



CRAVEN COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2018

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 2017/18:

Robert Bellfield	Principal and Accounting officer (Resigned 04 November 2018)
Andrew Cropley	Principal and Accounting officer (Appointed 05 November 2018)
Joanne Sherrington	Vice Principal Finance and Resources
Stephanie Tinsley	Vice Principal Quality and Curriculum
Janet Metcalfe	Director of Human Resources
Lindsey Johnson	Director of Business and Community Development

Board of Governors

A full list of Governors is given on page 15 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
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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their annual report together with the financial statements and auditor's report for Craven College for the year ended 31 July 2018.

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."

Vision

The College's mission which was reviewed by the Board during the year is:

"To become the Further and Higher Education provider of choice for the Craven area, attracting and retaining students by providing high quality learning and teaching. To support students to achieve valuable qualifications, skills and experiences which enable them to fulfil their goals and become economically independent adults equipped to contribute effectively to community and society."

Strategy and Objectives

In January 2018 the College was subject to a full inspection by Ofsted and was graded Good in all areas with Outstanding for apprenticeships. In AY2017-18 the College was well above the national achievement rates for 16-18 and adults and the number 1 college for apprenticeships (timely achievement). The College has also reaccredited its Investors in People Award and Matrix Standard for Student Services. The College also achieved ISO18001 a Health and Safety British Standard in September 2018 and a National accreditation for careers guidance in July 2018.

In relation to 16-18 year olds, student numbers have declined. There may be a number of factors that influence this including increased competition from school sixth forms (most have reduced their 6th form entry requirements) and the falling population of 16 year olds. The most significant area of recruitment decline related to 17 year olds who had not attended the College before – this may be linked to the reform of A levels resulting in an AS qualification being worth less points and therefore students staying with A levels at school rather than moving on to a further education college after completing AS.

The College remains a growing provider of High Needs provision with around 92 students generating around £1.3m in income. The College achievement rate for these students is good and this area of provision was rated Good by Ofsted and growth is being experienced and further growth is anticipated.

Higher Education (HE) numbers have fallen due to reductions in part-time students across the whole of the HE system and increased competition from universities as the prevalence of unconditional offers increased. The College has also tightened up its viability rules and this has removed some programmes that recruited low numbers which has resulted in an increase in the average class size for the College's Higher Education programmes.

The College, through its Project Funding Team and Tyro Training, continues to develop important partnerships locally and across the Region including the Aire Valley and North Yorkshire. This includes attracting funding from a range of project funds including the European Union. Examples include Erasmus funding to support European work experience exchange projects for full-time students. The College continues to deliver in partnership with others European Social Funding (ESF) projects – Skills Support for the Workforce in partnership with Calderdale College.

The College also has contracts to deliver 'Building Better Communities - Action Towards Inclusion' (Big Lottery Fund and ESF) and the Big Lottery 'Pre-Troubled Families' contract amounting to approximately £0.6m.

Tyro delivers wide-ranging programmes to support the unemployed in improving their chances of finding work, especially for those with few or no qualifications or specialist vocational skills, by providing relevant and accessible training which is a key national priority given the current state of the national economy. The College is widely recognised as a very high quality provider of these programmes which it delivers in collaboration and partnership with a wide range of organisations and providers throughout the region and it is seen as a key strength of the College.

The College has maintained an SFA rating of "Good" for financial health and has continued to make operating surpluses in a very tight financial environment. The College's position has been achieved through careful management of budgets and planning staffing a long way ahead to ensure adjustments can generally be made through natural wastage and minor reorganisations as opportunities present themselves.

The College's Strategic Plan has been formulated within the context of a rapidly changing policy framework for further and higher education in England. A key impact on the planning period is that the Treasury has fixed the Department for Education's (DfE) budget up until March 2020 and DfE has used any money it has available to implement the national school funding formula. The 2015 spending review fixed the 16 to 18 funding rate (at £4,000 for a full-time student) and the adult education budget (at £1.5 billion). Education funding is ring fenced for students up to the age of 16 but not beyond which, when combined with significant pressures on the DfE budget created through population growth and new school costs, creates a very tight budgetary position. Spending on Further Education fell 14% in real terms between 2010 and 2015.

In July 2018 the College adopted a Strategic Plan for the period 1 August 2018 to 31 July 2021. 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 has three key strategic goals which it delivers with three key strategic enablers, as listed below:

Strategic Goals

1.0 Outstanding Learning

- 1.1** To deliver good value, high quality, learning for all students leading to successful recruitment, retention, achievement and progression.
- 1.2** To develop key curriculum areas which support local and national economic growth and productivity.

2.0 Well Prepared and Able Students

- 2.1** To ensure students develop the necessary knowledge, skills, aptitudes and abilities to:
 - Secure, retain and develop career and employment opportunities to support economic growth and productivity in the region.
 - Contribute as a good and effective citizen within the community.

3.0 Partnerships, Connections and Networks

- 3.1** To partner and collaborate with educational providers, public and private bodies and employers to support the local and national economic development and productivity and enhance the reputation of the College.

Strategic Enablers**4.0 Resources, Estate and Infrastructure****4.1 To implement the College's Accommodation and Estates Strategy to:**

- Support the delivery of high quality learning and teaching and student outcomes and progression.
- Develop up-to-date and modern learning and teaching resources and facilities to enable the delivery of learning and skills which support the local and national growth and productivity
- Promote sustainability and respect for the environment.

4.2 To implement a financial strategy that secures the longer term financial sustainability of the College and the achievement of the College's strategic aims.**5.0 People and Performance****5.1 To develop a culture of high performance.****6.0 Equality and Diversity****6.1 To be an Inclusive College with a diverse student and staff population, where difference and different perspectives are explored and celebrated.**

A member of the Senior Management Team leads action in support of each of the goals and enablers and progress is monitored by the Board.

RESOURCES

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

The College employs 241 people (expressed as full time equivalents), of whom 124 are teaching staff.

The College's estate has continued to develop to reduce operating and maintenance costs and provide improved learning and teaching accommodation for staff and students. The College has spent around £14m over the last 7 years on new buildings and refurbishing existing buildings. The main College site at the Aireville Campus has recently been upgraded with the addition of a new Animal Management Centre and the opening of a Computer Laboratory. The net book value of all of the College fixed assets is £11,228,000.

The College has £4,975,000 of net assets (including £1,324,000 pension liability) and long term debt of £629,000.

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.

STAKEHOLDERS

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;
- its partner schools and universities; the wider college community;
- its local borough council, combined authority and Local Enterprise Partnership.

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a deficit before other gains and losses in the year of £ (337,000), (2016/17 – losses in the year of £(234,000)), with total income of £13,697,000, (2016/17 £14,816,000). The College has accounted for increased pension adjustments under FRS102 in the year to 31 July 2018. 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 £408,000 (2016/17 - £364,000). An interest charge has also been shown in interest payable of £73,000 to recognise changes to the net finance cost in the Local Government Pension Scheme (2016/17 £105,000).

The College has accumulated reserves of £4,975,000 and cash and short term investment balances of £1,135,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Developments

The College has continually invested in its site, during the year this involved tangible fixed asset additions amounting to £1,707,000. This was split between land and buildings acquired of £1,431,000 and equipment purchased of £276,000. This included the new Animal Management Building on the main site at a cost of £1,600,000. The development was 50% funded by the York North Yorkshire and East Riding (YNYER) LEP and a loan of £400k from Craven District Council. The remainder was paid from the College's cash reserves. This replaced older accommodation on another campus. The building was completed in June 2018 and students started studying in it from September 2018. The College also began delivery from its new Computer Science Laboratory in September 2017. The YNYER LEP 50% funded the cost of £70k.

Reserves

The College has accumulated reserves of £4,975,000 and cash and short term investment balances of £1,135,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Sources of income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 81% of the College's total income.

FUTURE PROSPECTS

Developments

The College has continued to invest in its facilities and aims to increase contribution by introducing several efficiency schemes across the College site. In May 2018 the College Board agreed to the marketing and sale of the College's High Street Campus. The aim is to transfer the activities from this site and relocate to the Aireville Campus in summer 2019 allowing the College to offer the same curriculum but for staff and students to experience the full range of services required to support learning and teaching. The disposal of the Campus would also reduce the running costs of the College by £150K and provide a capital receipt that could be used to fund changes at the Aireville campus. Tyro Training relocated in late August 2018 from Crescent House in the centre of Skipton to the College's Auction Mart Campus. This co-locates Tyro Training with Apprenticeships. This reduces the number of College sites and thus estate running costs by £85K per annum and provides a more accessible location for the College's business customers. The College is working with CCM Auctions Limited to develop new equine facilities at the Auction Mart Campus to improve facilities for students and provide a venue for events and competitions. On the basis of this development going ahead the ESFA has confirmed that Craven College will receive Specialist Funding Status for its land-based provision which adds around £300K of funding per annum to the College.

Financial plan

The College governors approved a three-year financial plan in July 2018 which sets objectives for the period to 2021.

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 2017/18 (2016/17 nil).

Cash flows and liquidity

At £1,313,000 (2016/17 £1,779,000), 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 a now completed £6.2m development of the College's Aireville Campus. The College had drawn down £1,000,000 of short term debt at 31 July 2016 against this facility. In September 2016 the College fixed this as a repayment loan to be repaid by 31 March 2019.

The College received a loan in February 2018 from Craven District Council of £400,000. The loan is payable in 48 monthly instalments with the last payment being March 2022. The loan was to fund the development of the Animal Management Centre.

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 cash flow. During the year this margin was comfortably exceeded.

Reserves

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 £4,480,000, (2016/17: £2,559,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Going Concern

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

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 Committee 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 Committee 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 2017/18, 81% 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 introduction of the apprenticeship levy leading to reduced numbers of apprentice starts.
- Failure of the authorities to develop apprenticeship standards in all areas to replace frameworks. Many frameworks are funded at levels which are uneconomic to deliver.
- Recruitment practices of UK HEIs and the significant expansion of unconditional offers affecting HE recruitment of colleges.
- Development of T levels and the associated funding implications.
- Pressure on Local Authority Funding leading to changes in the funding of High Needs students.

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 and maintaining good and high achievement rates.
- 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.
- By regular dialogue with the funding agencies.
- Establishment of a clear Marketing and Recruitment Strategy.
- Exploring opportunities for alternative and new sources of funding.

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

The College's current financial health grade is classified as Good. 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.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Following an estates strategy that seeks consolidation of the College estate and Centres to reduce operating and staffing costs.
- By continuously looking for opportunities to boost income and reduce costs.

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.

KEY PERFORMANCE INDICATORS

The table below demonstrates the KPIs, and the assessment against them, that the College uses internally as well as the measure assessed externally such as Financial Health, sector specific EBITDA, Minimum Standards, delivery against funding targets and Success rates.

Key performance Indicator	Measure/Target	Actual for 2017/18
Adjusted Current Ratio	1.04	0.7
Borrowings as a percentage of income	4.1%	4.7%
EBITDA as % of income – education specific	8.1%	6.6%
Operating surplus before FRS102 pension costs	£290k	£144k
Staff costs as a % of total income less sub-contracting payments	64.1%	67.4%
Ofsted rating	Good	Good
Financial Health	Good	Good

Student achievements

Overall across 16-18, Adult and Apprenticeship provision student achievement is above the 2016-17 National Rate. In the case of Adult and Apprenticeships achievement rates have improved by around 2%. Higher Education outcomes have also improved significantly and are good. 16-18 achievements have declined slightly but remain above the 2016-17 National Rate. This may be due to increased use of end point exams. Both the good pass rate for GCSE English and Maths declined though English remains around the National Rate for GFE colleges but maths has dropped below. Overall the College is, compared to other General Further Education Colleges, number 1 for apprenticeships, in the top 25% for adults and the top 50% for 16-18 on an overall achievement basis.

OTHER INFORMATION

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. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15. 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.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 10,887 students, including 30 students with higher educational needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The College adjusts its courses to meet the needs of local employers and provides training to 661 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

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.

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 2017 to 31 July 2018, the College paid 74 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

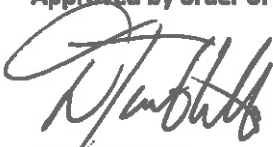
A number of events and opportunities have arisen after the reporting period as follows:

- *High Street Campus* – In May 2018 the College Board agreed to the marketing and sale of the College's High Street Campus. The aim was to transfer the activities from this site and relocate to the Aireville Campus in summer 2019. This would allow students to continue their studies and allow the College to offer the same curriculum but for staff and students to experience the full range of services required to support learning and teaching. The disposal of the Campus would also reduce the running costs of the College by £150K and provide a capital receipt that could be used to fund changes at the Aireville campus, extend parking and pay off outstanding loans to leave the College in a position of being loan free. The property came to market in September 2018 and there is significant initial interest.
- *Tyro Training at Crescent House* – Tyro Training has relocated in late August 2018 from Crescent House in the centre of Skipton to the College's Auction Mart Campus. This co-locates Tyro Training with Apprenticeships. This reduces the number of College sites and reduces estate running costs by £85K per annum and provides a more accessible location for the College's business customers.
- *Institute of Technology* – The College is part of a Partnership across North Yorkshire, East Riding and Humber to secure capital funding from the Department of Education to establish the North Yorkshire and Humber Institute of Technology to deliver higher level skills in digital, agri-tech and advanced manufacturing. The partnership of colleges, universities and anchor employers was successful with its stage 1 bid and is now preparing the full business case for a stage submission in November 2018. The outcome will be known in early 2019. The Institute of Technology will be a Joint Venture Company of the partners.
- *Equine Unit and Specialist Funding* – The College is working with CCM Auctions Limited to develop new equine facilities at the Auction Mart Campus to improve facilities for students and provide a venue for events and competitions. On the basis of this development going ahead the ESFA has confirmed that Craven College will receive Specialist Funding Status for its land-based provision which adds around £300K of funding per annum to the College.
- *Principal, Chief Executive Office and Accounting Officer* – Robert Bellfield retired after nearly 7 years as Principal on 04 November 2018 and Andrew Cropley took up post on 05 November 2018.

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 6 December 2018 and signed on its behalf by:



David Mabbitt
Chair

Governance Statement

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 2017 to 31st July 2018 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 The Code of Good Governance for English Colleges ("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 all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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 2016.

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	08/12/11	8 years		External
Robert Bellfield	Principal	09/01/12	6 years	04/11/18	Principal
Andrew Cropley	Principal	25/10/18			Principal-designate; Principal from 05/11/18
Joanna Baxter		13/10/17	4 years		Teaching Staff
Scott Boardman		07/07/15	4 years		Business Support Staff
Heather Booth-Martin		19/09/13	4 years	19/09/17	Teaching Staff
Mike Bridgman		01/08/14	4 years	28/10/18	External
Andy Brown		16/11/16	4 years		External
Molra Duggan		19/12/17	4 years		External
Lucy Goodfellow		12/06/18	1 year		Student
Richard Johnson		28/03/17	1 year	12/06/18	Student
Sue Laycock	Chair, Audit Committee (until 31/08/18) Chair, Compliance Committee	22/03/12	8 years		External
Allison O'Sullivan		18/09/18	4 years		External
Lee Rollinson		27/04/17	4 years	07/06/18	External
Paul Shorter	Chair, Learning, Teaching and Assessment Committee	29/03/11	8 years	25/11/18	External
Martyn Stone		04/03/15	4 years		External
Fiona Thomson	Chair, Search & Governance Committee	10/12/09	12 years		External
Andrea Thornton		09/07/15	4 years	20/11/17	External

David Thorpe	Chair, Audit Committee (from 1/09/18)	27/04/17	4 years		External
Chris Woodhead	Chair, Finance, Resources & Investment Committee	27/05/16	4 years		External

The members' attendance at Board and Committee Meetings, in relation to the number of meetings held, during the year ended 31 July 2018 is set out in the table below.

Board Member	Board	FRI	R	A	S&G	L,T & A	C
Robert Bellfield	6/6	5/6			2/3	4/4	1/1
Joanna Baxter	5/5					2/3	
Scott Boardman	6/6	6/6					
Heather Booth-Martin	0/0					0/0	
Mike Bridgman	7/8				2/2	3/4	
Andy Brown	6/8						
Molra Duggan	5/5						1/1
Lucy Goodfellow	1/1						
Richard Johnson	4/5						
Sue Laycock	8/8		2/2	4/4	2/3		1/1
David Mabbitt	7/8	5/6	2/2		3/3	4/4	
Lee Rollinson	5/7					3/3	
Paul Shorter	7/8		1/2	3/4		4/4	
Martyn Stone	6/8	6/6					
Fiona Thomson	6/8		2/2	2/4	2/3		0/1
Andrea Thornton	0/1					1/1	
David Thorpe	5/8			2/4			
Chris Woodhead	6/8	5/6				3/4	

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- Finance, Resources and Investment Committee

- Remuneration Committee

- Audit Committee

- Search & Governance Committee

- Learning, Teaching and Assessment Committee

- Compliance

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, Compliance 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 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 four 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 usually 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 into 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:

- Governors are confident that they know what the College is trying to achieve.
- Governors know the College's strengths and areas for improvement. Governors observe the values of good governance throughout their work.

Overall, governance arrangements were deemed to be good when last assessed in June 2018.

Governors identified the need to make improvements to further ensure that they have sufficient student feedback and understanding of the issues concerning students. They also feel that they could challenge senior managers more rigorously.

Each Committee conducted its own effectiveness review and identified specific targets for the academic year 2018/19.

Additionally, the Board has collectively reviewed its role in the overall College self-assessment and deemed itself good in line with the whole College assessment.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four 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 Committee agrees a programme of assurance work to be carried out by the College auditors and other external specialists to review the systems of internal control, risk management controls and governance processes. They report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and periodic follow-up reviews are undertaken 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 2018 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 2018 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.

The College has not appointed an internal audit service for the year ended 31st July 2018. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included:

- Internal Assurance Reports from KPMG;
- Management Reviews; and
- Other reviews carried out by external independent bodies.

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 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 programme of assurance work, and the 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 assurance reports from KPMG 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 November 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and other assurance reports, and taking account of events since 31 July 2018.

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 £230k 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. The College has one other loan with Craven District Council which has £363k outstanding at the year end, this is due to be repaid by March 2022. The College can meet its covenants for this loan 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 6 December 2018 and signed on its behalf by:



David Mabbitt
Chair



Andrew Cropley
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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



David Mabbitt

Chair

6 December 2018



Andrew Cropley

Accounting Officer

6 December 2018

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 College's Financial Memorandum with the ESFA, 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 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 6 December 2018 and signed on its behalf by:



David Mabbitt
Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF CRAVEN COLLEGE

Opinion

We have audited the financial statements of Craven College ("the College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report; Governance Statement; Statement of Regularity, Propriety and Compliance; and Statement of Responsibilities of Members of the Corporation. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College's 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.
- We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 22, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal

control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, 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 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 College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Amanda Latham
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

12th December 2018

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

In accordance with the terms of our engagement letter dated 5 September 2016 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Craven College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice Issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered Income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Craven College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Craven College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Craven College and the Education 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 Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 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 Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

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 Post-16 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Amanda Latham

Amanda Latham
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

12th December 2018

Statement of Comprehensive Income and Expenditure

Notes

		2018	2017
		£'000	£'000
INCOME			
Funding body grants	2	11,107	11,964
Tuition fees and education contracts	3	2,211	2,362
Other grants and contracts	4	134	55
Other income	5	243	434
Investment income	6	2	1
Total income		13,697	14,816
EXPENDITURE			
Staff costs	7	9,070	9,517
Other operating expenses	8	3,892	4,346
Depreciation	10	982	1,070
Interest and other finance costs	9	89	117
Total expenditure		14,033	15,050
Deficit before other gains and losses		(336)	(234)
Profit on disposal of assets	10	(1)	0
Deficit for the year		(337)	(234)
Actuarial gain/(loss) in respect of pensions schemes		2,241	1,684
Total Comprehensive Income for the year		1,904	1,450
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		1,904	1,450
		1,904	1,450

The Statement of Comprehensive Income is in respect of continuing activities.

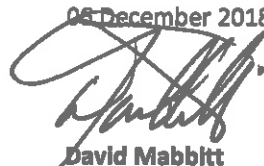
Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1st August 2016	1,092	529	1,621
Deficit from the income and expenditure account	(234)	-	(234)
Other comprehensive income	1,684	-	1,684
Transfers between revaluation and income and expenditure reserves	17	(17)	-
	1,467	(17)	1,450
Balance at 31st July 2017	2,559	512	3,071
(Deficit) from the income and expenditure account	(337)	-	(337)
Other comprehensive income	2,241	-	2,241
Transfers between revaluation and income and expenditure reserves	17	(17)	-
Total comprehensive income for the year	1,921	(17)	1,904
Balance at 31 July 2018	4,480	495	4,975

Balance sheet as at 31 July

	Notes	College 2018 £'000	College 2017 £'000
Non-current assets			
Tangible Fixed assets	10	11,228	10,504
Current assets			
Stocks		16	10
Trade and other receivables	11	661	527
Cash and cash equivalents	16	1,135	1,489
		1,812	2,026
Less: Creditors – amounts falling due within one year	12	(2,622)	(2,761)
Net current liabilities		(810)	(735)
Total assets less current liabilities		10,418	9,769
Creditors – amounts falling due after more than one year	13	(4,119)	(3,614)
Provisions			
Defined benefit obligations	20	(1,324)	(3,084)
Total net assets		4,975	3,071
Unrestricted Reserves			
Income and expenditure account		4,480	2,559
Revaluation reserve		495	512
Total unrestricted reserves		4,975	3,071

The financial statements on pages 27 to 49 were approved and authorised for issue by the Corporation on 08 December 2018 and were signed on its behalf on that date by:



David Mabbitt
Chair



Andrew Cropley
Accounting Officer

Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Deficit for the year		(337)	(234)
Adjustment for non-cash items			
Depreciation	10	982	1,070
(Increase)/decrease in stocks		(6)	4
Decrease in debtors	11	(134)	(10)
Increase/(decrease) in creditors due within one year	12	(163)	753
(Decrease)/Increase in creditors due after one year	13	475	(231)
(Decrease)/Increase in other provisions	15	-	(53)
Pensions costs less contributions payable	20	408	364
Adjustment for investing or financing activities			
Investment income	6	(2)	(1)
Interest payable	9	89	117
Profit on sale of fixed assets		1	0
Net cash flow from operating activities		<u>1,313</u>	<u>1,779</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	1
Payments made to acquire fixed assets	10	(1,707)	(641)
		<u>(1707)</u>	<u>(640)</u>
Cash flows from financing activities			
Interest paid	9	(16)	(12)
New unsecured loans		413	5
Repayments of amounts borrowed		(357)	(318)
		<u>40</u>	<u>(325)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>(354)</u>	<u>814</u>
 Cash and cash equivalents at beginning of the year	16	1,489	675
 Cash and cash equivalents at end of the year	16	<u>1,135</u>	<u>1,489</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 2017 to 2018* 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.

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 £230k 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

Revenue Grant Funding

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.

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual 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.

Fee Income

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.

Investment Income

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.

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.

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.

Teachers' Pension Scheme

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

Local Government Pension Scheme

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.

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 2018. 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	
	2018	2017
	£'000	£'000
Recurrent grants		
ESFA - Adult	1,593	1,777
ESFA - 16-18	6,607	7,142
ESFA - Apprenticeships	2,035	2,422
Higher Education Funding Council	251	208
Specific grants		
ESFA	371	113
Releases of government capital grants	250	302
Total	11,107	11,964

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Adult education fees	659	740
Fees for FE loan supported courses	229	219
Fees for HE loan supported courses	1,009	1,132
Total tuition fees	1,897	2,091
Education contracts	314	271
Total	2,211	2,362

4 Other grants and contracts

	2018	2017
	£'000	£'000
Erasmus	56	31
European Commission	-	-
Other grants and contracts	78	24
Total	134	55

5 Other Income**Year ended 31 July****2018 2017****£'000 £'000**

Catering and residences

2 6

Other income generating activities

33 89

Miscellaneous income

208 339

Total**243 434****6 Investment Income****2018 2017****College College****£'000 £'000**

Other interest receivable

2 1

Total**2 1****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:

	2018	2017
	No.	No.
Teaching staff	124	128
Non-teaching staff	117	125
	241	253

Staff costs for the above persons

	2018	2017
	£'000	£'000
Wages and salaries	7,005	7,349
Social security costs	572	605
Other pension costs	1,491	1,464
Payroll sub total	9,068	9,418
Restructuring costs – Contractual	2	99
Total Staff costs	9,070	9,517

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 Director of Human Resources and the Director of Business and Community Development.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	6

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	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	0	1	-	-
£70,001 to £80,000 p.a.	2	1	-	-
£100,001 to £110,000 p.a.	1	1	-	-
	3	3	-	-

Key management personnel emoluments are made up as follows:

	2018	2017
	£'000	£'000
Salaries	356	376
Benefits in kind	-	-
	356	376
Pension contributions	60	60
Key management personnel compensation	416	436

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:

	2018	2017
	£'000	£'000
Salaries	110	107
Benefits in kind	-	-
	110	107
Pension contributions	19	18

Compensation for loss of office paid to former key management personnel

	2018	2017
	£'000	£'000
Compensation paid to the former post-holder - contractual		44
Estimated value of other benefits, including provisions for pension		

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

	2018	2017
	£'000	£'000
Teaching costs	779	1,145
Non-teaching costs	2,290	2,417
Premises costs	823	784
Total	3,892	4,346

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	18	18
Extended Assurance Services	17	16
Other services provided by the financial statements auditor - audit of Teacher's Pension Certificate	1	1
Hire of assets under operating leases	389	373

9 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	16	12
	16	12
Net Interest on defined pension liabilities (note 20)	73	105
Total	89	117

10

	Land and buildings	Equipment	Assets in the course of construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	15,856	5,337	202	21,395
Additions	-	276	1,431	1,707
Disposals	-	(5)	-	(5)
Transfer of assets under construction	1,474	159	(1,633)	-
At 31 July 2018	17,330	5,767	-	23,097
Depreciation				
At 1 August 2017	6,517	4,374	-	10,891
Charge for the year	507	475	-	982
Elimination in respect of disposals	-	(4)	-	(4)
At 31 July 2018	7,024	4,845	-	11,869
Net book value at 31 July 2018	10,306	922	-	11,228
Net book value at 31 July 2017	9,339	963	202	10,504

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 £399,689 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 the course of construction consisted of the costs associated with the new build of an Animal Management Centre located on the College's Aireville Campus (£1.6m). Contractors began work on site in July 2017 and the building was completed in June 2018. Also, the completion of an IT Engineering Workshop on the Aireville Campus which came into use in September 2017.

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 Trade and Other Receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	67	104
Prepayments and accrued income	348	222
Amounts owed by the ESFA	246	201
Total	661	527

12 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	230	308
Other Loans	114	11
Trade payables	434	210
Other taxation and social security	146	302
Accruals and deferred income	1,031	1,232
Deferred Income - government capital grants	254	250
Deferred Income - government revenue grants	37	431
Amounts owed to the ESFA	376	17
Total	2,622	2,761

13 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans	231	231
Other loans	285	24
Deferred Income - government capital grants	3,834	3,359
Total	4,119	3,614

14 Bank loans and other loans

	Bank Loans	Other Loans	Total	Total
	2018	2018	2018	2017
	£'000	£'000	£'000	£'000
In one year or less	230	114	344	318
Between one and two years	-	114	114	318
Between two and five years	-	171	171	225
Total	230	399	629	861

15 Provisions

	Defined benefit obligations	Total 2018	Total 2017
	£'000	£'000	£'000
At 1 August 2017	3,084	3,084	4,352
Expenditure in the period	(568)	(568)	(589)
Transferred from SoCI	(1,192)	(1,19)	(679)
At 31 July 2018	1,324	1,324	3,084

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 20.

16 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	1,489	(354)	-	1,135
Total	1,489	(354)	-	1,135

17 Capital and other commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	58	1,043

18 Lease obligations

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

	2018 £'000	2017 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	296	301
Later than one year and not later than five years	1,071	1,088
Later than five years	1,248	1,448
	<u>2,615</u>	<u>2,837</u>
Other		
Not later than one year	75	75
Later than one year and not later than five years	93	168
	<u>168</u>	<u>243</u>

19 Events after the reporting period

The following events occurred after the reporting period:

- **High Street Campus** – In May 2018 the College Board agreed to the marketing and sale of the College's High Street Campus. The aim was to transfer the activities from this site and relocate to the Aireville Campus in summer 2019. This would allow students to continue their studies and allow the College to offer the same curriculum but for staff and students to experience the full range of services required to support learning and teaching. The disposal of the Campus would also reduce the running costs of the College by £150K and provide a capital receipt that could be used to fund changes at the Aireville campus, extend parking and pay off outstanding loans to leave the College in a position of being loan free. The property came to market in September 2018 and there is significant initial interest.

- **Tyro Training at Crescent House** – Tyro Training has relocated in late August 2018 from Crescent House in the centre of Skipton to the College's Auction Mart Campus. This collocates Tyro Training with Apprenticeships. This reduces the number of College sites and reduces estate running costs by £85K per annum and provides a more accessible location for the College's business customers.
- **Institute of Technology** – The College is part of a Partnership across North Yorkshire, East Riding and Humber to secure capital funding from the Department of Education to establish the North Yorkshire and Humber Institute of Technology to deliver higher level skills in digital, agri-tech and advanced manufacturing. The partnership of colleges, universities and anchor employers was successful with its stage 1 bid and is now preparing the full business case for a stage submission in November 2018. The outcome will be known in early 2019. The Institute of Technology will be a Joint Venture Company of the partners.
- **Equine Unit and Specialist Funding** – The College is working with CCM Auctions Limited to develop new equine facilities at the Auction Mart Campus to improve facilities for students and provide a venue for events and competitions. On the basis of this development going ahead the ESFA has confirmed that Craven College will receive Specialist Funding Status for its land-based provision which adds around £300K of funding per annum to the College.

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.

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 2016.

Total pension cost for the year	2018 £000	2017 £000
Teachers' Pension Scheme: contributions paid	515	564
Local Government Pension Scheme:		
Contributions paid	568	536
FRS 102 (28) charge	408	364
Charge to the Statement of Comprehensive Income	976	900
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	1,491	1,464

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 2016.

Contributions amounting to £64,899 were payable to the Teacher's Pension Scheme and contributions of £65,040 were payable to the Local Government Pension Scheme at 31 July 2018 and are included within creditors. These contributions relate to amounts due to the schemes for July 2018 and were paid over in August 2018.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £786,000 (2017: £867,000).

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 2018 were £773,000, of which employer's contributions totalled £568,000 and employees' contributions totalled £204,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of Increase in salaries	3.4%	3.3%
Future pensions increases	2.1%	2.0%
Discount rate for scheme liabilities	2.8%	2.6%
Inflation assumption (CPI)	2.1%	2.0%

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 2018 years	At 31 July 2017 years
<i>Retiring today:</i>		
Males	22.9	22.8
Females	26.4	26.3
<i>Retiring in 20 years:</i>		
Males	25.1	25.0
Females	28.7	28.6

The College's share of the assets in the plan at the balance sheet date and the expected rates of return

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000
Equity Instruments	60.4%	12,574	65.6%	11,753
Government Bonds	16.3%	3,393	13.2%	2,364
Corporate Bonds	0%	-	3.0%	538
Property	8.0%	1,665	8.2%	1,469
Cash	0.3%	62	0.8%	146
Other	15.0%	3,123	9.2%	1,648
Total fair value of plan assets	100.0%	20,818	100.0%	17,918

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

	2018 £'000	2017 £'000
Amounts Included In staff costs		
Current service cost	976	900
Past service cost	-	-
Total	976	900
Amounts Included In Investment Income		
Net Interest Income	73	105
Pension expense recognised in profit and loss	1,049	1,005
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,902	2,032
Experience losses arising on defined benefit obligations	339	(348)
Amount recognised in Other Comprehensive Income	2,241	1,684

Movement in net defined benefit (liability) during year

	2018	2017
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(3,084)	(4,299)
Movement in year:		
Current service cost	(976)	(900)
Employer contributions	568	536
Net interest on the defined (liability)	(73)	(105)
Actuarial gain or loss	2,241	1,684
Net defined benefit (liability)/asset at 31 July	(1,324)	(3,084)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	21,002	19,503
Current service cost	976	900
Interest cost	546	504
Contributions by Scheme participants	205	206
Experience gains and losses on defined benefit obligations	(339)	348
Estimated benefits paid	(248)	(459)
Defined benefit obligations at end of period	22,142	21,002

Changes in fair value of plan assets

	2018	2017
	£'000	£'000
Fair value of plan assets at start of period	17,918	15,204
Interest on plan assets	473	399
Return on plan assets	1,902	2,032
Employer contributions	568	536
Contributions by Scheme participants	205	206
Estimated benefits paid	(248)	(459)
Fair value of plan assets at end of period	20,818	17,918

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 £2k; 5 governors (2017: £3k; 4 governors). 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 (2016: 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 £nil (2016/17 £nil) with the Trust during the year. Sales transactions with Craven Educational Trust amounted to £51,320 (2016/17 £63,668) with a balance of £6,944 (2016/17 £ 19,165) 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 £27,259 (2016/17 £31,870) with £6,453 (2016/17 £7,900) outstanding at the year-end. 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 £nil (2016/17 £nil). There were no sales transactions with the company during the year.

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, was Director of HR at Incommunities Group until June 2018. During the year the College did not work with the Group to deliver projects for the unemployed.

Craven District Council

Andy Brown a Governor is also an elected Green Party Member of Craven District Council. The College has received a loan of £400,000 from the Council which it received in February 2018. Purchase transactions with the Council in the year amounted to £58,328 (2016/17 £50,021) with £19,583 (2016/17 £21,848) outstanding at the year-end. There were £6,600 (2016/17 £1,985) of sales transactions with the Council during the year (£nil balance outstanding).

22 Lottery Grant Funding

	2018 £'000	2017 £'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	(117)	(62)
Grant received during the period	132	132
To be claimed	15	70

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



