors	1,028	316	1,020	320
Amounts owed to group undertakings	-	-	99	112
Other amounts owed to funding bodies	1,460	2,271	1,460	2,271
Other taxation and social security	1,363	1,249	1,363	1,249
Obligations under finance lease and hire purchase contracts	221	325	221	325
Deposits	140	171	140	171
Accruals and deferred income	3,001	6,879	2,525	6,414
	24,578	29,307	24,193	28,958

In the current year, given the financial performance for the year ended 31 July 2016, TCCG breached its banking covenants in respect of the 2015/16 year and, therefore, the bank loans were classified as short term.

In the prior year, TCCG was also in breach of its banking covenants in respect of the 2014/15 year and, therefore, the bank loans previously shown under long term liabilities were classified as short term.

Bank loans at interest rates ranging from 1.88% to 6.575% (2015: 2.059% to 6.575%) are repayable by instalments falling due between 1 August 2012 and 12 May 2028 totalling £15,782,000 (2015: £17,098,000). The lender has a charge over a number of freehold fixed assets as security against the loans. As stated above, due to the likely covenant breaches, all of these borrowings have been reclassified as repayable within one year. However, management expect that repayments will continue in line with the above profile following conversations with the College bankers.

22. Creditors: Amounts falling due after more than one year

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Obligations under finance leases	155	252	155	252
Loans from subsidiary undertaking	-	-	25	74
Deferred capital grants	44,965	45,567	44,965	45,567
Other accruals	86	98	86	98
	45,206	45,917	45,231	45,991

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Within one year	221	325	221	325
Between one and five years	155	252	155	252
	<u>376</u>	<u>577</u>	<u>376</u>	<u>577</u>

24. Deferred capital grants

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2015			
Land and buildings	17,151	28,346	45,497
Equipment	42	28	70
	<u>17,193</u>	<u>28,374</u>	<u>45,567</u>
Capital grants received/due			
Land and buildings	46	606	652
Equipment	102	16	118
Released to income and expenditure account:			
Land and buildings	(388)	(715)	(1,103)
Equipment	(14)	(16)	(30)
Bicton adjustment	(206)	(33)	(239)
	<u>16,733</u>	<u>28,232</u>	<u>44,965</u>
At 31 July 2016			
Land and buildings	16,566	28,193	44,759
Equipment	167	39	206
	<u>16,733</u>	<u>28,232</u>	<u>44,965</u>

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

25. Financial instruments

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	3,407	2,773	3,215	2,784
Financial liabilities				
Financial liabilities measured at amortised cost	(22,310)	(27,239)	(21,888)	(26,964)

Financial assets measured at amortised cost comprise amounts owed by group undertakings, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, bank loans, trade creditors, amounts owed to group undertakings, other amounts owed to funding bodies, obligations under finance lease and hire purchase contracts and accruals.

26 Other provisions

Group

	Enhanced Pensions £000	Restructuring £000	Bicton Merger Costs £000	Total £000
At 1 August 2015	2,123	155	2,340	4,618
Charged to the Statement of Comprehensive Income	234	295	-	529
Expenditure in the year	(144)	(155)	(842)	(1,141)
At 31 July 2016	2,213	295	1,498	4,006

The pension provision relates to enhanced pensions payable to former employees and includes £10,138 (2015: £9,551) in respect of enhanced pension payable to former senior post-holders. The restructuring provision relates to the cost of staff restructuring. The Bicton merger provision relates to the costs of restructuring and integrating Bicton College into the Cornwall College Group (following its acquisition on 31st March 2015). The balance of the provision of £1,498,000 will be utilised in 2016/17 for final systems integration and repairs to the Bicton Estate.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

College

	Enhanced Pensions £000	Restructuring £000	Bicton Merger Costs £000	Total £000
At 1 August 2015	2,123	155	2,340	4,618
Charged to the Statement of Comprehensive Income	234	295	-	529
Utilised in year	(144)	(155)	(842)	(1,141)
At 31 July 2016	2,213	295	1,498	4,006

27. Reserves

Revaluation reserve

The revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Restricted reserve

The restricted reserve represents amounts recognised in the Statement of Comprehensive Income which are restricted by legally binding conditions to specific purposes.

Income and expenditure reserve

The income and expenditure reserve represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

28. Capital commitments

At 31 July the Group and College had capital commitments as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Authorised but not contracted at 31 July	220	3,000	220	3,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

29. Pension commitments

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non teaching staff. The schemes are managed by Hymans Robertson LLP for the Cornwall Council scheme and Barnett Waddingham Consulting firm for the Devon County Council scheme. Both are defined-benefit schemes.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

29. Pension commitments (continued)

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

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

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

The pension costs paid to TPS in the year amounted to £989,000 (2015: £1,490,000).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Cornwall Council and Devon Council Local Authorities. The total contribution made for the year ended 31 July 2016 was £3,836,000 (2014/15: £3,664,000) of which employers' contributions totalled £3,017,000 (2014/15: £2,829,000) and employees' contributions totalled £819,000 (2014/15: £835,000).

The pensions cost is assessed every three years in accordance with the advice of a qualified independent 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	Projected Unit
Pension increases per annum	3.3%
Salary scale increases per annum	5.3%
Market value of assets at date of last valuation	£1,041m
Proportion of members' accrued benefits covered by the actuarial value of the assets	78.3%

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

29. Pension commitments (continued)

Cornwall Council pensions and similar obligations

Composition of plan assets:

	2016 £000	2015 £000
Equities	33,052	27,319
Bonds	27,102	31,132
Property	4,627	3,812
Cash	1,322	1,271
Total plan assets	66,103	63,534
	2016 £000	2015 £000
Fair value of plan assets	66,103	63,534
Present value of plan liabilities	(112,911)	(95,151)
Net pension scheme liability	(46,808)	(31,617)

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £000
Current service cost	(3,241)	(3,284)
Net interest on obligation	(1,146)	(335)
Curtailment	(14)	(67)
Total	(4,401)	(3,686)
Actual return on scheme assets	684	4,144

Reconciliation of fair value of plan liabilities were as follow:

	2016 £000
Opening defined benefit obligation	(95,151)
Current service cost	(3,241)
Interest cost	(3,467)
Contributions by scheme participants	(746)
Actuarial losses	(11,988)
Past service costs (including curtailments)	(14)
Benefits paid	1,696
Closing defined benefit obligation	(112,911)

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

29. Pension commitments (continued)

Reconciliation of fair value of plan assets were as follows:

	2016 £000
Opening fair value of scheme assets	63,534
Interest income on plan assets	2,321
Actuarial losses	(1,637)
Contributions by employer	2,835
Contributions by scheme participants	746
Benefits paid	(1,696)
Closing fair value of scheme assets	66,103

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	2.4	3.7
Future salary increases	3.9	4.5
Future pension increases	1.9	2.6
 Mortality rates		
- for a male aged 65 now	22.2 years	22.2 years
- at 65 for a male aged 45 now	24.4 years	24.4 years
- for a female aged 65 now	24.4 years	24.4 years
- at 65 for a female member aged 45 now	26.8 years	26.8 years

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Devon County Council pensions and similar obligations

Composition of plan assets:

	2016	2015
	£000	£000
Equities	2,119	2,026
Overseas equities	2,975	2,587
Gilts	286	375
Other bonds	249	379
Property	896	825
Infrastructure	357	232
Cash	108	184
Alternative assets	501	144
Absolute return funds	1,236	1,201
Total plan assets	8,727	7,953

	2016	2015
	£000	£000
Fair value of plan assets	8,727	7,953
Present value of plan liabilities	(16,017)	(12,727)
Net pension scheme liability	(7,290)	(4,774)

The amounts recognised in profit or loss are as follows:

	2016	2015
	£000	£000
Current service cost	(314)	(133)
Net interest on obligation	(184)	(4)
Administrative expenses	(5)	-
Curtailments	(48)	-
Total	(551)	(137)

Actual return on scheme assets	783	(174)
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CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Reconciliation of fair value of plan liabilities were as follow:

	2016 £000
Opening defined benefit obligation	(12,727)
Current service cost	(314)
Interest cost	(494)
Contributions by scheme participants	(73)
Actuarial losses	(2,620)
Past service costs (including curtailments)	(48)
Benefits paid	259
Closing defined benefit obligation	(16,017)

Reconciliation of fair value of plan assets were as follows:

	2016 £000
Opening fair value of scheme assets	7,953
Interest income on plan assets	310
Actuarial gains	473
Contributions by employer	182
Contributions by scheme participants	73
Administrative expenses	(5)
Benefits paid	(259)
Closing fair value of scheme assets	8,727

	2016	2015
	%	%
Discount rate	2.6	3.9
Future salary increases	4.0	4.5
Future pension increases in payments	2.2	2.7
Future deferred pension increases	2.2	2.7
Mortality rates		
- for a male aged 65 now	22.9 years	22.8 years
- at 65 for a male aged 45 now	25.2 years	25.1 years
- for a female aged 65 now	26.2 years	26.1 years
- at 65 for a female member aged 45 now	28.6 years	28.4 years

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

30. Commitments under operating leases

At 31 July the Group and the College had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000	College 2016 £000	College 2015 £000
Not later than 1 year	425	417	425	417
Later than 1 year and not later than 5 years	881	890	881	890
Later than 5 years	7,545	7,753	7,545	7,753
	8,851	9,060	8,851	9,060

31. Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is 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 at arms length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £7,326 (2015: £7,936). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: none).

The College is a co-sponsor of the Marine Academy Plymouth Limited and CCMS (2000) Limited, one of the College's subsidiary companies, provided services to the value of £3,988 in year (2014/15: £61,844).

32. Learner support funds

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Funding body grants - hardship support	1,575	1,677	1,575	1,677
Funding body grants - residential bursaries	577	337	577	337
	2,152	2,014	2,152	2,014
Disbursed to students	(1,919)	(1,663)	(1,919)	(1,663)
Administration costs	(79)	(92)	(79)	(92)
Balance unspent at 31 July included in creditors	154	259	154	259

SFA/EFA 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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

33. First time adoption of FRS 102

The Group and College transitioned to FRS 102 from previously extant UK GAAP as at 1 August 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 August 2014

	Note	Group £000	College £000
Equity at 1 August 2014 under previous UK GAAP		6,459	6,367
Equity shareholders funds at 1 August 2014 under FRS 102		<u>6,459</u>	<u>6,367</u>

Reconciliation of equity at 31 July 2015

	Group £000	College £000
Equity at 31 July 2015 under previous UK GAAP	(7,610)	(7,701)
Equity shareholders funds at 31 July 2015 under FRS 102	<u>(7,610)</u>	<u>(7,701)</u>

Reconciliation of profit and loss account for the year ended 31 July 2015

	Group £000	College £000
Loss for the year under UK GAAP	(9,469)	(9,468)
Defined benefit pension schemes adjustment	(759)	(759)
Loss for the year ended 31 July 2015 under FRS 102	<u>(10,228)</u>	<u>(10,227)</u>

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 On transition from previously extant UK GAAP to FRS 102 the company has changed the treatment of interest income and actuarial gains and losses on defined benefit pension assets. This has increased the loss for the financial year ended 31 July 2015 by £759,000 but has no effect on the total equity of the College or the Group as at 1 August 2014 or 31 July 2015.