



CRAVEN COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Robert Bellfield	Principal and Accounting officer
Joanne Sherrington	Vice Principal Finance and Resources
Stephanie Tinsley	Vice Principal Quality and Curriculum (Appointed 03 August 2015)
Cath Ambler	Vice Principal (Retired 31 July 2016)
Janet Metcalfe	Director of Human Resources
Mary Waterfall	Director of Student Services
Lindsey Johnson	Director of Business and Community Development
Maddy Mercer	Director of Quality (Retired 08 April 2016)
Rebecca Walker	Director of Curriculum and Learning (Retired 02 February 2016)

Board of Governors

A full list of Governors is given on page 18 of these financial statements.

Mrs Joan Matthews acted as Director of Governance to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG,
1 St Peter's Square,
Manchester,
M2 3AE

Bankers:

Barclays Bank,
49 High Street,
Skipton,
North Yorkshire BD23 1DH

Solicitors:

AWB Charlesworth
23 Otley Street
Skipton
BD21 3SE

Eversheds
Bridgewater Place
Water Lane
Leeds
LS11 5DR

DWP LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DY

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Craven College ('the College'). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission is: "Enriching lives through learning."

Public Benefit

Craven College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for 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 teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

In July 2016 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2019. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are:

1.0 OUTSTANDING LEARNING
1.1 To deliver, good value, high quality, learning for all students resulting in high success rates.
1.2 To develop key curriculum areas which support local and national economic priorities
Key Performance Measures: <ul style="list-style-type: none"> • Student retention and success - upper 40% of GFE for 16-18, Upper 20% of GFE for 19 plus and upper 10% of GFE for Apprenticeships • English and maths success rate – upper 40% of GFE • Overall student satisfaction - 96% or better • Ofsted inspection outcome - Good or better • Higher Education Review Outcome • Proportion of FE lesson observations graded as good or outstanding - 90% or better • Achievement of awards and standards - Matrix, Investors in People, OHSAS 18001.
2.0 WELL PREPARED AND ABLE STUDENTS
2.1 To ensure students develop the necessary knowledge, skills aptitudes and abilities to: <ul style="list-style-type: none"> • Secure, retain and develop career and employment opportunities to support economic growth

<p>and development in the region</p> <ul style="list-style-type: none"> • Contribute as a good and effective citizen within the community <p>Key Performance Measures:</p> <ul style="list-style-type: none"> • Overall employer satisfaction - 85% or better • Positive student progression – 85% or better • Work based learning success rate - Upper 10% of GFE
3.0 PARTNERSHIPS, CONNECTIONS AND NETWORKS
<p>3.1 To partner and collaborate with educational providers, public and private bodies and employers to support the local and national economic development priorities and enhance the reputation of the College.</p>
<p>Key Performance Measures:</p> <ul style="list-style-type: none"> • Number of key partners and contacts – Employers, voluntary organisations, public bodies • Higher Education - Maintain degree validations
4.0 RESOURCES, ESTATES AND INFRASTRUCTURE
<p>4.1 Strategic Enabler: To implement the College's Accommodation and Estates Strategy to:</p> <ul style="list-style-type: none"> • Support the delivery of high quality learning and teaching and student outcomes and progression. • Develop up-to-date and modern teaching and learning resources and facilities to enable the delivery of learning and skills which support the local and national economic priorities. • Promote sustainability and respect for the environment.
<p>4.2 Strategic Enabler: To implement a financial strategy that secures the longer term financial sustainability of the College and the achievement of the College's strategic aims.</p>
<p>Key performance measures</p> <ul style="list-style-type: none"> • College Accommodation and Estates Strategy 2015-2020 - Completion of identified projects • Student satisfaction with facilities and equipment – 95% or better • Achieve OHSAS 18001 • Carbon emissions and consumption of non-renewable resources – reduce energy and water use and waste production by 20% between 2015-18 • Teaching accommodation utilisation – 65% or better • Operating surplus – between 2% and 3% of income • SFA Financial Rating - Minimum of "Satisfactory" • Achieve activity and funding targets
5.0 PEOPLE AND PERFORMANCE
<p>5.1 Strategic Enabler: To develop a culture of high performance.</p>
<p>Key performance measures</p> <ul style="list-style-type: none"> • Percentage recommending as a place to work • Percentage achieving the minimum requirements of the qualifications specification for teaching staff. • Percentage completion of mandatory training. • Percentage achieving and recording minimum requirement of 36 hours of CPD. • Investors in People – Bronze • Investors in People - Health and Wellbeing Award
6.0 EQUALITY AND DIVERSITY
<p>6.1 Strategic Enabler: To be an inclusive College with a diverse student and staff population, where difference and different perspectives are explored and celebrated.</p>
<p>Key performance measures</p> <ul style="list-style-type: none"> • Staff and student origins - representative of service area • Disadvantaged students accessing the curriculum - representative of service area

The College is on target for achieving these objectives.

The College's specific objectives for 2015/16 and achievement of those objectives is addressed below.

The College has used and will continue to use the following strategic enablers to support the delivery of its strategic objectives, these are also measureable and monitored using the KPIs shown in the table.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency ("EFA"). The College is assessed by the Skills Funding Agency/Education Funding Agency as having a Good financial health grading. The current rating of Good is considered an acceptable outcome.

1.0 Quality, Excellence and Innovation			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
Student retention and success	Overall retention and achievement in the upper 40% of GFE national average	Termly	Vocational around national average. AS and A" results above the national average for GFE.
English and math's success rate	Upper 50% of GFE	Termly	Performance below the national average
Overall student satisfaction	96% or better	Annually	Overall student satisfaction was 88%
Ofsted inspection outcome	Good or Outstanding inspection	Annually	Requires improvement (Apprenticeships outstanding)
Proportion of lesson observations graded as good or outstanding	90% or better	Termly	Based on initial observation, proportion of lesson observations good or outstanding was 89.5%
Achievement of awards and standards	Maintenance of Matrix standard, IIP and OHSAS 18001	Annually	Matrix and IIP renewed last year – lasts 3 years. OHSAS assessment booked for January 2017
2.0 Skills and Employability			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
Overall employer satisfaction	85% or better	Annually	84% for AY2015-16.
Positive student progression	85% or better	Annually	84.5%
Work based learning success rate	Upper 10% of GFE	Annually	Results for AY2015-16 have improved so College will remain in the top 10% of GFE.
3.0 Partnerships and Collaboration			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
Number of key partners and contacts	Target 400	Annual	Target achieved

4.0 Quality, Excellence and Innovation			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
Higher Education	Maintain degree validation partners	Termly	Partners maintained
5.0 Finance and Facilities			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
College Accommodation and Estates Strategy 2015-20	Completion of identified projects	Per meeting	Projects completed
Student satisfaction with facilities and equipment	95% or better	Annual	87%
Teaching accommodation utilization	65% or better	Bi-annual	November 2015 room utilisation survey – 64%. February 2016 room utilisation survey – 59%.
Operating surplus (per management accounts)	Between 2% and 3% of turnover	Per meeting	1.55%
SFA Financial rating	Minimum of Satisfactory	Per meeting	Good
Achieve activity and funding targets	Per allocations and budget	Per meeting	Activity targets broadly achieved other than for HE
6.0 Equalities and Inclusion			
Key Performance Indicator	Measurable outcomes	Review date	Outcome
Staff and student ethnic origins	Staff 4.2% Students 9.0%	Bi-annual	Staff 3.2% Students 9.2%
Disadvantaged students accessing the curriculum is representative of the service area	Students 9.2%	Annual	Students 26%
Achieve Investors in People – Bronze	Achieve award	Per meeting	Working towards
Achieve Investors in People – Health and Wellbeing Award	Achieve award	Per meeting	Working towards

Financial objective

The College's financial objectives are:

- a. To implement a financial strategy that secures the longer term financial sustainability of the College and the achievement of the College's strategic aims.
 - Achieve an operating surplus between 2-3% of income.
 - Achieve income, activity and funding targets.
 - Monitor and improve curriculum delivery efficiency levels.
 - SFA Financial Rating - Minimum of "Satisfactory".
- b. To promote sound governance and manage risks effectively:
 - Maintain an appropriate range of skills and expertise within the College Board.
 - Ensure the College Board is well informed and actively engaged in the College.
 - Create opportunities for College Board members to learn about the College and meet staff, students and employers.
 - Maintain appropriate College risk registers.
 - Report to the College Board on the control of significant risks.
- c. Continue to develop provision and the College:
 - Seek new income generating activities, projects and partnerships.
 - Develop improved marketing activity and links with schools.

The College aims to achieve these objectives by meeting the key financial ratios set out in its 3 year rolling financial forecasts which are produced each year. The latest 3 year financial forecasts for the period 2016/17 to 2018/19 were approved by the Board in July 2016.

The College demonstrated the following student achievement rates:

A Level and AS Level Achievement Rates AY2015-16

- Overall pass rates for the College are 99%; an increase of 1% on AY2014-15 with Achievement (previously success) at 97.1% which is a 2% increase on the previous year. (N.B. There are no longer National Rates to compare to for these measures).
- Achievement for 16-18 at AS level has increased by 6.7% on the previous year and is 1% higher than the national rate and 6% higher than the provider type rate.
- Achievement for 16-18 at A2 has seen a negligible decrease of 0.5% and is above both the national and provider type rates (1.3% and 2.1% respectively).
- Achievement for 19+ at both AS and A2 is at 100%.
- 16-18 pass rates for AS have remained static at 85% which is 3.1% above the provider type rate.

Apprenticeship Achievement Rates AY2015-16

The College's results place it consistently within the top three of apprenticeship providers. A total of seventeen frameworks were delivered and completed in AY2015-16. An increase in both overall and timely achievement has been demonstrated:

- Overall Achievement 87% an increase of 1.3% compared to AY2014-15.
- Timely achievement 79% an increase of 10% compared to AY2014-15.

Vocational Achievement Rates

- The College has significantly improved its 16-18 achievement rates and moved back towards the national rate (as per 2014-15). It is anticipated that the national rate will fall in 2015-16 due to the impact of English and maths results in Colleges.
- The College is close to the National Rate for 19 year olds.

	AY 2015-16 College %	AY 2014-15 National rate %	AY 2014-15 College %
16-18 year olds	77	78	74
19 plus year olds	85	86	90

GCSE English and maths Achievements AY2015-16

- The largest cohort for GCSE English (321) and maths (276) is the 16-18 age group who undertake their GCSE as integral to their study programme. These students gained a grade D at school and retook the qualification. Reporting focusses on this age group.
- English GCSE results show a slight rise in achievement rate and comparable with GFE national rate for this subject.

GCSE English

	Achievement rate(%)	National Rate 14/15(%)
AY2014-15	79	81
AY2015-16	81	81

GCSE Skills Maths

	Achievement rate (%)	National Rate 14/15(%)
AY201415	85	80
AY2015-16	78	80

FINANCIAL POSITION**Financial results**

The College generated a deficit before other gains and losses in the year of £ (206,000), (2014/15 – surplus of £370,000), with total comprehensive income of £14,879,000, (2014/15 £16,933,000). The College has accounted for much increased pension adjustments under FRS102 in the year to 31 July 2016. An increase to salaries to recognise the change to the measurement of the current service costs on the Local Government Pension Scheme, a defined benefit plan, resulted in increased salaries of £310,000 (2014/15 - £173,000). An interest charge has also been shown in interest payable of £88,000 to recognise changes to the net finance cost in the Local Government Pension Scheme (2014/15 £65,000).

The College has accumulated reserves of £1,621,000 and cash and short term investment balances of £675,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £1,617,000. This was split between land and buildings acquired of £667,000 and equipment purchased of £950,000. In the main, this related to the new and refurbished buildings on the main site. The building project cost £6.2 million and refurbished two existing blocks and provided a new Construction Centre.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 78% of the College's total income.

Treasury policies and objectives

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

The College has a treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

The College had drawn no such borrowings in 2015/16 (2014/15 nil).

Cash flows and liquidity

At £994,000 (2014/15 £3,195,000), net cash flow from operating activities remained positive.

A £3.0m revolving credit facility was established in May 2014 to support any ongoing liquidity requirements needed to support the capital spend on the £6.2m development of the College's Aireville Campus detailed in the Accommodation Developments section below. The College had drawn down £1,000,000 of short term debt at 31 July 2015 against this facility. In September 2015 the College fixed this as a repayment loan to be repaid by 31 March 2019.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £1,092,000, (2015: £2,480,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £11,657,000 in funding body main allocation funding (2014/15 – £13,242,000).

Student achievements

Students make progress on many courses across the College, leading to a high proportion of positive destinations for their next step after College. Retention and achievement has improved for 16-18 students to be near the national average and achievement for adults is at the national average. The achievement rate for A level students is above the national average. As with most colleges the English and maths condition of funding for 16-18 year olds is very challenging and achievement rates need to be improved.

Apprenticeship outcomes are outstanding and the College has been in the top 10 of providers for a number of years now and this looks set to into the future.

Positive destination date for students to employment and the next level of study is very good.

Curriculum developments

Craven College is a General Further Education College based at Skipton in North Yorkshire, but with a centre at Leeds Bradford International Airport in North Leeds, the Evolve Project in Ripon and at Seamer near Scarborough on the East Coast. The College serves the educational training needs of individuals, communities, and businesses in North Yorkshire, East Lancashire, and the Aire Valley corridor to Bradford and other areas of

West Yorkshire such as Ilkley. A high proportion of the students come from deprived post codes (28%). The total headcount is as follows:

	Students
	2015-16
Pre-16	66
16-18 (EFA Funded)	1,447
19 + (SFA Funded)	1,765
24 + (loan)	106
Leisure Learning / Full Cost	1,440
PCDL/Community learning	498
Higher Education	299
Full cost and other	2,100
Total	7,721

The College sits within two LEP areas – Leeds City Region and York, North Yorkshire and East Riding. The College has conducted an analysis of the College curriculum against the LEP priorities and uses these to identify areas for development such as engineering and digital technologies. The College has a very successful employer engagement unit called Tyro Training which undertakes full cost, ESF and other project work which is very closely tied to the economic needs and priorities of the area. In February 2016 Ofsted noted that the College “engages well with employers and the local community and have developed provision that is well matched to local priorities and skills needs.”

The table below shows a simplified picture of the distribution of the curriculum for 16-18 and 19 plus classroom learners for AY2015-16 by Qualification type and level:

Qualification Type	Level	16-18	19 plus	Total
A level	3	183	21	204
AS	3	190	3	193
Award	E	0	3	3
	1	18	20	38
	2	11	160	171
Certificate	E	4	14	18
	1	45	24	69
	2	59	1,184	1,243
	3	19	19	38
Diploma	E	0	51	51
	1	69	10	79
	2	205	58	263
	3	809	87	896
	4	0	17	17
Basic Skills maths and English	E	120	151	271
	1	201	78	279
	2	81	26	107
Access to HE	3	5	56	61
GCSE Maths and English	2	608	80	688
GCSE other	2	44	6	50
Other non-regulated	3	78	1	79
Other non-regulated	-	0	3	3
QCF	-	0	188	188

Accommodation Developments

The College's estate has been significantly developed over the last four years to reduce operating and maintenance costs and to provide improved learning and teaching accommodation for staff and students.

The College made a successful application to the College Capital Investment Fund (CCIF) in November 2014, receiving the offer of a grant from the Skills Funding Agency for 33% of the cost of a £6.2m development of the College's Aireville Campus. The College began operating from the refurbished Whernside and Hub buildings since the beginning of the academic year and relocated the Construction Department into the new purpose built Construction facility in early November 2015. Dilapidation costs of £425,000 were paid in the year to the landlords of six leased buildings where the Construction Department was previously based. A provision for these costs had been included in last year's financial statements reflect the legal obligation to pay these amounts; this provision has now been released. The payments comprised of amounts due to enable the Landlords to re-instate the buildings back to a leasable condition; and compensation for rent and rates due and legal fees.

The College made a project submission to the York North Yorkshire and East Riding (YN Yer) Local Enterprise Partnership (LEP) in May 2015 and this was approved to pass on to the next stage of analysis by the Skills Funding Agency (SFA). The project is for the provision of a new Animal Management Centre on the Aireville Campus being scheduled for completion for use in January 2018. The YN Yer Local Enterprise Partnership is now considering a full business case for the Animal Management Centre as submitted by the College in September 2016. This will need to be analysed and approved by the SFA before any access to the Skills Capital Fund is confirmed. This presents a significant opportunity for the College using half funding from the YN Yer Local Enterprise Partnership to upgrade the estate, by improving the Aireville top car park site, reducing operating costs, improving the learner experience across a wide range of existing and new students and remaining attractive to future cohorts of students.

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 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 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 78 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The College has been awarded £35,000 funding towards a Computer Science Laboratory from the York, North Yorkshire and East Riding Local Enterprise Partnership and is in discussion with this body around the funding of a new build £1.6 m Animal Management Centre.

In 2015 the Department for Business, Innovation and Skills and the Department for Education published a paper about area reviews of the post-16 education and training sector. Every area was scheduled to undergo a review between September 2015 and March 2017. Each area review will cover FE and sixth form colleges. The aim of these reviews is to ensure that there is the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision. Craven College is in the York, North Yorkshire, East Riding and Hull Area Review which began in October 2016. The Review is scheduled to be completed by February 2017 and no recommendations are currently in the public domain.

Future prospects

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

The College currently has borrowings from Barclays Bank of £846,000 to be repaid by 31 March 2019. The College's forecasts and financial projections indicate that it will be able to operate successfully and within its existing covenants for the foreseeable future.

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

RESOURCES:

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

Tangible Resources

Tangible resources include the main college site, Aireville, which has been fully operational this year following a £6.2 million refurbishment of two buildings and the provision of a new build Construction Centre. The College also owns and operates from a site on the High Street in Skipton. The net book value of all of the College land and buildings is £9,782,000 and equipment with a net book value of £1,125,000.

Financial

The College has £ 1,621,000 of net assets (including £4,299 million pension liability) and long term debt of £861,000.

People

The College employs 259 people (expressed as full time equivalents), of whom 106 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. 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 Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 78% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The demand led funding system which applies a series of factors to calculate an amount of funding to be received for each learner and the impact of Advanced Loans on student enrolment.
- Local Enterprise Partnership priorities and activities.
- The Government spending plans and reviews.
- Increase in the number of alternative 16-18 providers.
- Impact of local demographics on the 16-18 cohort.
- The re-tendering of ESIF Funding.
- Changes to apprenticeship funding.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- By placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies.
- By ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- By regular dialogue with the funding agencies.

2 Maintenance of adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

3 Demographic change

A key factor in determining the College's future income and strategy has been based on figures reported by the Educational Funding Agency (EFA) that show that by 2019 there will be 120,000 fewer 16-year-old learners than at present. However, the picture is inconsistent across the country with the North West demonstrating 13% fewer 16 year olds. The cohort has already fallen by 5% since 2012. Added to this sixth forms have increased their intake of 16 year olds by 5% and academies and schools by 1%, but general FE colleges have seen a drop in intake of 4%. This has led to a prudent learner number forecast on the part of the College in our financial forecasts. Improving our estate and continuing to deliver high quality courses, which serve our population's needs, will keep us competitive to maintain our student share.

4 Continuing Financial Viability

Traditionally the College has been able to maintain a strong Financial Health position. However, this position is increasingly difficult to maintain due to the comparative reduction in funding received against an increase in staff pension costs and national insurance costs and the variations made to funding allocations. Future forecasts have demonstrated that the College will make surpluses between one and two percent of income in the next three years. The College Management continually focus on ensuring that the College operates efficiently across all of its delivery models and that the College remains financially viable. The EFA have reported that the financial health of all Colleges dropped significantly in 2014 and they expected this trend to continue.

5 Ensuring the Governing Board is fit for Purpose.

The College recognises the need for a Governing Board with a high level of expertise and experience who can offer sufficient challenge to the management team. The Director of Governance ensures that Governors have

high quality training provided and the Search and Governance Committee focuses on succession planning strategies for retiring Governors.

6 Area Reviews

In 2015 the Department for Business, Innovation and Skills and the Department for Education published a paper about area reviews of the post-16 education and training sector. Every area was scheduled to undergo a review between September 2015 and March 2017. Each area review will cover FE and sixth form colleges. The aim of these reviews is to ensure that there is the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision. Craven College is in the York, North Yorkshire, East Riding and Hull Area Review which began in October 2016. The Review is scheduled to be completed by February 2017 and no recommendations are currently in the public domain.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positive differences in race, sex, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site in the form of a Single Equality Scheme,

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College carries out an annual Equality & Diversity training programme which all staff attend. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its accommodation strategy the College considers access arrangements in all new builds and refurbishments.
- b) The College has appointed a SEND Officer, who provides information, advice and arranges support where necessary for students with disabilities.
- c) The College is proactive when looking for technological solutions to support needs
- d) The admissions policy for all students is described in the Student Support Policy. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College 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 Progression 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.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) 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.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 8 December 2016 and signed on its behalf by:



David Mabbitt
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 9 July 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements

The Corporation

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

Board Member	Position Held	Date of Appointment	Total term of Office	Date of Resignation/End of term of office	Status of Appointment
David Mabbitt	Chair, Board Chair, Finance, Resources & Investment Committee	08/12/11	8 years	-	External
Robert Bellfield	Principal	09/01/12	-	-	Principal
Scott Boardman		07/07/15	4 years		Business Support Staff
Heather Booth-Martin		19/09/13	4 years	-	Teaching Staff
Mike Bridgman		01/08/14	4 years		External
Andrew Copley		17/03/16	4 years		External
Julia Hickling		20/11/15	4 years	13/05/16	External
Sue Laycock		22/03/12	8 years		External
Paul Shorter	Chair, Learning and Teaching	29/03/11	8 years		External
Martyn Stone		04/03/15	4 years		External
Alan Sutton		01/09/14	2 years	01/07/16	External
Fiona Thomson	Chair, Search & Governance Committee	10/12/09	8 years		External
Andrea Thornton		09/07/15	4 years		External
Kevin Wharton	Chair, Audit Committee	01/08/07	9 years	01/09/16	External
Chris Woodhead		27/05/16	4 years		External
Ross Smillie		01/09/15	1 year	24/01/16	Student
Hannah Stockdale		26/05/16	1 year		Student

The members' attendance at Board and Committee Meetings, in relation to the number of meetings held, during the year ended 31 July 2016 is set out in the table below.

Board Member	Board	FRI	R	A	S&G	L & T
Kevin Wharton	2/6		2/2	4/4	1/4	
Robert Bellfield	6/6	5/6			4/4	3/3
Scott Boardman	6/6	6/6				
Heather Booth-Martin	5/6					3/3
Mike Bridgman	3/6				3/4	2/3
Andrew Copley	1/2					
Julia Hickling	0/4					
Sue Laycock	5/6			4/4	4/4	
David Mabbitt	6/6	6/6	2/2		4/4	3/3
Paul Shorter	6/6		2/2	2/4		2/3
Martyn Stone	5/6	5/6				
Alan Sutton	4/5					2/3
Fiona Thomson	6/6	1/6	2/2		4/4	
Andrea Thornton	5/6					2/3
Ross Smillie	2/3					
Hannah Stockdale	1/1					

FRI - Finance, Resources and Investment Committee

R - Remuneration Committee

A - Audit Committee

S&G - Search & Governance Committee

L & T - Learning, Teaching and Assessment Committee

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Resources and Investment, Learning and Teaching, Search and Governance, Audit and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.craven-college.ac.uk or from the Director of Governance at:

Craven College
Gargrave Road
Skipton
BD23 1US

The Director of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of five members of the Corporation, plus the Principal, which is responsible for advising the Board on governance matters, along with the selection and nomination of any new member for the Corporation's consideration. The Committee operates in line with the terms of reference agreed by the Corporation and meets at least termly. The Board seeks to have an appropriate balance of skills and experience amongst members and the Search and Governance Committee operates according to a skills matrix in considering candidates for appointment. The Search and Governance Committee also takes account of the wish that the Board broadly reflects the community it serves.

Members of the Corporation are appointed for a term of office not exceeding four years, although are eligible for reappointment for a second term, through a formal process. The Committee monitors Governor performance through Key Performance Indicators agreed by the Board, and this is taken in to account in consideration of any reappointment.

The College is committed to applying the Single Equality Scheme at all stages of recruitment and selection. The Board, through the Search and Governance Committee, conducts recruitment and selection in line with those principles. Interviewing and selection of Governors is always carried out without reference and any bias towards the "Protected Characteristics" of gender, gender reassignment, sexual orientation, marital or civil partnership status, race, religion or belief, age, pregnancy or maternity leave or disability. No candidate with a disability is excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having taken into account reasonable adjustments. Reasonable adjustments to the recruitment process are made to ensure that no applicant is disadvantaged because of his/her disability. The Board is aware of any under-represented groups which may well be specifically targeted in line with the College's Single Equality Scheme.

The Corporation is responsible for ensuring that appropriate training is provided as required.

Corporation performance

Governors carry out an annual self-assessment exercise where the behaviours, systems and processes of the Board are reviewed and evaluated. The Search and Governance Committee is responsible for reviewing the outcomes of that assessment and identifying the areas for further development. Particular strengths identified were :

- the identification and setting of the Strategic Direction;
- understanding of the College's overall performance and outcomes for students; and

- the College's current and anticipated financial position.

Overall, Governors were agreed that governance in the College was graded good.

Governors identified the need to ensure they received and considered regular and comprehensive information on users' views on the quality of service provided by the College as an area for improvement. It was also agreed to monitor the pressures on Governors' time, particularly in light of the forthcoming Area Based Review.

Each Committee conducted its own effectiveness review and identified specific targets for the academic year 2016/17.

Additionally, the Board has collectively reviewed its role in the overall College self-assessment and identified any actions in relation to quality improvement.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Finance, Resources and Investment Committee

The Finance, Resources and Investment Committee comprises five members of the Board, including the Accounting Officer, and the Vice-Principal (Finance and Resources). It meets at least termly and operates in accordance with written terms of reference approved by the Corporation. The committee advises the Board on all aspects of the Board's finances, financial controls, estates maintenance and development matters, relevant policies relating to the College's resources (which are not specifically covered by another of the Board's Committees) and on any issues arising out of such matters.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Craven College

and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Craven College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

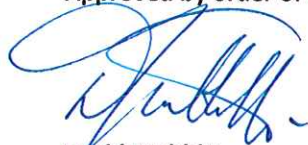
Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £846k of loans outstanding with bankers on terms negotiated in 2014. The terms of the existing agreement are until March 2019. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, having reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its loan covenants the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. On this basis the College will continue to adopt the going concern basis in the preparation of its Financial Statements.

Approved by order of the members of the Corporation on 8 December 2016 and signed on its behalf by:



David Mabbitt
Chair



Robert Bellfield
Accounting Officer

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

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 Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the College's financial memorandum/funding agreement.

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 Skills Funding Agency/Education Funding Agency.



David Mabbitt

Chair

8 December 2016



Robert Bellfield

Accounting Officer

8 December 2016

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum/Funding Agreement between the Skills Funding Agency / Education Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, 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 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 8 December 2016 and signed on its behalf by:



David Mabbitt
Chair

Independent auditor's report to the Corporation of Craven College

We have audited the College financial statements ("the financial statements") of Craven College for the year ended 31 July 2016 set out on pages 30 to 55. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Corporation, as a body, in accordance with Article 17 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Craven College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 25, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's income and expenditure, gains and losses and changes in reserves and the College's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Sue Suchoparek

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

1 St Peter's Square, Manchester, M2 3AE

19th December 2016

Reporting accountant's assurance report on regularity

Reporting Accountant's Report on Regularity to the Corporation of Craven College and the Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 5 September 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Craven College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Craven College and the reporting accountant

The corporation of Craven 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

Conclusion

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



Sue Suchoparek
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square, Manchester, M2 3AE

14th December 2016

Statement of Comprehensive Income

Notes

		2016	2015
		£'000	£'000
INCOME			
Funding body grants	2	11,657	13,242
Tuition fees and education contracts	3	2,538	2,597
Other grants and contracts	4	310	431
Other income	5	370	656
Investment income	6	4	7
Total income		14,879	16,933
EXPENDITURE			
Staff costs	7	9,352	9,416
Other operating expenses	8	4,505	6,170
Depreciation	10	1,111	871
Interest and other finance costs	9	117	106
Total expenditure		15,085	16,563
(Deficit)/surplus before other gains and losses		(206)	370
Profit on disposal of assets	10	12	204
(Deficit)/surplus for the year		(195)	574
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes	21	(1,211)	(711)
Total Comprehensive Income for the year		(1,406)	(137)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(1,406)	(137)
		(1,406)	(137)

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1st August 2014	2,601	562	3,163
Surplus from the income and expenditure account	574	-	574
Other comprehensive income	(711)	-	(711)
Transfers between revaluation and income and expenditure reserves	16	(16)	-
	(121)	(16)	(137)
Balance at 31st July 2015	2,480	546	3,026
(Deficit) from the income and expenditure account	(195)	-	(195)
Other comprehensive income	(1,211)	-	(1,211)
Transfers between revaluation and income and expenditure reserves	17	(17)	-
Total comprehensive income for the year	(1,389)	(17)	(1,406)
Balance at 31 July 2016	1,092	529	1,621

Balance sheet as at 31 July

	Notes	College 2016 £'000	College 2015 £'000
Non-current assets			
Tangible Fixed assets	10	10,932	10,433
Current assets			
Stocks		14	11
Trade and other receivables	11	517	930
Cash and cash equivalents	16	675	1,418
		1,206	2,359
Less: Creditors – amounts falling due within one year	12	(2,007)	(2,730)
Net current assets		(801)	(371)
Total assets less current liabilities		10,131	10,061
Creditors – amounts falling due after more than one year	13	(4,158)	(3,868)
Provisions			
Defined benefit obligations	21	(4,299)	(2,690)
Other provisions	14	(53)	(478)
Total net assets		1,621	3,026
Unrestricted Reserves			
Income and expenditure account		1,092	2,480
Revaluation reserve		529	546
Total unrestricted reserves		1,621	3,026

The financial statements on pages 30 to 55 were approved and authorised for issue by the Corporation on 08 December 2016 and were signed on its behalf on that date by:



David Mabbitt
Chair



Robert Bellfield
Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(195)	574
Adjustment for non-cash items			
Depreciation		1,111	871
(Increase)/decrease in stocks		(3)	3
Decrease in debtors		413	60
Increase/(decrease) in creditors due within one year		(41)	(34)
(Decrease)/Increase in creditors due after one year		(278)	1,216
(Decrease)/Increase in other provisions		(425)	478
Pensions costs less contributions payable		310	173
Adjustment for investing or financing activities			
Investment income		(4)	(7)
Interest payable		117	106
Profit on sale of fixed assets		(12)	(245)
Net cash flow from operating activities		<u>972</u>	<u>3,195</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		13	238
Payments made to acquire fixed assets		(1,617)	(4,538)
		<u>(1,604)</u>	<u>(4,300)</u>
Cash flows from financing activities			
Interest paid		(19)	-
New unsecured loans		40	1,000
Repayments of amounts borrowed		(154)	-
		<u>(133)</u>	<u>1,000</u>
(Decrease) in cash and cash equivalents in the year		<u>(744)</u>	<u>(105)</u>
Cash and cash equivalents at beginning of the year	16	1,418	1,523
Cash and cash equivalents at end of the year	16	<u>675</u>	<u>1,418</u>

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £846k of loans outstanding with bankers on terms negotiated in 2014. The terms of the existing agreement are until March 2019. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, having reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its loan covenants the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. On this basis it will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been 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 the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Monies from the disposal of fixed assets are recognised when all conditions in the contract have been satisfied.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings 20 – 50 years
- Major adaptations and Refurbishments 20 – 50 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- motor vehicles 4 years
- computer equipment 3 years
- IT infrastructure 5 years
- furniture, fixtures and fittings 3 - 10 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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 a finance lease obligation. 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.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

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 a minor element 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.

Provisions and contingent liabilities

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016.

Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Year ended 31 July	
	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	3,902	4,690
Education Funding Agency	7,214	7,200
Higher Education Funding Council	236	331
Specific grants		
Skills Funding Agency	8	758
Releases of government capital grants	297	263
Total	11,657	13,242

3 Tuition fees and education contracts	2016	
	2016	2015
	£'000	£'000
Adult education fees	878	947
Fees for FE loan supported courses	266	212
Fees for HE loan supported courses	1,165	1,247
Total tuition fees	2,309	2,406
Education contracts	229	191
Total	2,538	2,597

4 Other grants and contracts	2016	
	2016	2015
	£'000	£'000
Erasmus	162	45
European Commission	115	325
Other grants and contracts	33	61
Total	310	431

5 Other income**Year ended 31 July**

	2016	2015
	£'000	£'000
Catering and residences	9	168
Other income generating activities	107	165
Miscellaneous income	254	323
Total	370	656

6 Investment income

	2016	2015
	College	College
	£'000	£'000
Other interest receivable	4	7
	<u>4</u>	<u>7</u>
Net return on pension scheme (note 21)	-	-
	<u>-</u>	<u>-</u>
Total	4	7

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016	2015
	No.	No.
Teaching staff	106	129
Non-teaching staff	153	142
	<u>259</u>	<u>271</u>

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	7,458	7,763
Social security costs	510	471
Other pension costs	1,370	1,182
	<u>9,338</u>	<u>9,416</u>
Payroll sub total	9,338	9,416
Restructuring costs – Contractual	14	-
	<u>14</u>	<u>-</u>
Total Staff costs	9,352	9,416

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprised during the year the Principal, the Vice Principal Finance and Resources, the Vice Principal Curriculum and Quality, the Vice Principal, the Director of Human Resources, the Director of Quality, the Director of Student Services, the Director of Business and Community Development and the Director of Curriculum. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	8

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	1	1	1	1
£70,001 to £80,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	1	1	-	-
	<u>3</u>	<u>2</u>	<u>1</u>	<u>1</u>

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	505	434
Benefits in kind	-	-
	<u>505</u>	<u>434</u>
Pension contributions	78	62
	<u>78</u>	<u>62</u>
Key management personnel compensation	<u>583</u>	<u>496</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016	2015
	£'000	£'000
Salaries	107	103
Benefits in kind	-	-
	<u>107</u>	<u>103</u>
Pension contributions	<u>18</u>	<u>15</u>

Compensation for loss of office paid to former key management personnel

	2016	2015
	£'000	£'000
Compensation paid to the former post-holder - contractual	14	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's Corporation Board.

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

8 Other operating expenses

	2016	2015
	£'000	£'000
Teaching costs	1,133	788
Non-teaching costs	2,559	3,937
Premises costs	813	1,445
Total	4,505	6,170

Other operating expenses include:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	17	17
Internal audit	16	14
Other services provided by the financial statements auditor - audit of Teacher's Pension Certificate	1	1
Dilapidation Costs	-	425
Hire of assets under operating leases	451	538

9 Interest and other finance costs

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	29	41
	29	41
Pension finance costs (note 21)	88	65
Total	117	106

10 Tangible fixed assets

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	10,413	-	4,157	4,662	19,232
Additions	667	-	950	-	1,617
Disposals	-	-	(67)	-	(67)
Transfer of assets under construction	4,662	-	-	(4,662)	-
At 31 July 2016	15,742	-	5,040	-	20,782
Depreciation					
At 1 August 2015	5,368	-	3,431	-	8,799
Charge for the year	592	-	519	-	1,111
Elimination in respect of disposals	-	-	(63)	-	(63)
At 31 July 2016	5,960	-	3,890	-	9,850
Net book value at 31 July 2016	9,782	-	1,150	-	10,932
Net book value at 31 July 2015	5,045	-	726	4,662	10,433

Inherited Land and Buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated cost basis.

Land and buildings with a net book value of £433,240 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

Assets under construction consisted of the costs associated with the new build of an Engineering and Construction Workshop and the refurbishment of the Whernside Building located on the College's Aireville Campus. Contractors began work on site on the redevelopment in July 2014 and the Whernside Building came into use in August 2015, the Ribbleshead Building (the Engineering and Construction Workshop) came into use in November 2015.

If Inherited Land and Buildings had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

11 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	116	103
Prepayments and accrued income	262	577
Amounts owed by the Skills Funding Agency	139	250
Total	517	930

12 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loans and overdrafts	308	1,000
Other Loans	10	-
Trade payables	645	347
Other taxation and social security	7	1
Accruals and deferred income	405	903
Deferred income - government capital grants	278	300
Deferred Income - government revenue grants	200	-
Amounts owed to the Skills Funding Agency	6	60
Amounts owed to the EFA	148	119
Total	2,007	2,730

13 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans	538	-
Other loans	30	-
Deferred income - government capital grants	3,590	3,868
Total	4,158	3,868

14 Maturity of debt**(a) Bank loans and other loans**

Bank loans and other loans are repayable as follows:

	Bank Loans 2016 £'000	Other Loans 2016 £'000	Total 2016 £'000	Total 2015 £'000
In one year or less	308	10	318	1,000
Between one and two years	308	10	318	-
Between two and five years	230	20	225	-
In five years or more	-	-	-	-
Total	846	40	861	1,000

15 Provisions

	Defined benefit obligations £'000	VAT £'000	Dilapidations Costs £'000	Total £'000
At 1 August 2015	2,690	53	425	3,168
Expenditure in the period	(491)	-	(425)	(916)
Additions in period	2,100	-	-	2,100
At 31 July 2016	4,299	53	-	4,352

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 18.

Following a VAT inspection at Multiflight Limited, one of the College's landlords, in June 2015, HM Revenue & Customs challenged the entitlement of the College to pay rent to that landlord without VAT. The College settled the liability to 31 July 2015 of £53k in October 2016.

The provision for dilapidations related to a present legal obligation to pay £425,000 to the landlords of six leased buildings where the College's Construction Department was previously based. The payments comprised of amounts due to enable the Landlords to re-instate the buildings back to a leasable condition; and compensation for rent and rates due and legal fees. The College terminated a number of these leases and made a £350,000 payment on the 31 October 2015. The remaining leases were terminated on 31 March 2016 and the remaining amounts paid over. The Construction Department relocated to the new Construction Building on the Aireville Campus in November 2015.

16 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,418	(743)	-	675
Total	1,418	(743)	-	675

17 Capital and other commitments

	College and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	87	1,530

18 Lease obligations

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

	College and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	294	319
Later than one year and not later than five years	1,100	1,134
Later than five years	1,706	1,966
	3,100	3,419

19 Events after the reporting period

The College has been awarded £35,000 funding towards a Computer Science Laboratory from the York, North Yorkshire and East Riding Local Enterprise Partnership and is in discussion with this body around the funding of a new build £1.6 m Animal Management Centre.

In 2015 the Department for Business, Innovation and Skills and the Department for Education published a paper about area reviews of the post-16 education and training sector. Every area was scheduled to undergo a review between September 2015 and March 2017. Each area review will cover FE and sixth form colleges. The aim of these reviews is to ensure that there is the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision. Craven College is in the York, North Yorkshire, East Riding and Hull Area Review which began in October 2016. The Review is scheduled to be completed by February 2017 and no recommendations are currently in the public domain.

20 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the North Yorkshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by North Yorkshire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2016	2015
	£000	£000
Teachers' Pension Scheme: contributions paid	567	524
Local Government Pension Scheme:		
Contributions paid	491	485
FRS 102 (28) charge	310	173
Charge to the Statement of Comprehensive Income	801	658
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	1,368	1,182

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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 £880,000 (2015: £861,000)

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 plan, with the assets held in separate funds administered by North Yorkshire County Council. The total contributions made for the year ended 31 July 2016 were £692,000, of which employer's contributions totalled £491,000 and employees' contributions totalled £201,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.3%	3.6%
Future pensions increases	1.8%	2.1%
Discount rate for scheme liabilities	2.6%	3.6%
Inflation assumption (CPI)	1.8%	2.1%

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

	At 31 July 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	23.3	23.2
Females	25.8	25.7
<i>Retiring in 20 years</i>		
Males	25.6	25.4
Females	28.1	28.0

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	15,204	13,333
Present value of plan liabilities	(19,503)	(16,023)
Net pensions (liability) (Note 14)	(4,299)	(2,690)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	801	658
Past service cost	-	-
Total	801	658

Amounts included in investment income

Net interest income	88	65
Pension expense recognised in profit and loss	889	723

Amount recognised in Other Comprehensive Income

Return on pension plan assets	898	1,145
Experience losses arising on defined benefit obligations	(2,109)	(1,856)
Amount recognised in Other Comprehensive Income	(1,211)	(711)

Movement in net defined benefit (liability) during year

	2016	2015
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(2,690)	(1,741)
Movement in year:		
Current service cost	(801)	(658)
Employer contributions	491	485
Past service cost	-	-
Net interest on the defined (liability)	(88)	(65)
Actuarial gain or loss	(1,211)	(711)
Net defined benefit (liability)/asset at 31 July	(4,299)	(2,690)

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	16,023	13,038
Current service cost	801	658
Interest cost	577	559
Contributions by Scheme participants	198	194
Experience gains and losses on defined benefit obligations	2,109	1,856
Changes in financial assumptions	-	-
Estimated benefits paid	(205)	(282)
Defined benefit obligations at end of period	19,503	16,023
Changes in fair value of plan assets		
Fair value of plan assets at start of period	13,333	11,297
Interest on plan assets	489	494
Return on plan assets	898	1,145
Employer contributions	491	485
Contributions by Scheme participants	198	194
Estimated benefits paid	(205)	(282)
Fair value of plan assets at end of period	15,204	13,333

21 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's 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 £1k; 5 governors (2015: £1k). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2015: None).

Craven Educational Trust

The Craven Educational Trust was formed on 5 May 2014, as a company limited by guarantee, to operate The Skipton Academy (formerly Aireville School). The College Principal, Robert Bellfield, is the CEO of Craven Educational Trust. The Director of Governance of Craven College, Joan Matthews, is the Clerk to the Trust Board and the College's Vice Principal for Finance and Resources, Joanne Sherrington, is the Company Secretary for the Trust and the Chief Financial officer. The Chair of the College Board is also a member of the Trust Board. There were purchase transactions of £14,188 (2014/15 £15,565) with the Trust during the year with a nil balance outstanding. Sales transactions with Craven Educational Trust amounted to £31,842 (2014/15 £129,666) with a balance of £nil (2014/15 £151) outstanding at the year end.

Craven Rural and Business Skills Centre Limited

Craven Rural and Business Skills Centre Limited is a company limited by guarantee from which the College rents property. The College Principal, Robert Bellfield, became a Director of the Company on 12 December 2014. The College's Vice Principal for Finance and Resources, Joanne Sherrington, is the Company Secretary and a Director. Purchase transactions with the Company in the year amounted to £39,593 (2014/15 £32,878) with £7,783 outstanding at the year-end (2014/15 £7,717). There were no sales transactions with company during the year.

Skipton BID Limited

A Business Improvement District (BID) is a defined area where businesses work as a partnership to improve their trading environment. In England and Wales, BIDs were introduced through legislation (the Local Government Act 2003) and subsequent regulations in 2004. Skipton BID Limited manages the levies charged on all business rate payers in addition to the business rates bill. Robert Bellfield, the College Principal, is a Director of the BID Company. Purchase transactions with the Company in the year amounted to £238 (2014/15 £1,610) with a £nil balance outstanding at the year-end (2014/15 £nil). There were no sales transactions with company during the year.

Skipton Mechanics Institute

Skipton Mechanics' Institute is a Charitable Trust pledged to encourage local organisations, associations, schools, colleges and individuals in the pursuance of studies as well as assisting any form of activity or recreation for the improvement of young people by way of financial grant. Robert Bellfield, the College Principal, is Secretary to the Trust. The Trust made a grant of £2,000 to the College for the purchase of a treadmill for the new gym in 2014/15. There were no other sales or purchase transactions with company during the year (2014/15 £nil).

The Environmental Association for Universities and Colleges (EAUC)

The Environmental Association for Universities and Colleges (EAUC) is a not-for-profit charity with a membership of over 215 universities and colleges, supporting sustainability within the UK tertiary education sector. Robert Bellfield, the College Principal, was a Trustee of the organisation until his resignation in April 2016. Purchase transactions with the Company in the year amounted to £238 (2014/15 £968). There were no sales transactions during the year.

Airedale NHS Foundation Trust

Airedale NHS Foundation Trust is a NHS hospital and community services trust providing care for a population of over 200,000 people from a widespread area covering 700 square miles within Yorkshire and Lancashire. Andrew Copley, a Board Member, is the Finance Director for the Trust. During the year the College purchased Occupational Health Services from the Trust at a cost of £1,140.

Incommunities Group

Incommunities is one of the largest social housing providers in the UK, providing affordable, high quality homes, principally for rent in neighbourhoods across the Bradford District. Sue Laycock, a Board member, is Director of HR at Incommunities Group. During the year the College worked with the Group to deliver projects for the unemployed and paid the Group £49,650.

Transactions with the funding bodies HEFCE are detailed in notes 2 and 12.

22 Amounts disbursed as agent**Learner support funds**

	2016	2015
	£'000	£'000
Funding body grants – hardship support	254	351
Funding body grants – childcare	59	31
	<u>313</u>	<u>382</u>
Disbursed to students	(287)	(275)
Administration costs	(17)	(19)
	<u>9</u>	<u>88</u>
Balance unspent as at 31 July, included in creditors		

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

Employer Incentive

	2016	2015
	£'000	£'000
Funding body grants – Employer Incentive	197	367
Disbursed to Employers	(179)	(363)
	<u>18</u>	<u>4</u>
Balance unspent as at 31 July, included in creditors		

23 Lottery Grant Funding

2016	2015
£'000	£'000

The College received grant funding during the year from the Big Lottery Fund. These funds were held for work with troubled families.

Amounts claimed in the year	7	0
Grant received during the period	0	0
To be claimed	<u>7</u>	<u>0</u>

The outstanding claim value is included within accrued income (Note 11)



LOTTERY FUNDED

24 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 st August 2014 £'000	31 st July 2015 £'000
Financial Position			
Total reserves under previous SORP		3,146	3,022
Employee leave accrual	(a)	-	-
Release of non-government capital grants	(b)	17	17
Reversal of capital grants amortisation	(b)	-	(13)
Changes to measurement of net finance cost on defined benefit plans	(c)	-	(146)
Changes to measurement of current service cost on defined benefit plans	(c)	-	(25)
Changes to unrealised profits and losses on defined benefit plans	(c)	-	171
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>17</u>	<u>4</u>
Total reserves under 2015 FE HE SORP		<u>3,163</u>	<u>3,026</u>

		31st July 2015 £'000
Financial performance		
Surplus for the year under previous SORP		758
Release of non-government grants received	(b)	(1)
Reversal of capital grants amortisation	(b)	(13)
Pensions provision – actuarial loss		(711)
Changes to measurement of net finance cost on defined benefit plans	(c)	(146)
Changes to measurement of current service cost on defined benefit plans	(c)	(25)
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(895)</u>
Total comprehensive income for the year under 2015 FE HE SORP		<u><u>(137)</u></u>

a) Recognition of short term employment benefits

Provision for short term employment benefits such as holiday pay was made under the previous UK GAAP and hence no adjustment was needed under FRS102.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as “government” under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College’s defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

