

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 JULY 2017**

# CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

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# **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

## **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

The Corporation Board members are pleased to present their report and the audited consolidated financial statements for the year ended 31 July 2017.

### **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 £66m. 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. The four brands are:

- 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.

# CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

## BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017

### Mission and values

TCCG's mission as approved by the Board is: 'Making learning work'.

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 strong focus on tutorials and personalised support from personal learning advisors; and
- Strong, innovative and other long standing 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 Corporation Board (the Board) agreed a plan covering the period 2014 to 2018. The 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



## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017

- Agree new financial covenants with the College's lenders by 31 December 2016 and meet them over the remaining term of the loans;
  - o Not achieved – Lloyds Bank and TCCG have agreed that re-negotiation of bank covenants be deferred until the College's application for Restructuring Facility from the Transaction Unit is approved.

#### 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 achievement rates. The College is required to complete the annual financial record for the Education and Skills Funding Agency. Based on the results in this annual report, the College would be assessed against these measures as having an 'unsatisfactory' financial health grading (available ratings are unsatisfactory, satisfactory, good and outstanding); this is due to the College's loans being classified as short term until bank covenants are re-negotiated. This grading is based on the performance against the following performance indicators:

- EBITDA as a % of income **2.9%**
- Current Ratio **0.24** (this ratio is negatively impacted by the presentation of the bank loans as current liabilities at year end due to bank covenants being breached)
- Borrowing as a % of income **23.4%**

#### FINANCIAL POSITION

##### Financial results

TCCG generated a deficit for the year of £35,000 comparing favourably with the deficit in 2015/16 of £4,025,000. This represents a significant improvement compared with average per annum deficits of £3,917,000 over the preceding four financial years. This deficit includes a non-cash actuarial pension and interest charge of £2,294,000 (2015/16 £1,935,000). Staff costs include an exceptional item of £854,000 (2015/16: £1,055,000) in respect of restructuring costs.

Total income of £66,491,000 (2015/16: £67,662,000) was 1.7% lower than last year due to a continued demographic led reduction in 16-18 learner numbers and reductions in Higher Education learners due to increased competition from Universities and government policy in relation to tuition fees and student loans. However, expenditure of £69,112,000 (2015/16: £72,052,000) was 4.1% lower than last year, demonstrating the achievement of significant ongoing efficiency cost savings as part of the strategy to move towards an operating surplus. Expenditure has reduced by £10,311,000 or 13% over the course of two financial years.

The total comprehensive income in 2016/17 of £11,909,000 compares favourably with a comprehensive expense of £19,797,000 in 2015/16 and is stated after accounting for non-cash actuarial gains of £11,944,000 on defined benefit pension schemes.

The Income and Expenditure revenue reserves deficit has subsequently improved to £21,396,000 from £33,658,000 in 2015/16.

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

Name	Nature of Business	Profit Generated £	Profit to be Gift Aided £	Profit Retained £
CC Education Services Limited	Co-financing projects and property services	16,328	16,328	65,113
CCMS (2000) Limited	Recruitment services	302,165	302,121	23,387

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

#### **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 Education and Skills Funding Agency. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum.

#### **Cash flows and liquidity**

At a net cash inflow of £383,000 (2015/16: outflow of £2,017,000), operating cash has increased year-on-year which represents a significant improvement after four consecutive years of cash balance decline. The cash balance has increased to £760,000 (2015/16: £381,000).

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. During the year, TCCG disposed of assets at a net surplus of £2,586,000 as part of a deliberate estates rationalisation strategy as set out in the Group Recovery plan.

#### **Bank loans**

Following the financial performance for the years ending 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 continue to be classified as short term liabilities in the balance sheet at 31 July 2017. Lloyds Bank and TCCG have agreed to review covenant re-negotiations once TCCG has completed its application to the Transactions Unit for restructuring finance, which is in progress at the year end.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

#### **Student numbers**

The main element of funding comes from the Education Skills Funding Agency (ESFA) and is dependent upon the level of student recruitment each year. In 2016/17 the College delivered activity that has produced £24,454,000 (2015/16: £26,346,000) in ESFA recurrent grant funding. TCCG had 11,500 ESFA funded and 6,401 non- ESFA funded students.

#### **Student achievements**

The large majority of Further Education learners successfully achieve their programme of learning and develop the skills and confidence to progress to higher levels of study and employment. The headline all ages overall Education & Training (E&T) achievement rate (excluding English and Maths) is 84.4% which is consistent with the previous year (84.8%). Over two fifths (45.7%) of 16-18 leavers were studying English and/or Maths in 2016/17 and the Group continues to produce learners who are articulate and numerate in their respective vocational subjects with high levels of skills that continue to be commended by employers.

There are good achievement rates for learners in A-levels and in many of our vocational courses and apprenticeships. The large majority of learners make good progress in comparison with their starting points on academic and vocational courses. Overall value added for BTEC vocational courses is above the national average (Alps grade 4) with 50.1% of 16-18 learners on Level 3 BTEC courses achieving Distinction\*/Distinction. GCE A level performance is good with a 16-18 pass rate of 95.8% and 49.7% of grades at A\*-B, (74.3% at A\*-C), and a value added score of Alps grade 2 ranking the College in the top 10% of the Alps national benchmark. The indicative 2017 School and College 16 to 18 Performance Table figures, published in September 2017, show that in Level 3 qualifications the average grade for the Tech level cohort was Merit plus and for the Applied General cohort the average grade performance has improved from Distinction minus to Distinction. For Level 2 vocational qualifications the average grade was a Merit.

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

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 overall qualification achievement rate for adult learners (82.5%) is good and above the previous year. Significant work is undertaken with long term unemployed adult learners with excellent achievement rates and the majority of these learners re-engage with employment.

The Group is the largest further education provider of apprenticeships in the south west region, and the large majority of apprentices successfully complete their apprenticeships. Apprentices routinely achieve well and make good progress. Both overall and timely apprenticeship achievement rates are above the previous year and the 2015-16 national averages.

Learning and teaching in the large majority of lessons is good or better.

#### **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:

- Through its Strategic Intent the Group is determined to do more to redress the issues of skills mismatch, under-employment and low business start-ups across its localities. This is driven through 'prosperity clusters' linked to local and regional skills needs - and our core purpose of 'Making learning work.' This vision, focused on developing world class curriculum specialisms linked to regional skills priorities is delivered through investment in regional skills infrastructure with a particular focus on technical and professional skills training. The Group has particular strength in programmes supporting the rural economy, STEM subjects and hospitality with a number of nationally recognised employer partnerships in these areas.
- 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, in particular the "T" levels and new apprenticeship standards. 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 2016/17 the Group, in partnership with Pendennis Super Yachts, won the national award for apprenticeship programme of the year. In addition one of our apprentice students employed by Fugro Geotechnical Services was a finalist in the Association of Colleges' Apprentice of the year award.
- In higher education (HE), the Group continues to develop 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. The Group has increased the number and range of its higher apprenticeship programmes starting in 2017/18. The Group has also applied for Foundation Degree Awarding Powers and expects to hear the outcome in early 2018.

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

- Continued investment in the Bicton Campus
- Investment in horticulture and garden design facilities in partnership with The Eden Project to service growth in HE numbers on that site
- Investment in IT equipment to enable an increase in technology enhanced learning
- Continued investment in IT software to support the development of a leaner professional services function and enhanced management reporting

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

#### **Other achievements**

TCCG's achievements during 2016/17 are summarised below:

- Number one in the South West for Apprenticeships
- Leading construction trainer in Cornwall and Devon with 73% market share in last four years
- Top 1% for A-levels in the country, according to ALPS data
- Only College in the South West to be awarded BDA Dyslexia Friendly Quality Mark
- 90% of agricultural apprenticeships are awarded through TCCG in Cornwall
- 700+ university level students graduated at Truro Cathedral in November
- Nearly 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
- 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 four out of six awards at the Cornwall Film Festival
- Duchy College students crowned best wheat growers in the country at NIAB Agronomy Cup
- Eden Project student wins national Student Design Award at Society of Garden Designers Awards
- First ever females pass test to become Marines
- Duchy College student (through the Tournament Golf College) finishes second in Andalusia Junior European Open
- World Skills success with a bronze medal in cabinet making and a gold for a former floristry student
- Student gardeners from Eden Project Learning built and exhibited their award winning show garden at RHS Hampton Court Palace Flower Show
- TCCG and Pendennis Shipyard Apprenticeship Programme of the Year award winners at TES FE Awards
- Hosted one of the world's best pastry chefs, Ewald Notter, in series of masterclasses
- Matrix quality standard was successfully retained for Information, Advice and Guidance services
- One of the top catering colleges in the country, retaining three Centres of Excellence, a Gold Accreditation and AA College Rosette awards this year
- 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 promoting STEM
- Education and Business Training Awards 10<sup>th</sup> anniversary, organised through CCB, celebrated success across the region
- Academy Nathan Outlaw celebrated its fifth anniversary at the College

#### **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 2017

#### 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 and falling demographics have also played a part, with falling learner numbers, in particular in ESFA 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 were a 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 aimed to move the Group into positive operating cashflows in 2016/17 and ensure that this is sustainable into the future. The Board has subsequently approved a new three year plan (2017/18 – 2019/20) which further builds on the financial sustainability measures of the original Financial Plan. The Group aims to significantly increase contribution by introducing a number of efficiencies over the next three 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. Total expenditure has reduced by £2.9m during 2016/17 and further cost savings of £3m are targeted to be delivered as part of the 2017/18 budget.

The Group has long term borrowing of £14.5m with Lloyds Bank and an overdraft facility of £500k with Barclays Bank. The results for 2014/15 and subsequent years have resulted in 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 continues to support the Group and has issued a notice of reserved matters. Discussions are ongoing to agree a revised set of covenants and a review of security arrangements, however, these discussions have been paused with mutual agreement whilst the Group's restructuring facility request is reviewed by the Department of Education's Transaction Unit.

During the year, the Group disposed of land and buildings generating receipts of £2.9m. These assets had been identified in the Recovery Plan as no longer required for educational purposes and were disposed of to assist the Group's working capital position. Due to the time it took to action these sales, the Group was in receipt of £4.5m of short term exceptional financial support from the Education Skills Funding Agency during the year, of which £4m had been repaid at the balance sheet date and the remaining £0.5m during August 2017.

During the year, the Group participated in the nationwide Area Review process, from which it was recommended that the Group remain a stand-alone college, but that it should seek financial support from the Fresh Start process in order to accelerate its financial recovery. Since the outcomes of the Area Review were published, the Group has been working collaboratively with the Department of Education's Transaction Unit to develop a Restructuring Facility request. Once agreed, this facility has the capacity to reset the Group's balance sheet by improving its working capital and in doing so accelerate its financial recovery. This application will not be concluded until the final term of the 2017/18 academic year however, and therefore a new request for £3.5m of short term exceptional financial support has been made with the Education and Skills Funding Agency to cover cashflow requirements during the 2017/18 financial year which was approved on 11 December 2017.

The status of the College's financial health was made very clear as an outcome of its Area Review finding on 1 March 2017. The Area Review report for the south west, states:

*'with regard to financial sustainability, this college is not currently viable or resilient, with weak solvency and forecast operating deficits for the duration of the financial plan to 2019/20. The 'fresh start' approach will provide the means to support accelerated recovery and to move gradually and securely towards the key benchmarks.'*

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

The application to the Transactions Unit for a Restructuring Facility and interim Exceptional Financial Support request from the ESFA are therefore expected outcomes of the Area Review process. Furthermore, the results contained within this Annual Report show strong evidence of a financial recovery, with positive cash generation for the first time in four years and an annual operating deficit reduced from £4m to only £35k. This performance, coupled with expected support from the Restructuring Facility and Exceptional Financial Support, allows the Board to assess that the Group remains a going concern and will be able to continue its operations and meet its liabilities into the foreseeable future. This assessment is further supported by the fact that the Board has received written confirmation from the ESFA prior to signing these accounts, that the Exceptional Financial Support request has been approved.

In addition, Lloyds Bank continues to support the College, and both parties are collaboratively working towards revised covenants, delays in which have been mutually agreed due to the need for the College to apply for Restructuring Facility from the Transactions Unit. 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.

However, paragraphs referring to the material uncertainty relating to going concern have been included within the auditors' report. The uncertainty referred to relates to the ability of the College to successfully conclude ongoing negotiations with both the bank and the Transactions Unit in order to secure adequate future funding.

#### **Resources**

TCCG has £29,041,000 of net assets excluding pension liability. The pension liability is £44,448,000 resulting in overall net liabilities of £15,407,000. 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.

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017

- Cash flow, cost control and future funding risks

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 some 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.

- 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 FE activities. In 2016 the Group achieved a Teaching and Excellence Framework (TEF) Silver rating for its HE 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 in need of support
- removing provision that is no longer fit for purpose

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 online presence.

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017**

#### **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.

#### **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.

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**BOARD REPORT  
FOR THE YEAR ENDED 31 JULY 2017**

This Board Report was approved by order of the members of the Corporation Board on 13 December 2017 and signed on its behalf by:

Name I Tunbridge  
Chair

Date 13 December 2017

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### BOARD REPORT FOR THE YEAR ENDED 31 JULY 2017

#### 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 2017**

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 April 2016. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Governors, 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 2017 and up to the date of approval of the annual report and financial statements. The Board of Governors 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 Association of Colleges’ Code of Good Governance for English Colleges issued in March 2015 which the Board adopted at its meeting on 21 October 2015 and is continuing to work towards full 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 guidance on public benefit. The required statements appear elsewhere in these financial statements.

#### **The Corporation**

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

The Corporation is provided with regular and timely information on the overall financial performance of the 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 and environmental issues. The Corporation has met seven times during the year – five scheduled meetings and two special meetings.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. 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. At its meeting on 5 July 2017, the Corporation, following a review of the governance structure, agreed to merge the Delivery and Development Committee with the Excellence and Experience Committee. A more detailed review of governance arrangements and refresh of membership is ongoing.

Full minutes of all meetings, excluding those items dealt with as confidential business, in accordance with the Corporation’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

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

Governors’ 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 for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and dismissal of the Corporation Secretary are matters for the Corporation as a whole.

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

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 along with training sessions which included safeguarding and Prevent.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its 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 Governors and Principal and Chief Executive are separate.

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 2016/17 (including Special meetings)	Status of appointment	Current Committee Membership
		Term of office	Date of resignation / retirement			
Dr I Tunbridge OBE (Chair from 01.08.16)	10.12.14	4		5/5 (7/7)	External	Chair of Remuneration Excellence and Experience Delivery and Development Finance and Resources Search and Governance
Mr J Beer OBE	08.07.15	4		3/5 (5/7)	External	Audit
Mr M Bell	01.12.12 Reappointed 01.12.16	4 4		3/5 (5/7)	External	Audit
Prof S Blandford	19.10.16	4		1/2 (2/3)	External	Excellence and Experience
Mr C Bolt	18.10.17	1		-	Student	
Ms K Burrows	01.01.14 Reappointed 07.03.16	4 4		4/5 (6/7)	External	Excellence and Experience Finance and Resources Remuneration
Mr P Child (Vice Chair from 06.03.14)	07.03.12 Reappointed 07.03.16	4 4		5/5 (6/7)	External	Chair of Finance and Resources Remuneration Search and Governance
Mr J Crisp	18.10.17	4		-	Staff	Excellence and Experience
Ms H Dickson	18.10.17	1		-	Student	
Mrs S Dudden	01.08.05 Reappointed 01.08.09 01.08.13 01.08.15	4 4 2 2		4/5 (6/7)	External	
Mr P Hardaker	01.06.08 Reappointed 01.06.12 01.06.16	4 4 2		4/5 (6/7)	External	Chair of Audit Search and Governance
Ms T Hooper	06.11.17	4		-	External	Excellence and Experience
Dr W Hudson	19.10.16	4		4/4 (6/6)	External	Chair of Excellence and Experience

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

Mr R Humphreys	01.08.16	Ex officio		5/5 (6/6)	Principal and Chief Executive	Excellence and Experience Finance and Resources Search and Governance
Mr A McGrath	19.10.16	1	Retired 31.07.17	0/4 (0/6)	Student	
Mr P Newberry	27.11.17	4		-		Audit
Mr D Parker	17.05.06	4	Resigned 30.05.17	Leave of absence	External	
	Reappointed 17.05.10	4				
	17.05.14	4				
Mr P K Rees	25.01.2001	4	Retired 31.12.16	2/2	External	
	Reappointed 24.01.2005	4				
	01.01.2009	4				
	01.01.2013	4				
Miss A Robson	19.10.16	1	Retired 31.07.17	3/4 (3/6)	Student	
Mr D Sharples	01.08.13	4	Retired 31.07.17	5/5 (7/7)	Staff	Audit
	Reappointed 18.10.17	4				
Mrs T Sorensen	17.12.07	4		5/5 (7/7)	External	Chair Search and Governance
OBE	Reappointed 17.12.11	4				Finance and Resources
	17.12.15	4				
Mr C Stratton	14.10.09	4		5/5 (7/7)	External	Finance and Resources
	Reappointed 14.10.13	4				
	18.10.17	1				
Professor A Tuckett OBE	01.06.12	4	Retired 31.05.17	4/4 (5/5)	External	
	Reappointed 01.06.16	1				
Mr P Walker	01.08.13	4	Retired 31.07.17	4/5 (5/7)	Staff	
Mr G Warring	18.10.17	4		-	External	Finance and Resources

Mrs A M Phillips acts as the Corporation Secretary and supports all Board committees.

#### Appointments to the Corporation

Any appointments to the Corporation Board are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which, during the year ending 31 July 2017, comprised Mrs T Sorensen (Chair), Dr I Tunbridge, Mr P Child, Mr P Hardaker, Mr R Humphreys and Mr P Walker. The Search and Governance Committee is responsible for selecting and recommending for appointment and reappointment any external member for the Corporation's consideration. Staff governors are elected by staff colleagues and student governors are elected through the Cornwall College Students' Union. 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.

During the year and up to the date of approval of the annual report and financial statements the Corporation welcomed the appointment of the following governors:

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, student governor, was appointed with effect from 19.10.16

Mr A McGrath, student governor, was appointed with effect from 19.10.16

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017**

Mr C Bolt, student governor, was appointed with effect from 18.10.17  
Ms H Dickson, student governor, was appointed with effect from 18.10.17  
Mr J Crisp, teaching staff governor, was appointed with effect from 18.10.17  
Mr D Sharples, professional services staff governor, was appointed with effect from 18.10.17

Ms T Hooper was appointed with effect from 6.11.17  
Mr G Warring was appointed with effect from 20.11.17  
Mr P Newberry was appointed with effect from 27.11.17

The Board agreed at its October 2017 meeting to reappoint the following governors for a further term of office:

Mrs K Burrows with effect from 1.1.18  
Mr C Stratton with effect from 18.10.17

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

Mr D Parker resigned 30.5.17  
Prof A Tuckett completed his term of office 31.5.17  
Mrs S Dudden completed her term of office 31.7.17  
Mr P Walker, teaching staff governor, completed his term of office 31.7.17  
Miss A Robson, student governor, completed her term of office 31.7.17  
Mr A McGrath, student governor, completed his term of office 31.7.17

### **Subsidiary Companies**

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

Mr R Humphreys and Dr I Tunbridge were directors of CC Education Services Limited.

Mr A Derx, Mrs M M Elwell, Mr R Humphreys and Mr C Stratton were directors of CCMS (2000) Limited.

Mr R Humphreys and Dr I Tunbridge were directors of Western Edge Limited.

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.

### **Corporation Performance**

The Corporation reviewed its performance during 2016/17 at a self-assessment session facilitated by a National Leader of Governance in October 2017. The Corporation recognised that there had been significant improvements during the year, including better control and understanding of the finances and curriculum offer, which would be further improved as a result of new governor appointments strengthening finance, quality and personnel expertise.

The Corporation concluded that governors provide an excellent range of professional expertise and enthusiastically contribute to the strategic leadership of TCCG; they are effective in the role of holding management and themselves to account regularly challenging senior managers through Committee meetings and committees. The Corporation also agreed performance indicators for all governors to secure further improvements.

### **Remuneration Committee**

During the year ending 31 July 2017, the Remuneration Committee comprised Dr I Tunbridge (Chair), Mrs K Burrows, Mr P Child and Ms N Taylor, a co-opted member. The committee's responsibilities are to decide and report to the Corporation on the remuneration and benefits of the Principal and Chief Executive, other senior post holders and the Corporation Secretary.

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017**

Details of remuneration for the year ended 31 July 2017 are set out in note 10 to the financial statements.

#### **Audit Committee**

The Audit Committee comprised four members of the Corporation during the year ending 31 July 2017; Mr P Hardaker (Chair), Mr J Beer, Mr M Bell and one external co-opted member Mr J Mashen. 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 Education and Skills Funding Agency (ESFA), 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 Education and 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 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 2017 and up to the date of approval of the annual report and financial statements.

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017**

#### **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; and
- the adoption of formal project management disciplines, where appropriate.

The Group has an internal audit service which is provided on an outsourced basis by RSM, which operates in accordance with the requirements of the ESFA's Post 16 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 Principal and CE has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework; and
- 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 Principal and CE 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 (ELT) 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 ELT 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 ELT 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 risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation Board.

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **CORPORATE GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017**

#### **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”. However, as a result of annual feedback from the College’s Internal Auditors, RSM, the College will be implementing some improvements to the internal control environment during 2017/18 financial year, notably:

- The appointment of a new Finance Manager, whose role will include managing the relationship with internal auditors, enhancing internal control processes, co-ordinating specific audit reviews and ensuring findings are implemented in a timely fashion;
- More periodic follow up audits; and
- Improved timeliness in reporting findings from audit reports to the Audit Committee.

#### **Going concern**

During the year to 31 July 2017, the College again breached covenants on its lending agreement with Lloyds Bank, and has continued to classify these loans as current liabilities. The College has applied for a short term Exceptional Financial Support facility from ESFA, which was approved prior to approval of these financial statements and Lloyds Bank continues to support the College, with both parties collaboratively working towards revised covenants, delays in which have been mutually agreed due to the need for the College to apply for a Restructuring Facility from the Transactions Unit.

The results contained within this Annual Report show strong evidence of a financial recovery, with positive cash generation for the first time in four years and an annual operating deficit reduced from £4m to only £35k. This performance, coupled with expected support from the Restructuring Facility and Exceptional Financial Support, allows the Board to assess that the College and Group remain a going concern and will be able to continue their operations and meet their liabilities for a period of no less than 12 months from the date of approval of the financial statements.

However, the funding negotiations with Lloyds Bank and the Transactions Unit, upon whose successful conclusion the College’s and Group’s ability to continue as a going concern depends, are ongoing as at the date of approval of these financial statements. This indicates the existence of a material uncertainty that may cast significant doubt on the College’s and Group’s ability to continue as a going concern. These financial statements do not include the adjustments that would arise if the College and Group were unable to continue as a going concern.

This report was approved by order of the members of the Corporation Board on 13 December 2017 and signed on its behalf by:

**I Tunbridge**

Chair

**R Humphreys**

Acting Principal and CEO

## **CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

### **STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 JULY 2017**

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's Financial Memorandum. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

We confirm on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's Financial Memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

**R Humphreys**

Principal and CEO

Date: 13 December 2017

**I Tunbridge**

Chair

Date: 13 December 2017

## **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 Education and 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017 issued by the ESFA, 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 which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 to 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 Education and Skills Funding Agency are not put at risk.

**Approved by order of the members of the Corporation Board on 13 December 2017 and signed on its behalf by:**

**I Tunbridge**

Chair

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

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

#### Report on the audit of the financial statements

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##### **Opinion**

In our opinion Cornwall College's Group financial statements and parent college financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 July 2017 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the consolidated and parent college Balance Sheets as at 31 July 2017; the consolidated and College statement of comprehensive income for the year then ended; the consolidated and parent college Statements of Changes in Equity 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 the significant accounting policies and other explanatory information.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Material Uncertainty Relating to Going Concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the College's and Group's ability to continue as a going concern. During the year to 31 July 2017, the College again breached its banking covenants.

The College and the bank have been working towards the agreement of revised covenants, delays in which have been agreed due to the need for the College to apply for a restructuring facility from the Transactions Unit. The Board of Governors believe the funding applications being undertaken and the positive cash generation and reduction in annual operating deficit mean that the College and Group are able to continue as a going concern.

However, the funding negotiations with Lloyds Bank and the Transactions Unit, upon whose successful conclusion the College's and Group's ability to continue as a going concern depends, are ongoing as at the date of approval of these financial statements. These conditions, along with other matters explained in note 2.2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt on the College's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College and Group were unable to continue as a going concern.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CORNWALL COLLEGE FURTHER EDUCATION CORPORATION (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Responsibilities of the Members of the Corporation Board set out on page 22, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent college's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent college or to cease operations, or has no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the college'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.

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#### **Other required reporting**

##### **Opinions on other matters prescribed in the Audit Code of Practice issued by the Education and Skills Funding Agency**

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.

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Plymouth  
Date: 21 December 2017

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

In accordance with the terms of our engagement letter dated 20 October 2017 and further to the requirements of the financial memorandum with the Education and 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 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued by the Education and Skills 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Cornwall College and the Education and 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 Education 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 Education 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 Post-16 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 2016 to 31 July 2017 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 2016 to 2017.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Education and Skills 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:

#### Regularity

- 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 Governing Body / Corporation of the financial health of the college;
- Reviewing policies and procedures in place which set powers of authorisation and obtaining 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;

#### Use of funds

- 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;

**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)**

**Propriety**

- 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;
- 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 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 obtain 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2017**

	Note	2017 £000	As restated 2016 £000
<b>Income</b>			
Funding body grants	4	33,679	36,756
Tuition fee and education contracts	5	13,612	13,730
Research grants and contracts	6	4,125	3,209
Other income	7	13,938	13,113
Investment income	8	-	12
Exceptional items	12	1,137	842
<b>Total income</b>		<b>66,491</b>	<b>67,662</b>
<b>Expenditure</b>			
Staff costs including exceptional restructuring costs of £854,000 (2016: £1,055,000)	9	(41,980)	(44,557)
Other operating expenses	11	(21,778)	(21,120)
Depreciation		(3,276)	(4,237)
Interest and other finance costs	13	(2,078)	(2,138)
<b>Total expenditure</b>		<b>(69,112)</b>	<b>(72,052)</b>
<b>Deficit before other gains and other losses</b>		<b>(2,621)</b>	<b>(4,390)</b>
Profit on disposal of fixed assets		2,586	365
<b>Deficit before tax</b>		<b>(35)</b>	<b>(4,025)</b>
Taxation	14	-	-
<b>Deficit for the year</b>		<b>(35)</b>	<b>(4,025)</b>
Actuarial gains/(losses) on defined benefit pension scheme		11,944	(15,772)
<b>Other comprehensive income/(expense) for the year</b>		<b>11,944</b>	<b>(15,772)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>11,909</b>	<b>(19,797)</b>
<b>Deficit for the year attributable to:</b>			
Owners of the parent College		(35)	(4,025)
<b>Deficit for the year</b>		<b>(35)</b>	<b>(4,025)</b>
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the parent College		11,909	(19,797)
<b>Total comprehensive income/(expense) for the year</b>		<b>11,909</b>	<b>(19,797)</b>

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**COLLEGE STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2017**

		<b>2017</b>	2016
		<b>£000</b>	£000
<b>Income</b>			
Funding body grants	4	<b>33,679</b>	36,756
Tuition fees and education contracts	5	<b>13,612</b>	13,730
Research grants and contracts	6	<b>4,125</b>	3,209
Other income	7	<b>8,661</b>	8,777
Investment income	8	<b>12</b>	12
Exceptional items	12	<b>1,137</b>	842
<b>Total income</b>		<b>61,226</b>	63,326
<b>Expenditure</b>			
Staff costs including exceptional restructuring costs of £854,000 (2016: £1,055,000)	9	<b>(41,249)</b>	(43,892)
Other operating expenses	11	<b>(17,577)</b>	(17,461)
Depreciation		<b>(3,262)</b>	(4,223)
Interest and other finance costs	13	<b>(2,078)</b>	(2,138)
<b>Total expenditure</b>		<b>(64,166)</b>	(67,714)
<b>Deficit before other gains and losses</b>		<b>(2,940)</b>	(4,388)
Profit on disposal of fixed assets		<b>2,586</b>	365
<b>Deficit before tax</b>		<b>(354)</b>	(4,023)
Taxation	14	-	-
<b>Deficit for the year</b>		<b>(354)</b>	(4,023)
Actuarial gains/(losses) on defined benefit pension scheme		<b>11,944</b>	(15,772)
<b>Other comprehensive income/(expense) for the year</b>		<b>11,944</b>	(15,772)
<b>Total comprehensive income/(expense) for the year</b>		<b>11,590</b>	(19,795)

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 JULY 2017**

	Note	£000	2017 £000	£000	As restated 2016 £000
<b>Fixed assets</b>					
Tangible assets	16		<b>92,992</b>		95,877
Investments	17		<b>15</b>		15
			<u><b>93,007</b></u>		<u>95,892</u>
<b>Current assets</b>					
Stocks	18	<b>680</b>		638	
Debtors	19	<b>3,929</b>		3,661	
Cash at bank and in hand	20	<b>760</b>		381	
		<u><b>5,369</b></u>		<u>4,680</u>	
Creditors: amounts falling due within one year	21	<b>(22,216)</b>		(24,578)	
<b>Net current liabilities</b>			<u><b>(16,847)</b></u>		<u>(19,898)</u>
<b>Total assets less current liabilities</b>			<u><b>76,160</b></u>		<u>75,994</u>
Creditors: amounts falling due after more than one year	22		<b>(44,593)</b>		(45,206)
<b>Provisions for liabilities</b>					
Other provisions	26		<b>(2,526)</b>		(4,006)
<b>Net assets excluding pension liability</b>			<u><b>29,041</b></u>		<u>26,782</u>
Pension liability			<b>(44,448)</b>		(54,098)
<b>Net liabilities</b>			<u><u><b>(15,407)</b></u></u>		<u><u>(27,316)</u></u>
<b>Capital and reserves</b>					
Revaluation reserve	27		<b>5,912</b>		6,265
Restricted reserve	27		<b>77</b>		77
Income and expenditure reserve	27		<b>(21,396)</b>		(33,658)
<b>Total reserves</b>			<u><u><b>(15,407)</b></u></u>		<u><u>(27,316)</u></u>

The financial statements were approved and authorised for issue by the Corporation and were signed on its behalf on 13 December 2017 by:

**I Tunbridge**  
Chair

**R Humphreys**  
Acting Principal and CEO

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**COLLEGE BALANCE SHEET  
AS AT 31 JULY 2017**

	Note	£000	2017 £000	£000	As restated 2016 £000
<b>Fixed assets</b>					
Tangible assets	16		<b>92,726</b>		95,597
Investments	17		<b>15</b>		15
			<b>92,741</b>		95,612
<b>Current assets</b>					
Stocks	18	<b>680</b>		638	
Debtors	19	<b>3,699</b>		3,530	
Cash at bank and in hand	20	<b>427</b>		343	
		<b>4,806</b>		4,511	
Creditors: amounts falling due within one year	21	<b>(21,795)</b>		(24,193)	
<b>Net current liabilities</b>			<b>(16,989)</b>		(19,682)
<b>Total assets less current liabilities</b>			<b>75,752</b>		75,930
Creditors: amounts falling due after more than one year	22		<b>(44,593)</b>		(45,231)
<b>Provisions for liabilities</b>					
Other provisions	26		<b>(2,526)</b>		(4,006)
<b>Net assets excluding pension liability</b>			<b>28,633</b>		26,693
Pension liability			<b>(44,448)</b>		(54,098)
<b>Net liabilities</b>			<b>(15,815)</b>		(27,405)
<b>Reserves</b>					
Revaluation reserve	27		<b>5,912</b>		6,265
Restricted reserve	27		<b>77</b>		77
Income and expenditure reserve	27		<b>(21,804)</b>		(33,747)
<b>Total reserves</b>			<b>(15,815)</b>		(27,405)

The financial statements were approved and authorised for issue by the Corporation and were signed on its behalf on 13 December 2017 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 2017**

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2016 (as previously stated)	6,265	77	(33,749)	(27,407)
Prior year adjustment (note 2.23)	-	-	91	91
At 1 August 2016 (as restated)	<u>6,265</u>	<u>77</u>	<u>(33,658)</u>	<u>(27,316)</u>
<b>Comprehensive (expense)/income for the year</b>				
Deficit for the year	-	-	(35)	(35)
Actuarial gains on pension scheme	-	-	11,944	11,944
<b>Other comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>11,944</u>	<u>11,944</u>
<b>Total comprehensive income for the year</b>	-	-	11,909	11,909
<b>Contributions by and distributions to owners</b>				
Transfer from revaluation reserve to income and expenditure reserve	(353)	-	353	-
<b>Total transactions with owners</b>	<u>(353)</u>	<u>-</u>	<u>353</u>	<u>-</u>
<b>At 31 July 2017</b>	<u><u>5,912</u></u>	<u><u>77</u></u>	<u><u>(21,396)</u></u>	<u><u>(15,407)</u></u>

**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 (as previously stated)	6,527	77	(14,214)	(7,610)
Prior year adjustment (note 2.23)	-	-	91	91
At 1 August 2015 (as restated)	<u>6,527</u>	<u>77</u>	<u>(14,123)</u>	<u>(7,519)</u>
<b>Comprehensive expense for the year</b>				
Deficit for the year	-	-	(4,025)	(4,025)
Actuarial losses on pension scheme	-	-	(15,772)	(15,772)
<b>Other comprehensive expense for the year</b>	<u>-</u>	<u>-</u>	<u>(15,772)</u>	<u>(15,772)</u>
<b>Total comprehensive expense for the year</b>	<u>-</u>	<u>-</u>	<u>(19,797)</u>	<u>(19,797)</u>
Transfer from revaluation reserve to income and expenditure reserve	(262)	-	262	-
<b>Total transactions with owners</b>	<u>(262)</u>	<u>-</u>	<u>262</u>	<u>-</u>
<b>At 31 July 2016</b>	<u><u>6,265</u></u>	<u><u>77</u></u>	<u><u>(33,658)</u></u>	<u><u>(27,316)</u></u>

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**COLLEGE STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2017**

	Revaluation reserve	Restricted reserve	Income and expenditure reserve	Total reserves
	£000	£000	£000	£000
At 1 August 2016 (as previously stated)	6,265	77	(33,838)	(27,496)
Prior year adjustment (note 2.23)	-	-	91	91
At 1 August 2016 (as restated)	<u>6,265</u>	<u>77</u>	<u>(33,747)</u>	<u>(27,405)</u>
<b>Comprehensive (expense)/income for the year</b>				
Deficit for the year	-	-	(354)	(354)
Actuarial gains on pension scheme	-	-	11,944	11,944
<b>Other comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>11,944</u>	<u>11,944</u>
<b>Total comprehensive income for the year</b>	-	-	11,590	11,590
Transfer from revaluation reserve to income and expenditure reserve	(353)	-	353	-
<b>Total transactions with owners</b>	<u>(353)</u>	<u>-</u>	<u>353</u>	<u>-</u>
<b>At 31 July 2017</b>	<u><u>5,912</u></u>	<u><u>77</u></u>	<u><u>(21,804)</u></u>	<u><u>(15,815)</u></u>

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

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

	<b>Revaluation reserve</b>	<b>Restricted reserve</b>	<b>Income and expenditure reserve</b>	<b>Total reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2015 (as previously stated)	<b>6,527</b>	<b>77</b>	<b>(14,305)</b>	<b>(7,701)</b>
Prior year adjustment	-	-	<b>91</b>	<b>91</b>
At 1 August 2015 (as restated)	<b>6,527</b>	<b>77</b>	<b>(14,214)</b>	<b>(7,610)</b>
<b>Comprehensive expense for the year</b>				
Deficit for the year	-	-	<b>(4,023)</b>	<b>(4,023)</b>
Actuarial losses on pension scheme	-	-	<b>(15,772)</b>	<b>(15,772)</b>
<b>Other comprehensive expense for the year</b>	-	-	<b>(15,772)</b>	<b>(15,772)</b>
<b>Total comprehensive expense for the year</b>	-	-	<b>(19,795)</b>	<b>(19,795)</b>
Transfer from revaluation reserve to income and expenditure reserve	<b>(262)</b>	-	<b>262</b>	-
<b>Total transactions with owners</b>	<b>(262)</b>	-	<b>262</b>	-
<b>At 31 July 2016</b>	<b>6,265</b>	<b>77</b>	<b>(33,747)</b>	<b>(27,405)</b>

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JULY 2017**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Cash flows used in operating activities</b>		
Deficit for the year	<b>(35)</b>	(4,025)
<b>Adjustments for:</b>		
Interest payable	<b>681</b>	735
Interest receivable	-	(12)
Depreciation of tangible assets	<b>3,276</b>	4,237
Profit on disposal of tangible assets	<b>(2,586)</b>	(365)
Government grants	<b>(1,157)</b>	(1,372)
(Increase)/decrease in stocks	<b>(42)</b>	59
(Increase)/decrease in debtors	<b>(268)</b>	1,412
Decrease in creditors	<b>(1,235)</b>	(2,592)
Decrease in provisions	<b>(1,480)</b>	(612)
Difference between pension charge and contributions paid	<b>2,294</b>	1,935
<b>Net cash used in operating activities</b>	<b>(552)</b>	(600)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	<b>(778)</b>	(805)
Sale of tangible fixed assets	<b>2,973</b>	378
Interest received	-	12
Government grants received	<b>341</b>	770
<b>Net cash from investing activities</b>	<b>2,536</b>	355
<b>Cash flows used in financing activities</b>		
Repayment of loans	<b>(653)</b>	(836)
Repayment of finance leases	<b>(267)</b>	(201)
Interest paid	<b>(681)</b>	(735)
<b>Net cash used in financing activities</b>	<b>(1,601)</b>	(1,772)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>383</b>	(2,017)
Cash and cash equivalents at beginning of year	<b>377</b>	2,394
<b>Cash and cash equivalents at the end of year</b>	<b>760</b>	377
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>760</b>	381
Bank overdrafts	-	(4)
	<b>760</b>	377

# CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

### 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. The 2016/17 conform to guidance published jointly by the Skills Funding Agency and EFA, (now the Education Skills Funding Agency - ESFA) in the 2016/17 Accounts Direction Handbook.

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 consistently throughout the period:

#### 2.2 Going concern

During the year to 31 July 2017, the College again breached covenants on its lending agreement with Lloyds Bank, and has continued to classify these loans as current liabilities. The College has applied for a short term Exceptional Financial Support facility from ESFA, which was approved prior to approval of these financial statements, and Lloyds Bank continues to support the College, with both parties collaboratively working towards revised covenants, delays in which have been mutually agreed due to the need for the College to apply for a Restructuring Facility from the Transactions Unit.

The results contained within this Annual Report show strong evidence of a financial recovery, with positive cash generation for the first time in four years and an annual operating deficit reduced from £4m to only £35k. This performance, coupled with expected support from the Restructuring Facility and Exceptional Financial Support, allows the Board to assess that the College and Group remain a going concern and will be able to continue their operations and meet their liabilities for a period of no less than 12 months from the date of approval of the financial statements.

However, the funding negotiations with Lloyds Bank and the Transactions Unit, upon whose successful conclusion the College's and Group's ability to continue as a going concern depends, are ongoing as at the date of approval of these financial statements. This indicates the existence of a material uncertainty that may cast significant doubt on the College's and Group's ability to continue as a going concern. These financial statements do not include the adjustments that would arise if the College and Group were unable to continue as a going concern.

Please refer to the Board Report for further information around the future prospects of the group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**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 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 ESFA. 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 33).

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**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 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 2017**

**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 2017**

**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 out-right 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 2017**

**2. Accounting policies (continued)**

**2.15 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees through the Teachers' Pension Scheme (TPS). The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives within the College in such a way that the pension costs is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expenses in the income statement in the periods during which services are rendered by employees.

**Defined benefit pension plan**

The Group operates a defined benefit plan for certain employees through the Devon County Council and Cornwall County Council Local Government Pension Schemes (LGPS). 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 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 payment ('discount rate').

The fair value of plan asset 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**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.

**2.19 Capital grant funding**

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

**2.20 Enhanced pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pensions of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pensions spreadsheet provided by the funding bodies.

**2.21 Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives related to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**2. Accounting policies (continued)**

**2.22 Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

**2.23 Prior year restatement**

The statutory accounts for 2015/16 understated fixed assets by £91k in error with an offsetting error in the Income and Expenditure Reserves. This has been corrected in these financial statements with a prior year adjustment to fixed asset carrying values and the brought forward Income and Expenditure Reserves.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**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 30 for the disclosures relating to the defined benefit pension scheme.

**4. Funding body grants**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Recurrent grant	<b>24,454</b>	26,346	<b>24,454</b>	26,346
Non-recurrent grant	<b>8,830</b>	9,397	<b>8,830</b>	9,397
Releases of deferred capital grants	<b>395</b>	1,013	<b>395</b>	1,013
	<b>33,679</b>	36,756	<b>33,679</b>	36,756

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**5. Tuition fees and education contracts**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Tuition fees	<b>12,146</b>	12,150	<b>12,146</b>	12,150
Education contracts	<b>1,466</b>	1,580	<b>1,466</b>	1,580
	<b>13,612</b>	13,730	<b>13,612</b>	13,730

**6. Research grants and contracts**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
European Commission	<b>1,676</b>	1,026	<b>1,676</b>	1,026
Other grants and contracts	<b>2,449</b>	2,183	<b>2,449</b>	2,183
	<b>4,125</b>	3,209	<b>4,125</b>	3,209

**7. Other income**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Farming activities	<b>1,052</b>	1,116	<b>1,052</b>	1,116
Recruitment services	<b>5,215</b>	4,488	-	-
Releases from deferred capital grants (non-SFA)	<b>761</b>	730	<b>761</b>	730
Other income	<b>6,910</b>	6,779	<b>6,848</b>	6,931
	<b>13,938</b>	13,113	<b>8,661</b>	8,777

**8. Investment income**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Bank interest receivable	-	12	<b>12</b>	12

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**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:

	<b>Group 2017 Number</b>	Group 2016 Number	<b>College 2017 Number</b>	College 2016 Number
Teaching staff	<b>413</b>	506	<b>413</b>	506
Non teaching staff	<b>793</b>	959	<b>772</b>	941
	<b>1,206</b>	1,465	<b>1,185</b>	1,447

Staff costs for the above persons were as follows:

	<b>Group 2017 £000</b>	Group As restated 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Teaching staff	<b>18,830</b>	19,701	<b>18,830</b>	19,701
Non teaching staff	<b>20,336</b>	22,018	<b>19,605</b>	21,353
Restructuring costs	<b>854</b>	1,055	<b>854</b>	1,055
Contracted out services	<b>986</b>	1,178	<b>986</b>	1,178
Local Government pension retirement benefit charge	<b>974</b>	605	<b>974</b>	605
	<b>41,980</b>	44,557	<b>41,249</b>	43,892

	<b>Group 2017 £000</b>	Group As restated 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Wages and salaries	<b>31,999</b>	34,254	<b>31,268</b>	33,589
Social security costs	<b>2,168</b>	2,345	<b>2,168</b>	2,345
Other pension costs	<b>5,973</b>	5,725	<b>5,973</b>	5,725
Restructuring costs	<b>854</b>	1,055	<b>854</b>	1,055
<b>Payroll sub total</b>	<b>40,994</b>	43,379	<b>40,263</b>	42,714
Contracted out services	<b>986</b>	1,178	<b>986</b>	1,178
	<b>41,980</b>	44,557	<b>41,249</b>	43,892

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**10. Emoluments of senior post holders and members**

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

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
The number of senior postholders including the Principal was	<b>4</b>	4	<b>4</b>	4

Senior postholders' emoluments are made up as follows:

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Salaries	<b>359</b>	509	<b>359</b>	582
Benefits in kind	-	3	-	3
Pension contributions	<b>64</b>	85	<b>64</b>	98
Pay in lieu of notice and other obligations	-	249	-	249
<b>Total emoluments</b>	<b>423</b>	846	<b>423</b>	932

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 2017 there were 4 senior post holders, including the Principal.

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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

The emoluments of the Principal are made up as follows:

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Salary	<b>139</b>	200	<b>139</b>	200
Benefits in kind	-	2	-	2
Pension contribution	<b>26</b>	33	<b>26</b>	33
Pay in lieu of notice and other obligations	-	204	-	204
	<b>165</b>	439	<b>165</b>	439

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 2016/17 and 2015/16, which is in line with the Corporation's decision not to award a cost of living pay increase this year.

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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

**Group and College**

	2017	2017	2016	2016
	Number of senior post- holders	Number of other staff	Number of senior post- holders	Number of other staff
£40,001 to £50,000	1	-	-	-
£60,001 to £70,000	-	1	-	-
£70,001 to £80,000	-	5	-	4
£80,001 to £90,000	-	2	-	1
£90,001 to £100,000	1	-	-	2
£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	-
£170,001 to £180,000	1	-	-	-
£230,001 to £240,000	-	-	1	-

There was no pay award in 2016/17 (2015/16: £Nil) as none was approved by the Corporation Board. There were no senior postholders with emoluments below £40,001 (2016: £30,001) and none with emoluments above £180,000 (2016: £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 2017**

**11. Other operating expenses**

	<b>Group</b>	Group As restated	<b>College</b>	College
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Teaching costs	<b>9,696</b>	9,198	<b>9,696</b>	9,188
Non teaching costs	<b>8,770</b>	8,792	<b>4,610</b>	5,201
Premises costs	<b>3,312</b>	3,130	<b>3,271</b>	3,072
	<b>21,778</b>	21,120	<b>17,577</b>	17,461

Other operating expenses include:

	<b>Group</b>	Group	<b>College</b>	College
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Auditors' remuneration:				
Financial statements audit - Cornwall College*	<b>66</b>	42	<b>55</b>	32
Internal audit**	<b>27</b>	41	<b>27</b>	41
Other services from either external or internal audit	<b>25</b>	23	<b>21</b>	19
Operating lease charges	<b>341</b>	425	<b>341</b>	425

\* - Includes £32,429 in respect of the College (2016: £32,429)

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

**12. Exceptional items**

	<b>Group</b>	Group	<b>College</b>	College
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
SFA restructuring grant for Bicton College released to the SOCI	<b>1,137</b>	842	<b>1,137</b>	842
<b>Total Bicton College income</b>	<b>1,137</b>	842	<b>1,137</b>	842
<b>Exceptional profit on merger with Bicton College</b>	<b>1,137</b>	842	<b>1,137</b>	842

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**13. Interest and other finance costs**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>Company 2017 £000</b>	Company 2016 £000
On bank loans and overdrafts	<b>681</b>	735	<b>681</b>	735
Enhanced pensions	<b>77</b>	73	<b>77</b>	73
Local Government pensions	<b>1,320</b>	1,330	<b>1,320</b>	1,330
	<b>2,078</b>	2,138	<b>2,078</b>	2,138

**14. Taxation**

Profits generated by trading companies are gift aided to the College and the companies are therefore charged corporation tax of £Nil (2016: £Nil).

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

**15. Intangible assets**

**Group and College**

	<b>Milk quota £000</b>
<b>Cost</b>	
At 1 August 2016	<b>236</b>
At 31 July 2017	<b>236</b>
<b>Accumulated amortisation</b>	
At 1 August 2016	<b>236</b>
At 31 July 2017	<b>236</b>
<b>Net book value</b>	
At 31 July 2017	-
At 31 July 2016	-

CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

16. Tangible assets

Group

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Office equipment £000	Total £000
<b>Cost</b>					
At 1 August 2016 (as previously stated)	110,258	6,332	1,452	13,688	131,730
Prior Year Adjustment	-	-	-	91	91
At 1 August 2016 (as restated)	110,258	6,332	1,452	13,779	131,821
Additions	55	-	-	723	778
Disposals	(755)	(170)	(25)	(332)	(1,282)
At 31 July 2017	109,558	6,162	1,427	14,170	131,317
<b>Accumulated depreciation</b>					
At 1 August 2016	22,976	1,216	1,307	10,445	35,944
Charge for the year	2,162	128	20	966	3,276
Disposals	(449)	(107)	(7)	(332)	(895)
At 31 July 2017	24,689	1,237	1,320	11,079	38,325
<b>Net book value</b>					
At 31 July 2017	84,869	4,925	107	3,091	92,992
At 31 July 2016 (as restated)	87,282	5,116	145	3,334	95,877

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**16. Tangible assets (continued)**

**College**

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Office equipment £000	Total £000
<b>Cost</b>					
At 1 August 2016 (as previously stated)	110,258	6,332	1,452	13,328	131,370
Prior Year Adjustment	-	-	-	91	91
At 1 August 2016 (as restated)	110,258	6,332	1,452	13,419	131,461
Additions	55	-	-	723	778
Disposals	(755)	(170)	(25)	(332)	(1,282)
At 31 July 2017	109,558	6,162	1,427	13,810	130,957
<b>Accumulated depreciation</b>					
At 1 August 2016	22,976	1,216	1,307	10,365	35,864
Charge for the year	2,162	128	20	952	3,262
Disposals	(449)	(107)	(7)	(332)	(895)
At 31 July 2017	24,689	1,237	1,320	10,985	38,231
<b>Net book value</b>					
At 31 July 2017	84,869	4,925	107	2,825	92,726
At 31 July 2016 (as restated)	87,282	5,116	145	3,054	95,597

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

#### 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:

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Group and College</b>		
Revaluation	<b>5,912</b>	6,265
<b>Net book value</b>	<b>5,912</b>	6,265

Land and buildings with a net book value of £40,511,476 (2016: £39,440,299) 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 £16,193,384 (2016: £15,830,813) which have been partially funded by a grant from the funding agencies. The receipt in the current year was £Nil (2016: £148,479). 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 £Nil (2016: £104,165) in respect of assets held under finance leases.

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**17. Investments**

**Group**

	<b>Investments in subsidiary companies £000</b>
<b>Cost</b>	
At 1 August 2016	<b>15</b>
At 31 July 2017	<b>15</b>
<b>Net book value</b>	
At 31 July 2017	<b>15</b>
At 31 July 2016	<b>15</b>

**Subsidiary undertakings**

The following were subsidiary undertakings of the College:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
CC Education Services Limited	Ordinary	100 %	Supply of educational contracts and property services
CCMS (2000) Limited	Ordinary	100 %	Supply of recruitment services
Western Edge Limited	Limited by guarantee		Dormant

<b>Name</b>	<b>Registered office</b>
CC Education Services Limited	Cornwall College, Tregonissey Road, St Austell, Cornwall, PL25 4DJ
CCMS (2000) Limited	Cornwall College, Tregonissey Road, St Austell, Cornwall, PL25 4DJ
Western Edge Limited	Cornwall College, Tregonissey Road, St Austell, Cornwall, PL25 4DJ

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**17. Investments (continued)**

**College**

	<b>Investments in subsidiary companies £000</b>
<b>Cost</b>	
At 1 August 2016	<u>15</u>
At 31 July 2017	<u>15</u>
<b>Net book value</b>	
At 31 July 2017	<u>15</u>
At 31 July 2016	<u>15</u>

**18. Stocks**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Livestock and growing crops	<b>432</b>	399	<b>432</b>	399
Consumables and goods for resale	<b>248</b>	239	<b>248</b>	239
	<u><b>680</b></u>	<u>638</u>	<u><b>680</b></u>	<u>638</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 2017**

**19. Debtors**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
<b>Amounts due in more than one year</b>				
Amounts owed by group undertakings	-	-	-	26
	-	-	-	26
<b>Amounts due within one year</b>				
Trade debtors	<b>1,744</b>	2,488	<b>981</b>	2,127
Amounts owed by group undertakings	-	-	<b>986</b>	504
Other debtors	<b>941</b>	681	<b>491</b>	385
Prepayments and accrued income	<b>1,244</b>	492	<b>1,241</b>	488
	<b>3,929</b>	3,661	<b>3,699</b>	3,530

Trade debtors includes a provision for impairment of £Nil (2016: £Nil).

**20. Cash and cash equivalents**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Cash at bank and in hand	<b>760</b>	381	<b>427</b>	343
Less: bank overdrafts	-	(4)	-	(4)
	<b>760</b>	377	<b>427</b>	339

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**21. Creditors: Amounts falling due within one year**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
ESFA loans	<b>622</b>	640	<b>622</b>	640
Bank overdrafts	-	4	-	4
Bank loans	<b>14,422</b>	15,415	<b>14,422</b>	15,415
Payments received on account	<b>1,071</b>	1,306	<b>1,071</b>	1,306
Trade creditors	<b>1,608</b>	1,028	<b>1,597</b>	1,020
Amounts owed to group undertakings	-	-	<b>88</b>	99
Other amounts owed to funding bodies	<b>292</b>	1,460	<b>292</b>	1,460
Other taxation and social security	<b>1,229</b>	1,363	<b>1,151</b>	1,363
Obligations under finance lease and hire purchase contracts	<b>109</b>	221	<b>109</b>	221
Deposits	<b>164</b>	140	<b>164</b>	140
Accruals and deferred income	<b>2,699</b>	3,001	<b>2,279</b>	2,525
	<b>22,216</b>	24,578	<b>21,795</b>	24,193

During 2016/17 and at the year end, TCCG breached its banking covenants and, therefore, the bank loans were classified as short term.

In the prior year, TCCG was also in breach of its banking covenants both during the year and at the year end and, therefore, the bank loans previously shown under long term liabilities were classified as short term.

Bank loans at interest rates ranging from 1.83% to 6.58% (2016: 1.88% to 6.575%) are repayable by instalments falling due between 1 August 2012 and 12 May 2028 totalling £14,322,000 (2016: £15,782,000). The lender has a charge over a number of freehold fixed assets as security against the loans. As stated above, due to the 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**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
ESFA loans	<b>358</b>	-	<b>358</b>	-
Obligations under finance leases	-	155	-	155
Loans from subsidiary undertaking	-	-	-	25
Deferred capital grants	<b>44,149</b>	44,965	<b>44,149</b>	44,965
Other accruals	<b>86</b>	86	<b>86</b>	86
	<b>44,593</b>	45,206	<b>44,593</b>	45,231

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**23. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
Within one year	<b>109</b>	221	<b>109</b>	221
Between one and five years	-	155	-	155
	<b>109</b>	376	<b>109</b>	376

**24. Deferred capital grants**

	<b>Funding body grants £000</b>	<b>Other grants £000</b>	<b>Total £000</b>
<b>At 1 August 2016</b>			
Land and buildings	<b>16,566</b>	<b>28,193</b>	<b>44,759</b>
Equipment	<b>167</b>	<b>39</b>	<b>206</b>
	<b>16,733</b>	<b>28,232</b>	<b>44,965</b>
Capital grants received/due			
Land and buildings	-	<b>14</b>	<b>14</b>
Equipment	-	<b>326</b>	<b>326</b>
Released to income and expenditure account:			
Land and buildings	<b>(361)</b>	<b>(742)</b>	<b>(1,103)</b>
Equipment	<b>(34)</b>	<b>(19)</b>	<b>(53)</b>
	<b>16,338</b>	<b>27,811</b>	<b>44,149</b>
<b>At 31 July 2017</b>			
Land and buildings	<b>16,205</b>	<b>27,465</b>	<b>43,670</b>
Equipment	<b>133</b>	<b>346</b>	<b>479</b>
	<b>16,338</b>	<b>27,811</b>	<b>44,149</b>

Non-recurrent grants received 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 the depreciation over the life of the fixed assets.

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**25. Financial instruments**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>College 2017 £000</b>	College 2016 £000
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<b>2,685</b>	3,407	<b>2,456</b>	3,215
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>(20,116)</b>	(23,310)	<b>(19,767)</b>	(21,888)

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**

	<b>Enhanced Pensions £000</b>	<b>Restructuring £000</b>	<b>Bicton Merger Costs £000</b>	<b>Total £000</b>
At 1 August 2016	<b>2,213</b>	<b>295</b>	<b>1,498</b>	<b>4,006</b>
Charged to the Statement of Comprehensive Income	<b>(107)</b>	-	<b>(724)</b>	<b>(831)</b>
Expenditure in the year	-	<b>(236)</b>	<b>(413)</b>	<b>(649)</b>
<b>At 31 July 2017</b>	<b>2,106</b>	<b>59</b>	<b>361</b>	<b>2,526</b>

The pension provision relates to enhanced pensions payable to former employees and includes £10,156 (2016: £10,138) 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 £361,444 will be utilised in 2017/18 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 2017**

**26. Other provisions (continued)**

**College**

	<b>Enhanced Pensions £000</b>	<b>Restructuring £000</b>	<b>Bicton Merger Costs £000</b>	<b>Total £000</b>
At 1 August 2016	2,213	295	1,498	4,006
Released to the Statement of Comprehensive Income	(107)	-	(724)	(831)
Utilised in year	-	(236)	(413)	(649)
<b>At 31 July 2017</b>	<b>2,106</b>	<b>59</b>	<b>361</b>	<b>2,526</b>

**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. Prior year adjustment**

The statutory accounts for 2015/16 understated fixed assets by £91k in error with an offsetting error in the Income and Expenditure Reserves. This has been corrected in these financial statements with a prior year adjustment to fixed asset carrying values and the brought forward Income and Expenditure Reserves.

**29. Capital commitments**

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

	<b>Group 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2017 £000</b>	<b>College 2016 £000</b>
Contracted for but not provided in these financial statements	21	-	21	-
Authorised but not contracted at 31 July	235	220	235	220

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**30. 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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 (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**30. Pension commitments (continued)**

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.

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 (2016: £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 2017 was £3,759,000 (2015/16: £3,836,000) of which employers' contributions totalled £2,991,000 (2015/16: £3,017,000) and employees' contributions totalled £768,000 (2015/16: £819,000).

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 2017**

**30. Pension commitments (continued)**

**Cornwall Council pensions and similar obligations**

Composition of plan assets:

	<b>2017</b>	2016
	<b>£000</b>	£000
Equities	<b>33,429</b>	33,052
Bonds	<b>30,584</b>	27,102
Property	<b>4,979</b>	4,627
Cash	<b>2,133</b>	1,322
<b>Total plan assets</b>	<b>71,125</b>	66,103
	<b>2017</b>	2016
	<b>£000</b>	£000
Fair value of plan assets	<b>71,125</b>	66,103
Present value of plan liabilities	<b>(109,185)</b>	(112,911)
<b>Net pension scheme liability</b>	<b>(38,060)</b>	(46,808)

The amounts recognised in profit or loss are as follows:

	<b>2017</b>	2016
	<b>£000</b>	£000
Current service cost	<b>(3,583)</b>	(3,241)
Net interest on obligation	<b>(1,132)</b>	(1,146)
Curtailment	<b>(9)</b>	(14)
<b>Total</b>	<b>(4,724)</b>	(4,401)
Actual return on scheme assets	<b>3,537</b>	684

Reconciliation of fair value of plan liabilities were as follow:

	<b>2017</b>
	<b>£000</b>
Opening defined benefit obligation	<b>(112,911)</b>
Current service cost	<b>(3,583)</b>
Interest cost	<b>(2,735)</b>
Contributions by scheme participants	<b>(707)</b>
Actuarial gains	<b>8,695</b>
Past service costs (including curtailments)	<b>(9)</b>
Benefits paid	<b>2,065</b>
<b>Closing defined benefit obligation</b>	<b>(109,185)</b>

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**30. Pension commitments (continued)**

Reconciliation of fair value of plan assets were as follows:

	<b>2017 £000</b>
Opening fair value of scheme assets	<b>66,103</b>
Interest income on plan assets	<b>1,603</b>
Actuarial gains	<b>1,934</b>
Contributions by employer	<b>2,843</b>
Contributions by scheme participants	<b>707</b>
Benefits paid	<b>(2,065)</b>
<b>Closing fair value of scheme assets</b>	<b>71,125</b>

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

	<b>2017 %</b>	2016 %
Discount rate	<b>2.7</b>	2.4
Future salary increases	<b>2.6</b>	3.9
Future pension increases	<b>2.5</b>	1.9
 Mortality rates		
- for a male aged 65 now	<b>22.1 years</b>	22.2 years
- at 65 for a male aged 45 now	<b>24.0 years</b>	24.4 years
- for a female aged 65 now	<b>24.5 years</b>	24.4 years
- at 65 for a female member aged 45 now	<b>26.4 years</b>	26.8 years

**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**30. Pension commitments (continued)**

**Devon County Council pensions and similar obligations**

Composition of plan assets:

	<b>2017</b>	2016
	<b>£000</b>	£000
Equities	<b>2,261</b>	2,119
Overseas equities	<b>3,350</b>	2,975
Gilts	<b>284</b>	286
Other bonds	<b>233</b>	249
Property	<b>836</b>	896
Infrastructure	<b>367</b>	357
Cash	<b>249</b>	108
Alternative assets	<b>518</b>	501
Absolute return funds	<b>1,410</b>	1,236
<b>Total plan assets</b>	<b>9,508</b>	8,727

	<b>2017</b>	2016
	<b>£000</b>	£000
Fair value of plan assets	<b>9,508</b>	8,727
Present value of plan liabilities	<b>(15,896)</b>	(16,017)
<b>Net pension scheme liability</b>	<b>(6,388)</b>	(7,290)

The amounts recognised in profit or loss are as follows:

	<b>2017</b>	2016
	<b>£000</b>	£000
Current service cost	<b>(366)</b>	(314)
Net interest on obligation	<b>(188)</b>	(184)
Administrative expenses	<b>(7)</b>	(5)
Curtailments	<b>-</b>	(48)
<b>Total</b>	<b>(561)</b>	(551)

Actual return on scheme assets	<b>901</b>	783
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**CORNWALL COLLEGE FURTHER EDUCATION CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**30. Pension commitments (continued)**

Reconciliation of fair value of plan liabilities were as follow:

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening defined benefit obligation	<b>(16,017)</b>	(12,727)
Current service cost	<b>(366)</b>	(314)
Interest cost	<b>(413)</b>	(494)
Contributions by scheme participants	<b>(61)</b>	(73)
Actuarial gains	<b>639</b>	(2,620)
Past service costs (including curtailments)	-	(48)
Benefits paid	<b>322</b>	259
<b>Closing defined benefit obligation</b>	<b>(15,896)</b>	(16,017)

Reconciliation of fair value of plan assets were as follows:

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening fair value of scheme assets	<b>8,727</b>	7,953
Interest income on plan assets	<b>225</b>	310
Actuarial gains	<b>676</b>	473
Contributions by employer	<b>148</b>	182
Contributions by scheme participants	<b>61</b>	73
Administrative expenses	<b>(7)</b>	(5)
Benefits paid	<b>(322)</b>	(259)
<b>Closing fair value of scheme assets</b>	<b>9,508</b>	8,727

	<b>2017</b>	2016
	<b>%</b>	%
Discount rate	<b>2.7</b>	2.6
Future salary increases	<b>4.2</b>	4.0
Future pension increases in payments	<b>2.7</b>	2.2
Future deferred pension increases	<b>2.7</b>	2.2

Mortality rates

- for a male aged 65 now	<b>23.4 years</b>	22.9 years
- at 65 for a male aged 45 now	<b>25.6 years</b>	25.2 years
- for a female aged 65 now	<b>25.5 years</b>	26.2 years
- at 65 for a female member aged 45 now	<b>27.8 years</b>	28.6 years

## CORNWALL COLLEGE FURTHER EDUCATION CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

#### 31. Commitments under operating leases

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

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>College</b> <b>2017</b> <b>£000</b>	College 2016 £000
Not later than 1 year	<b>557</b>	425	<b>557</b>	425
Later than 1 year and not later than 5 years	<b>922</b>	881	<b>922</b>	881
Later than 5 years	<b>7,433</b>	7,545	<b>7,433</b>	7,545
	<b>8,912</b>	8,851	<b>8,912</b>	8,851

#### 32. 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 £8,164 (2016: £7,326). 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 (2016: 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 £3,492 in the year (2015/16: £3,988).

#### 33. Learner support funds

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Company</b> <b>2017</b> <b>£000</b>	Company 2016 £000
Funding body grants - hardship support	<b>853</b>	1,575	<b>853</b>	1,575
Funding body grants - residential bursaries	<b>402</b>	577	<b>402</b>	577
	<b>1,255</b>	2,152	<b>1,255</b>	2,152
Disbursed to students	<b>(962)</b>	(1,919)	<b>(962)</b>	(1,919)
Administration costs	<b>(23)</b>	(79)	<b>(23)</b>	(79)
<b>Balance unspent at 31 July included in creditors</b>	<b>270</b>	154	<b>270</b>	154

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.