CRAVEN COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2022

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 2021/22:

Lindsey Johnson	Principal and Accounting Officer
Anita Lall	Vice Principal Quality and Curriculum, Acting Principal and Accounting Officer (Appointed 1st December 2022)
Gareth Dixon	Vice Principal Finance and Resources
Dorothy Rowley	Director of Human Resources (Resigned 29th July 2022)
Rachael Charmbury	Director of Business and Community (Resigned 7th December 2021)
Duncan Bulloch	Director of Curriculum (Appointed 1st March 2022)
Angela Crabtree	Director of Quality (Appointed 1st July 2022)

Board of Governors

A full list of Governors is given on page 19 & 20 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:

Armstrong Watson,
Number 3,
Acorn Business Park,
Airedale Business Centre,
Skipton.
BD23 2UE

Bankers:

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

Solicitors:

AWB Charlesworth	Eversheds	DWP LLP
23 Otley Street	Bridgewater Place	Bridgewater Place
Skipton	Water Lane	Water Lane
BD21 3SE	Leeds	Leeds
	LS11 5DR	LS11 5DY

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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 2022.

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 vision, which was reviewed by the Board during the year, is:

"To deliver and develop high quality learning opportunities for all through an aspirational team who collaborate with our key stakeholders in a well-connected and resourced, sustainable learning and working environment"

Strategy and Objectives

Governors and the Senior Management Team have a clear vision and ambition for the College ensuring that its provision meets the needs of students, employers and local communities to deliver an outstanding student experience. A new Strategic Plan for 2020-2025 was launched in September 2020, after extensive consultation with Governors and stakeholders. The Senior Management Team has demonstrated decisive and clear leadership of the College through the Covid-19 crisis, resulting in the rapid development of a truly digitally immersive environment for the education and training of students which has enhanced our return to classroom based learning provided opportunities for blended approaches.

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 2019-20 the College achievement rates for 16-18 and adults increased significantly, above published National Rates (NR). Although achievement rates for apprentices declined due to end point assessments being cancelled due to Covid-19, they still remain more than 5pp above NR. In 2020-21, the pandemic and the various lockdowns has had a negative impact on the overall College achievement rates. This has also been seen in 2021-22 when student took formal examinations d for the first time in 2 years.

In relation to 16-18 year olds, student numbers have increased significantly (18%) in two years from 992 in 19/20 to 1,171 in 21/22. The most significant reason for this are the introduction of courses in new subject areas (such as plumbing and electrnical installation) and an improved marketing strategy, which focusses upon targeted social media advertising, as opposed to print and radio. The College is also working on further development of curriculum aligned to jobs and opportunities, using labour market intelligence to respond to the the new Department for Education Duty to Review How Well the Education or Training Provided Meets Local Needs.

The College remains a growing provider of High Needs provision with 145 students generating lagged government funding of £870,000. The College approached North Yorkshire County Council as the Local Authority with responsibility for local High Needs provision and received additional funding to counteract the deficit in lagged funding. The College has also worked collaboratively with Brooklands Special School, in order to relocate its sixth form to the College this year, and provide access to vocational tasters from the College, within the School curriculum and thereby ensure improved progression.

The College commenced its new partnership with the University of Hull as its validating partnerfor HE provision from September 2021. HE numbers have fallen due to reductions in part-time students across the whole of the HE system and increased competition from universities who decreased their entry requirements significantly to compensate for reduced applications from international markets. The College has continued to push to increase the average class size for the College's HE programmes, meaning some options are not viable due to low recruitment.

The College, through its Project Funding Team and Tyro Training, continues to develop important partnerships locally and across the Region including the Aire Valley, Keighley, Ripon and across North Yorkshire. This includes attracting funding from a range of project funds including the European Union. The College concluded its contract with Calderdale College for the European Social Funding (ESF) projects – Skills Support for the Workforce. The College also has contracts to deliver 'Building Better Communities - Action Towards Inclusion' (Big Lottery Fund and ESF) and the Community Local Led Development projects.

During this academic year, the Tyro delivery was split. The commercial aspect of fully funded and bespoke training courses being retained with the brand, and the funded, part-time adult education offer being united under the adult and community team. This will ultimately deliver a much more synergistic offer, and prevent any internal competition between similar courses. A new prospectus was produced, which it is hoped will continue to drive this important part of the offer, as the adult education budget becomes further devolved across the College's operating region.

The College benefits from large programme specialist funding uplift for the Landbased provision from the ESFA. In order to retain this ESFA funding the College is working with Craven Cattle Marts (CCM) to deliver a new Equine Unit on their site which the College will lease. Construction work is nearly completed on this development and the development has been operational since October 2022.

The College has maintained an ESFA rating of "Good" for financial health as a consequence of the continued strong financial management throughout 2021/22. Funded learners in 2021/22 were 1,171 which are reduced in 2022/23 to 1,137; a drop of c.3%. However, an increase in baseline funding of c.8.5% has resulted in the overall 16-19 year old revenue funding increasing by 7.7%. Whilst this is positive for the College moving forwards the increase of 8.5% in government funding is on the condition of delivery of a at least a further 7.4% hours across study programmes. The impact of this is an increase in staffing costs to manage this which presents a significant financial challenge for the College in 2022/23. Throughout 2021/22 the College has also tightly managed its cash flow and gearing levels; this has seen it operate with a positive bank balance, an increase in cash reserves at the year end and operates with no overdraft facility. The College owed £209,000 on finance leases as at 31 July 2022 and the College's total borrowing to income ratio is 1.5%.

In 2021/22 the College benefitted from £149,843 of tuition fund in order to to support learners with a GCSE English and/or maths of grade 4 or lower. The tuition fund was used to support students with GCSE and Functional Skills English and maths as well as vocational sessions. High grades (9-4) for GCSE English and maths were 46% and 27% respectively. These are considerably above the national rate (25% GCSE English; 17% GCSE maths) and the Association of College's benchmark (27% GCSE English; 17% GCSE maths). In addition the application of the funding has been subject to an ESFA funding audit for which a clean opinion was received.

The College also holds Investors in People accreditation and the Matrix Standard for Student Services.

Strategic Plan

In September 2020 the College adopted a new Strategic Plan for the period 2020-2025 encompassing Our Offer, People and Position of the College. The change in Strategic Plan was as a consequence of the new Senior Management Team being in place as well as addressing the College's longer term response to the changes in operations presented as a consequence of Covid-19.

The College Strategy is broken down into three components:

Our Offer - Recognised for our outstanding apprenticeship provision, Craven College is aspirational in terms of Our Offer. Increasing the breadth of our curriculum, and securing progression from all entry points, focuses Our Offer on the development of the skills and behaviours desired for employment. Extending higher level learning and maturing the specialist nature of Our Offer. The Covid-19 outbreak has accelerated our progress towards digital immersion, which provides choice and flexibility in terms of modes of learning. We recognise the strength that partnership provides and will continue to explore opportunities to develop and continually improve inclusive provision.

Our People - Until fairly recently, the 9-5 working week was the accepted model of how colleges operated. Employees' dedication and drive was largely measured by how long they spent in the office and how many personal sacrifices they were prepared to make. We need to create a culture that focuses on both the achievement of our students, apprentices and customers and the well-being of our employees. The environment that we once knew, before the Covid-19 outbreak, has been challenged by dynamic and innovative new ways of working, which stand to benefit Our People. As leaders, we recognise that getting the best out of people requires a different kind of environment and a more flexible approach to work.

Our Position - In this ever-connected world, Our Position is one of geography, technology and reputability. The relentless financial challenges shape our focus on sustainability, promoting a keen spotlight on ensuring we deliver high-quality learning, investing in ensuring the durability of relationships with our students, apprentices, customers and stakeholders. We will continue to enhance customer satisfaction, by meeting their needs with provision which we will constantly challenge to be more flexible in terms of its facilitation. We will continue to explore opportunities to collaborate, to the benefit of Our Offer whilst underpinning synergy with business standards.

Underpinning the elements of the Strategic Plan are ***Our Behaviours*** of how all staff deliver on the Strategic Plan. This is summarised as:

We are:

- Aspirational – Creating a progressive, curious and optimistic team
- Authentic – A positive, respectful and socially intelligent team
- Collaborative – An innovative and well connected team who take personal responsibility for their actions and output.
- Resilient – An enthusiastic, flexible and pragmatic approach to delivering teaching and learning.

The intended outcomes of the Strategy are:

We are learning centred

- Against a continuously challenging financial landscape, we are responsive to the needs of our community, and the external challenges that we face
- We have an outward leaning approach to working in partnership with employers and the wider stakeholder community
- We have a comprehensive student engagement strategy, encompassing both employability skills and personal development, through an Offer which is blended and digitally-immersive
- We aim to stimulate and increase the number of businesses working in collaboration with the College in order to achieve an industry-led approach to skills development

We are High Quality

- Our aspiration is to ensure that all of our students, apprentices and customers experience the best quality of education that enables them to enrich their lives through learning new skills and knowledge
- We consistently set a culture of high expectations, consolidating and improving Our Offer
- We are recognised for excellent communication and marketing both internally and externally
- Our Offer is underpinned by a robust progression strategy

We are Financially Sustainable

- We evolve our business model to the benefit of our learners and community in a cautious yet sustainable manner
- Our campuses and practices are of the right scale and quality, providing access to industry standard learning opportunities
- We have a sustainable curriculum Offer which is responsive and agile and aligned with local, regional and national priorities
- We enable managers to be accountable for their People and their resources

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 employed 233 (2020/21: 220) people in the year (expressed as full time equivalents), of whom 129 (2020/21: 110) are teaching staff.

The college enrolled 3,014 students. The college's student population includes 1,147 16-to-18-year-old students, 574 apprentices, 90 higher education students and 1,203 adult learners.

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 invested around £4.8m over the last 5 years on new buildings, refurbishing existing buildings and refreshing the Colleges IT infrastructure. The main College site at the Aireville Campus has recently been upgraded with the re-development of existing and new laboratory space and an open office area for business support staff. Across the wider campus re-development of the Auction Mart Campus has resulted in the conversion of office and classroom space to electrical workshops providing additional space for growth in this area. In partnership with Craven Cattle Markets the College has also developed a new equine centre with an internal standard arena and stabling for over 20 horses.

The net book value of all of the College fixed assets is £10,370,000 (2020/21: £9,775,000).

The College has £6,406,000 of net assets (31 July 2021: £6,243,000 excluding pension liabilities). This does not include any pension liabilities as the pension scheme valuation is in an asset position but a net nil position has been included in the financial statements as the College would not receive any financial benefit in the event of the pension scheme being dissolved. The College has long term debt of £209,000, (2020/21: £71,000) with the increase due to finance leasing of IT equipment being taken out in the year.

EXTERNAL REPRESENTATION

The Principal represents the College on a number of external committees:

- Association of Colleges English and maths Policy Group member
- Association of Colleges Equality and Diversity Group member
- Association of Colleges Green Thread Special Interest Group Vice Chair
- Association of Colleges Quality and Accountability Group member
- Association of Colleges Yorkshire and Humber Principal's Group member
- Association of School and College Leaders member
- Craven Heritage Action Zone Board member
- EAUC (Alliance for Sustainability Leadership in Education) Trustee
- Four Nations College Alliance member
- LANDEX Principal's Group member

- Skipton Business Improvement District Vice Chair
- Skipton Mechanics Institute Trustee
- Women's Leadership Network member
- York, North and East Yorkshire College's Group member
- Yorkshire and Humber Institute of Technology Director

The Vice Principal Curriculum & Quality represents the College on several external committees:

- Association of College Yorkshire & Humber Curriculum & Quality Group member
- LANDEX group member
- Landex Quality & Curriculum committee member
- University of Hull Collaborative College Partnership Board member
- CAVA Board member

The Vice Principal Finance & Resources represents the College on the following external committees:

- Association of College Yorkshire & Humber Finance Group member
- LANDEX Finance Committee member

STAKEHOLDERS

The College has many stakeholders including:

- its current, future and past students – to include parents and guardians;
- 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 district and borough councils, combined authority and Local Enterprise Partnerships.

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 18. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 3,014 students, including 162 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 574 apprentices. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a deficit before other gains and losses in the year of £(1,097,000) (2020/21: £(1,186,000)), with total income of £13,838,000 (2020/21: £12,942,000).

The increase in 16-18 learners receruited in 2020/21 led to a reduced allocation from the Education and Skills Funding Agency (ESFA) combined with increased apprentice learners resulted in an increase of £896,000 in income. This is despite the reduction in adult learning delivery and HE learners.

Staffing costs, excluding FRS102 charges in relation to defined benefit pension liabilities and restructuring costs, were £9,009,000 (2020/21: £8,356,000) were significantly higher than in 2020/21 due to the increased level of delivery in the year as well as a pay award made to the lowest earners within the College workforce.

The operating costs of the College increased by c.18% ompared to the previous year. This is due to the previous year including the release of a significant provision not longer required meaning that the underlying increase is c.11% largely due to the impact of increased utility costs and the additional operating lease expenditure associated with the IT refresh carried out in the year.

The College has accounted for increased pension adjustments under FRS102, including interest on defined benefit pensions schemes, in the year to 31 July 2022 of £1,263,000.

Cash flows and liquidity

At £1,420,000 (2020/21: £1,321,000), net cash flow from operating activities has improved year-on-year with continued improvements seen in operating performance before depreciation and capital losses.

During the year the college invested £1,237,000 including £299,000 of investment in new and refurbished laboratories and £260,000 in the fit out of the new equine arena.

The size of the college's total borrowing is set to ensure it has a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this cushion was sizeable; the interest paid of £8,000 was clearly exceeded comfortably by the operating cashflow of £1,420,000.

Developments

In 2021/22 the College invested in tangible fixed asset additions amounting to £1,487,000; of which £299,000 was invested in development and re-furbishment of laboratory space and £260,000 in fitting out fixtures and fittings of the new equine arena. The investment in the laboratory re-furbishment and development was partially funded by T-Level Capital Grants which College received from the Department for Educations.

The investment in the new equine arena is following the development of the facility in partnership with Craven Cattle Mart. This will provide the College with an international standard equaestrian facility with an internal and external arean space, turn out pens, teaching spaces, solarium and stabling for 22 horses. This new facility will provide students with a world class facility to enhance their learning experience as well as provide the wider equestrian community access to the facility through commercial lettings.

A further £678,000 was invested in a range of other projects including a range of curriculum equipment and estate developments. Non-cash additions of £250,000 were also made in IT hardware which the College has entered into a finance lease agreement for.

Reserves

The College has accumulated reserves of £6,150,000 including pension liability which is set to nil this year due to the scheme being in an asset position overall (reduced to zero in the financial statements to reflect the asset ceiling) and cash and short term investment balances of £1,673,000. The College wishes to move to a growth in reserves (excluding FRS102 charges in relation to defined benefit pension liabilities) and grow accumulated 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 2021/22 the FE funding bodies provided 84% (2020/21: 78%) of the College's total income.

Impact of Covid-19

The impact of the global Covid-19 pandemic had a minimal impact on the College financially in 2021/22 as most activities were able to resume. However, it did contribute to the College failing to deliver its full adult education budget due to some ongoing restrictions. However, this reduced delivery was managed through reduced staff costs resulting in minimal impact on performance.

In addition to the loss of revenue the College has also incurred additional expenditure associated with ensuring the campus was safe for returning students and staff of approximately £20,000 as well as ongoing investment in additional Technology resources to support with on-line learning for students and remote working for staff.

Looking ahead the College is aware of the potential risks associated with the impact of a further lockdown and continues to invest in technology resources to ensure the College workforce can work flexibly in the event of further lockdowns.

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- Continued to encourage staff to utilise technology such as MS Teams and Zoom calls in place of physical travel to/from meetings;
- Embedded the use of electric/hybrid vehicles within the College fleet with 3 now being electric/hybrid vehicles;
- Transitioned all electricity supply to be from green suppliers;
- Upgraded a number of ineffiecnt gas boilers to modern, more efficient replacements.

Despite progress made in reducing its carbon output the College faces increasing operational and cost challenges to further progress reductions due to reduced supply and increased costs in the context of maintaining delivery of quality teaching and learning.

The Colleges greenhouse gas emissions and energy usage for the period are set out below:

Energy Consumption used to calculate emissions	**1 August 2021 to 31 July 2022**	**1 August 2020 to 31 July 2021**
Gas (kWh)	1,062,459	1,427,388
Electricity (kWh)	683,609	558,956
Transport Fuel (miles)	99,090	81,502
Scope 1 emissions in metric tonnes CO2e		
Gas Consumption	193.9	261.4
Owned transport	-	0.3
Total Scope	193.9	261.7
Scope 2 emissions in metric tonnes CO2e		
Purchased Electricity	132.2	129.2
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	27.9	13.6
Total gross emissions in metric tonnes CO2e	354.1	404.5
Intensity Ratio (FTE staff)	233.2	215.6
Tonnes CO2e per FTE	**1.52**	**1.88**

Qualification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity ratio

The chosen intensity measurement ratio is tonnes CO2 per FTE.

FUTURE PROSPECTS

Developments

The College has continued to invest in its facilities and aims to increase contribution by introducing several schemes across the College site. In July 2021 the College Board approved the sale of the property for £655,000. The disposal of the High Street Campus will reduce the annual running costs of the College. The cash receipt will provide the Colleg with a cash sum in cash reserves to further bolster the financial position.

The College is continuing to work 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. This development is now operational and was officially opened on 4th November 2022. This will enable the College to continue to receive Specialist Funding Status for its land-based provision which adds around £275,000 of funding per annum to the College.

The College is planning to invest in core back office systems in 2022/23 with a new HR and Payroll system. This project is planned to be tendered in late 2022 with implementation planned to be completed before July 2023.

Financial plan

The College governors approved a financial plan in July 2021 which sets objectives for the period to July 2023 and a budget for the year 2022-23 in June 2022. Further development of the longer term financial plan is underway as range of additional capital funding routes have become available to the sector.

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.

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 2021/22 (2020/21: nil).

Cash flows and liquidity

At £1,420,000 (2020/21: £1,321,000), net cash flow from operating activities remained positive.

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

In order to finance the investment in IT equipment the College made it took on finance leases of £250,000 of which £209,000 remains outstanding as at 31st July 2022.

Despite the difficulties faced throughout the Covid-19 pandamic the College has maintained a robust cash position at the year end with no additional support being received from the ESFA or funders to support this position. The College continues to monitor the cash flow performance to ensure it can manage through the ongoing challenges it faces from cost price inflation in utilities and other resources along with the challenges this presents to investment in staff pay.

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 £6,150,000 excluding pension liability (2020/21: £5,974,000 excluding pension liability). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Coming through the Covid-19 pandamic the College has managed its reserves position to remain in a strong position. Moving forward the challenge faced by the College are towards cost price inflation and associated impactes on staffing costs which will ultimately impact the Colleges financial reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues 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 preventative 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 the Office for Students (OfS). In 2021/22, 84% 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 including devolution of local authority budgets.
- 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 incomplete utilisation of the apprenticeship levy leading to reduced numbers of apprentice starts.
- The ability of apprenticeship employers to transfer their funding to another provider via the Digital Apprenticeship Service.
- 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 resulting in the defunding of existing Level 3 provision.
- 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 maintaining outstanding apprenticeship provision.
- By regular dialogue with the funding agencies.
- By establishing a clear Marketing and Recruitment Strategy.
- By 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 (LGPS) deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk this presents to the College is from the perspective of future cash contribtuions to the scheme. The ongoing liabilities of the scheme are part the wider North Yorkshire County Council LGPS and all cash contributions to the scheme over the medium term can be with the College's existing cash flows. The most recent triennial valuation indicates a reduction in the contribution rates from the College reducing this level of risk.

3. Demographic change

A key factor in determining the College's future income and strategy has been based on the forecast static volume of 16-year-old learners compared to the present level. Some sixth forms have increased their intake of 16 year olds whilst general FE colleges have seen a drop in intake. This has led to a prudent learner number forecast on the part of the College in our financial forecasts. Improving our technology, our estate and continuing to deliver high quality courses, which serve our population's needs, will keep us competitive to maintain our student share. Growth in student numbers has principally arisen from the introduction of new curriculum offers (e.g. e-sports, electrical installation, and plumbing)

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 the high levels of inflation impacting all operating costs, most specifically challenges in pay to staff.

This is in the background of no guarnanteed increase in funding from central government. 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.

The impact of inflation in the coming financial year is of heightened concern in the current climate which the College management team will monitor closely.

5. Ensuring the Governing Board is fit for Purpose

The College recognises the need for a Governing Board with a high level of expertise and experience who can offer sufficient challenge to the management team. The Director of Governance ensures that Governors have high quality training provided and the Search and Governance Committee focuses on succession planning strategies for retiring Governors.

6. Covid-19 and impact on results

The ongoing impact of Covid on qualifications cannot be under-estimated. The College saw a significant increase in mental health issues amongst students, particulary around anxiety. This was also the first year that students sat formal external examinations after two years for centre-assessed and teacher-assessed grades. This increased mental health anxiety has impacted on overall results.

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 2021/22
Adjusted Current Ratio	≥ 1	0.9
Borrowings as a percentage of income	≤ 5%	1.6%
EBITDA as % of income – education specific	≥ 3 %	5.2%
Staff costs as a % of total income less sub-contracting payments	≤ 65%	66.8%
Ofsted rating	≥ Good	Good
Financial Health	≥ Good	Good

The College met four of these indicators in the year despite the challenges faced in relation to coming out of the Covid-19 pandemic and the uncertainty in the economy that has followed. The performance above is a reflection of the actions taken to improve the College's operational management and finances throughout the year which have taken effect in the year. The Corporation and management team continue to focus on delivering further performance improvement initiatives over the coming year whilst maintaining high standards of teaching and learning to students.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2020 to 31 July 2022, the College paid 88% (2020/21: 79%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Student achievements

Overall across 16-18 year olds achievement is 74% and is below the national rate (NR). This has been particularly impacted by qualifications at level 3 where there are external examinations. It is important to remember that due to teacher and centre assessed for the previous two academic years, students have not sat any external examinations. Pass rates for Functional Skills English and maths qualifications have improved at Entry and Level 1.

In the case of 16-18 year olds achievement rates have stayed relatively the same as 2020/21 when achievement was also 75%. Achievement for adult currently stands at 74% which is significantly under the NR. Adult student achievement has been impacted by Distance Learning qualifications. Apprenticeship achievement is 62% with a best case of 68% awhich show a good improvement on 2020-21 (51%) and against NR. The impact of delayed end point assessments (EPA) for Standards as a result of Covid is slowly diminishing. Anticipated Standards achievement is 62% against a NR of 51%.

Overall the College, when compared to other General Further Education Colleges, remains within the top 8 for apprenticeship provision. GCSE English and maths high grades (9-4) pass rates particularly for the 16-18 cohort are still above the NR but there has been a decline compared to 2020/21. Again, this is because this year students actually sat formal examinations in these subjects as opposed to being given teacher assessed grades.

Higher Education outcomes also continue to improve with the majority of students successfully completed their course giving a in-year pass rate of 95%; this has declined slightly from the 98% pass rate seen 2019/20. Of the 38 students awarded their Foundation Degree, 55% achieved a classification of Merit or above and of the 28 BA/BSc (Hons) awarded, 54% achieved a classification of 2:1 or above.

EQUALITY AND DIVERSITY

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positive differences in relation to all of the protected characteristics. We strive vigorously to remove conditions which place people at a disadvantage. 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.

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 aspires to be 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 signed up to the Association of Colleges Mental Health Charter and is committed to the mental health and 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.

Gender pay gap reporting

At the point in time of reporting to Her Majesty's Revenue and Customs (HMRC) Craven College employed 347 employees. The Gender Pay Gap Reporting Regulations require the College to report on aggregate employee pay data based on average and not individual earnings. The report is made in March 2021 for the precededing year.

	Year ending 31 July 2022
Mean gender pay gap	10.5%
Median gender pay gap	21.5%
Mean bonus gender pay gap	0.0%
Median gender bonus gap	0.0%
Proportion of males/females receiving a bonus	0.0%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	31%	69%
2	24%	76%
3	40%	60%
4 – Upper quartile	15%	85%

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 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.

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. Our assessment is documented in more detail in the accounting policy Going Concern on page 26 of the financial statements.

EVENTS AFTER THE REPORTING PERIOD

On the 29th November 2022 the Office for National Statistics (ONS) announced that all Colleges will be designated as public sector institutions and this will be back-dated to 1993. The implications of this have no impact upon the financial statements to 31st July 2022 and changes in future years will be factored in accordingly.

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 8th December 2022 and signed on its behalf by:

Stephen Morton
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2021 to 31st July 2022 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 2018 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with The Code 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 2022. 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 updated by the Association of Colleges in September 2021, and adopted by the Board in March 2022.

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

Members of 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
Stephen Morton	Chair, Learning, Teaching and Assessment Committee Chair, Search and Governance Committee Chair of the Board	28/03/19	4 years		External
Lindsey Johnson	Principal	17/02/20			Principal
Julie Atkins		31/03/22	4 years		Business Support Staff
Joanna Baxter		13/10/17	4 years	13/10/21	Teaching Staff
Alison Birkinshaw		01/09/19	4 years		External
Andy Brown		16/11/16	8 years	31/07/22	External
John Craig		14/04/21	4 years		External
Ed Drake		01/04/20	4 years		External
Jess Guth		08/07/21	4 years		External
Heather Kerrick		03/03/22	4 years		External
Dean Langton	Chair, Finance, Resources and Investment Committee	10/10/19	4 years		External
Richard Newall		31/03/22	4 years		Teaching Staff
Alex Peters-Day		12/08/20	4 years	18/01/22	External
Jane Rogers		12/11/20	4 years		External

Board Member	Position Held	Date of Appointment	Total term of Office	Date of Resignation/End of term of office	Status of Appointment
Martyn Stone	Chair, Audit Committee Vice-Chair of the Board (from 01/01/21) Co Vice-Chair of the Board (from 07/07/22)	04/03/15	8 years		External
Emma Woodhall		18/05/20	4 years	15/06/22	External
Penny Ralph		11/11/21	4 years	31/03/22	Teaching Staff
Mily Chadwick		20/10/21	1 year	30/07/22	Student

The members' attendance at Board and Committee Meetings, in relation to the number of meetings held and for which they were eligible, during the year ended 31 July 2022 is set out in the table below.

Board Member	Board	FRI	S &R	A	S&G	LTA
Julie Atkins	2/2					
Joanna Baxter	2/2				0/0	0/0
Alison Birkinshaw	5/9	7/7				4/4
Andy Brown	8/9			3/4		
Milly Chadwick	3/6					
John Craig	8/9			4/4		3/4
Ed Drake	6/9	6/7				
Jess Guth	9/9		0/1			
Lindsey Johnson	8/9	6/7	3/3		3/3	4/4
Heather Kerrick	1/4	4/4				
Dean Langton	6/9	7/7	2/3			
Stephen Morton	9/9		3/3		3/3	4/4
Richard Newall	2/2					
Alex Peters-Day	1/4			1/1		
Penny Ralph	3/3					
Jane Rogers	9/9		2/3			2/3
Martyn Stone	7/9			4/4	3/3	
Emma Woodhall	3/6				1/2	2/3

FRI - Finance, Resources and Investment Committee
S&R - Staffing & Remuneration Committee
A - Audit Committee
S&G - Search & Governance Committee
LTA- Learning, Teaching and Assessment Committee

The governance framework

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, Teaching and Assessment, Search and Governance, Audit, and Staffing 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, 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 College has been successful in applying to the DfE for support in recruiting Governors with particular skills gaps that have been identified through the skills audit, and is working with Peridot Recruitment to fill those vacancies.

Corporation performance

The Corporation is responsible for ensuring that appropriate training is provided as required and all Governors complete an induction which includes meetings with key staff and Governors, online mandatory training, observation of meetings and external training opportunities. A training plan for the whole Board is considered by the Search and Governance Committee and is kept under regular review as a standing item at each meeting.

Training is also informed by input from individual committees. Training completed by Governors is reported to the Search and Governance Committee on a termly basis and in 2021-22, included Safeguarding, T-levels, Risk management, Regional Governance Conferences and ETF Governance Development modules. In addition, new Governors attended Regional Induction sessions delivered by the AoC and the Chair and Committee Chairs attended sessions specific to their roles. The Director of Governance, who already holds the Advanced Certificate in Corporate Governance, has been supported to undertake training appropriate to their role, including network meetings, webinars and online training.

Governors take part in an ongoing process of self-assessment which includes reviews of the effectiveness of each meeting, reviews of compliance against statutory codes, an annual self-assessment exercise as well as reviews of effectiveness of each committee and of each individual Governor in individual performance reviews. It was agreed to undertake an external review of governance at the end of the 2021-22 academic year and Carole Drury, National Leader of Governance, has been appointed to carry out that work, through the AoC. The conclusion of that process has been delayed and will be completed by the end of the autumn term of 2022-23. Findings from that process will inform the an action plan for the Board throughout 2022-23. The internal self-assessment processes identified the need to improve the quality and consistency of the papers submitted to Governors and to address outcomes, which are below national rate.

The Board has also identified the need to ensure that the appropriate structures and processes are in place to support effective and productive engagement with the College's key stakeholders and has continued to work to develop its stakeholder engagement strategies during 2021-22.

Staffing and Remuneration Committee

Throughout the year ending 31 July 2022 the College's Staffing and Remuneration Committee comprised four members of the Corporation and a co-opted member with expertise in human resources. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprised three members of the Corporation (excluding the Accounting Officer and Chair) and a co-opted member with relevant Audit experience and expertise. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's internal, 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 comprised four members of the Board, including the Accounting Officer, along with 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 they are personally responsible, in accordance with the responsibilities assigned to him/her in the Financial Memorandum between Craven College and the funding bodies. They are 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 2022 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 2022 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 and cash flow
- 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 re-appointed TIAA as internal auditors from July 2022 for a further 2-year period.

During 2021-22 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 audit reports from TIAA;
- Management Reviews; and
- Other reviews carried out by external independent bodies.

Risks faced by the Corporation

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. The Board considers strategic risks at every meeting and individual committees review those risks relevant to their areas of responsibility at every meeting. The Corporation is satisfied that the risk register addresses all principal risks noted in the strategic report.

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

Control weaknesses identified

During the year ended 31 July 2022 no significant internal control weaknesses or failures have arisen requiring action to be taken.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements are:

- Safeguarding
- Staff Wellbeing
- Risk Management framework
- Apprenticeships
- Budgetary Control
- Learner Numbers
- GDPR Compliance
- Network/Cyber Security

All recommendations raised in the reports are being or have already implemented by the senior management team.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Their 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 their 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 TIAA 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 December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and other assurance reports, and taking account of events since 31 July 2022.

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's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future. The College total loans outstanding at the end of the year is £209,000 of which the main loan is in relation to finance leasing of IT assets of £207,000; this is due to be repaid ocver the next 2 years.

Accordingly, having reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its loan repayments 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 8th December 2022 and signed on its behalf by:

Stephen Morton	**Anita Lall**
Chair	**Accounting Officer (Acting)**

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 corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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 corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

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

Stephen Morton
Chair
8th December 2022

Anita Lall
Accounting Officer (Acting)
8th December 2022

Statement of Responsibilities of the Members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.
The corporation is responsible for the maintenance and integrity of its website; the work carried out by 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 and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

Stephen Morton
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE CRAVEN COLLEGE

OPINION

We have audited the financial statements of Craven College (the "College") for the year ended 31 July 2022 which comprise the College Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the College Balance sheet and the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2019 and the College Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2022 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further Education SORP 2019 and the College Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE CRAVEN COLLEGE (CONTINUED)

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE OFFICE FOR STUDENTS' ACCOUNTS DIRECTION

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Corporation's report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the College financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- the going concern basis of accounting and disclosure of material uncertainties is appropriate.

WE HAVE NOTHING TO REPORT IN RESPECT OF THE FOLLOWING MATTERS WHERE THE OFFICE FOR STUDENTS' ACCOUNTS DIRECTION REQUIRES US TO REPORT TO YOU IF:

- the College's grant and fee income, as disclosed in the notes to the accounts, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

RESPONSIBILITIES OF MEMBERS OF THE CORPORATION

As explained more fully in the Statement of responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE CRAVEN COLLEGE (CONTINUED)

a true and fair view and for such internal control as the Corporation members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Corporation through discussions with the Corporation and other management;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management;
- identified laws and regulations were communicated within the audit team regularly and the team
- remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Corporation's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships; and
- tested journal entries to identify unusual transactions; and
- tested the operating effectiveness of key controls over purchase cycles on a sample basis; and
- reviewed the application of accounting policies including the application of capitalisation of tangible assets, and timing of recognition of grant income; and
- Considered during our work on regularity, propriety and compliance.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE CRAVEN COLLEGE (CONTINUED)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

USE OF OUR REPORT

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 13 November 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Rae

Karen Rae FCCA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Skipton

Date: 15 December 2022

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE CRAVEN COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (the ESFA)

In accordance with the terms of our engagement letter dated 13 November 2020 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, 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 2021 to 31 July 2022 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 (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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) data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Craven College and the ESFA 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 the ESFA 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 ESFA 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 and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure discussed and income received during the period 1 August 2021 to 31 July 2022 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 Code issued by the ESFA. 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.

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE CRAVEN COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (the ESFA)

The work undertaken to draw our conclusion includes:

- A review of the accuracy of the Corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.
- Consideration of staff expense claims in line with policy
- Review of procedures in respect of government procurement cards.
- Review of Corporation minutes.
- Consideration of advisory matters from internal auditors reports.

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Karen Rae

Karen Rae, FCCA
For and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Skipton

Date: 15 December 2022

Statement of Comprehensive Income and Expenditure

	Notes	2022	2021
		£'000	£'000
INCOME			
Funding body grants	2	11,088	10,071
Tuition fees and education contracts	3	1,985	2,232
Other grants and contracts	4	438	483
Other income	5	324	156
Investment income	6	3	-
Total income		**13,838**	**12,942**
EXPENDITURE			
Staff costs	7	10,187	9,972
Other operating expenses	8	3,742	3,159
Depreciation	10	892	861
Interest and other finance costs	9	114	136
Total expenditure		**14,935**	**14,128**
Deficit before other gains and losses		**(1,097)**	**(1,186)**
Profit on disposal of assets	10	-	3
Deficit for the year		**(1,097)**	**(1,183)**
Actuarial gain in respect of pensions schemes		8,617	4,183
Effect of pension asset ceiling		(706)	-
Total Comprehensive Income for the year		**6,814**	**3,000**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		6,814	3,000
		6,814	3,000

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 2020	**(3,690)**	**282**	**(3,408)**
(Deficit) from the income and expenditure account	(1,183)	-	(1,183)
Other comprehensive income	4,183	-	4,183
Tranfers between revaluation and income	13	(13)	-
	(677)	269	(408)
Balance at 31st July 2021	**(677)**	**269**	**(408)**
(Deficit) from the income and expenditure account	(1,097)	-	(1,097)
Other comprehensive income	8,617	-	8,617
Effect of pension asset ceiling	(706)	-	(706)
Transfers between revaluation and income and expenditure reserve	13	(13)	-
Total comprehensive income for the year	6,827	(13)	6,814
Balance at 31 July 2022	6,150	256	6,406

Balance sheet as at 31 July 2022

	Notes	College	College
		2022	2021
		£'000	£'000
Non-current assets			
Tangible Fixed assets	10	10,370	9,775
Current assets			
Stocks		17	17
Trade and other receivables	11	726	609
Assets held for resale	10	486	486
Cash and cash equivalents	15	1,673	1,606
		2,902	**2,718**
Less: Creditors – amounts falling due within one year	12	(3,248)	(2,555)
Net current assets/(liabilities)		**(346)**	**163**
Total assets less current liabilities		**10,024**	**9,938**
Creditors – amounts falling due after more than one year	13	(3,618)	(3,695)
Provisions			
Defined benefit obligations	19	-	(6,651)
Total net (liabilities)/assets		**6,406**	**(408)**
Unrestricted Reserves			
Income and expenditure account		6,150	(677)
Revaluation reserve		256	269
Total unrestricted reserves		**6,406**	**(408)**

The financial statements on pages 35 to 57 were approved and authorised for issue by the Corporation on 8th December 2022 and were signed on its behalf on that date by:

Stephen Morton
Chair

Anita Lall
Accounting Officer (Acting)

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(1,097)	(1,183)
Adjustment for non-cash items			
Depreciation	10	892	861
(Increase)/decrease in stocks		-	(1)
Decrease in debtors	11	(117)	(147)
Increase/(decrease) in creditors due within one year	12	673	425
(Decrease)/Increase in creditors due after one year	13	(199)	62
Pensions costs less contributions payable	19	1,157	1,171
Adjustment for investing or financing activities			
Investment income	6	(3)	-
Interest payable	9	114	136
(Profit)/Loss on sale of fixed assets		-	(3)
Net cash flow from operating activities		**1,420**	**1,321**
Cash flows from investing activities			
Proceeds from sale of fixed assets		4	4
Payments made to acquire fixed assets	10	(1,237)	(626)
		(1,233)	(622)
Cash flows from financing activities			
Interest paid	9	(8)	(7)
New unsecured loans		-	-
Repayments of amounts borrowed		(112)	(111)
		(120)	(118)
Increase/(Decrease) in cash and cash equivalents in the year		**67**	**581**
Cash and cash equivalents at beginning of the year	15	1,606	1,025
Cash and cash equivalents at end of the year	15	**1,673**	**1,606**

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 2019 to 2020* 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 financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The college has made a deficit in the year of £1,097,000 (2020/21: £1,183,000) before the actuarial movement on the pension scheme, and a total surplus of £6,814,000 (2020/21: £3,000,000) including the actuarial movement on pensions.

The college has net current liabilities of £346,000 (2020/21: £163,000 net current assets) and total surplus on reserves of £6,406,000 (2020/21: £408,000 deficit on reserves).

Notwithstanding the above the Corporation confirm the college continues to be a going concern, without the pension liability the College has net assets of £6,406,000 (2019/20: £6,243,000), and all pension liability contributions are payable by employer contributions over a long term duration and all contributions over the medium term can be met from cash flows.

In relation to utility supplies the Corporation is in fixed price contracts until 31st December 2022, has entered into short term contracts to ensure it benefits from the governments Business Energy Relief Scheme until 31st March 2022 and is currently in negotiations over securing energy contracts from 1 April 2023.

Accordingly, the Corporation has reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its liabilities; and they confirm the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. On this basis it has adopted 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 the OFS represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income and Expenditure.

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 under the performance model as permitted by FRS102.

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 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.

The effect of asset ceiling on the LGPS pension scheme is applied to ensure an asset is not reflected in the Financial Statements.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences 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.

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 accordingly.

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.

Fixtures, Fittings and Equipment

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

Capitalised fixtures, fittings and 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.

Stocks

Stocks 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 19, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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

	2022	2021
	£'000	£'000
Recurrent grants		
ESFA - Adult	1,050	1,531
WYCA – Adult		-
ESFA - 16-18	7,754	6,658
ESFA - Apprenticeships	1,639	1,230
Office for Students	63	65
Specific grants		
Releases of government capital grants	353	336
Teachers Pension Fund Contribution Grant	229	251
Total	**11,088**	**10,071**

3 Tuition fees and education contracts

	2022	2021
	£'000	£'000
Adult education fees	364	383
Apprenticeship fees and contracts	26	26
Fees for FE loan supported courses	280	347
Fees for HE loan supported courses	540	739
Total tuition fees	**1,210**	**1,495**
Education contracts	775	737
Total	**1,985**	**2,232**

4 Other grants and contracts

	2022	2021
	£'000	£'000
Other grants and contracts	438	406
Coronavirus Job Retention Scheme Grant	-	35
Covid Testing Centre	-	40
Local Authority Covid Grant – FSM Funding	-	2
Total	**438**	**483**

5 Other income

	2022	2021
	£'000	£'000
Catering and residences	182	53
Other income generating activities	56	31
Miscellaneous income	86	72
Total	**324**	**156**

6 Investment income

	2022	2021
	£'000	£'000
Other interest receivable	3	-
Total	**3**	**-**

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, on an average headcount basis, was:

	2022	2021
	No.	No.
Teaching staff	143	183
Non-teaching staff	214	184
	357	**367**

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	7,066	6,567
Social security costs	562	515
Other pension costs	2,538	2,445
Payroll sub total	**10,166**	**9,527**
Restructuring costs – Contractual	21	445
Total Staff costs	**10,187**	**9,972**

Included in Wages and salaries are self employed and temporary staff costs of £391,000 (2020/21: £206,000).

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, the Director of Business and Community Development, the Director of Curriculum and the Director of Quality.

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	8	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	
	2022	2021
	No.	No.
£nil to £5,000 p.a.	-	-
£5,001 to £10,000 p.a.	1	1
£15,000 to £20,000 p.a.	1	-
£20,001 to £25,000 p.a.	1	-
£30,000 to £35,000 p.a.	1	-
£35,001 to £40,000 p.a.	-	1
£40,001 to £45,000 p.a.	1	-
£45,001 to £50,000 p.a.	-	1
£70,001 to £75,000 p.a.	2	2
£110,001 to £115,000 p.a.	1	1
	8	**6**

Key management personnel emoluments are made up as follows:

	2022	2021
	£'000	£'000
Salaries	355	351
Benefits in kind	-	-
	355	351
Pension contributions	78	76
Key management personnel compensation	433	427

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:

	2022	2021
	£'000	£'000
Lindsey Johnson (Appointed: 17th February 2020)		
Salaries	114	110
Pension Contributions	27	26
	141	136

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principals.

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The remuneration committee assesses the corporation's performance against KPIs and the attainment of students in the year, as well as the progress against the college's long term strategic objectives when reviewing the remuneration package of the key management personnel, including the Principal and Chief Executive. Qualitative measures of success, such as level of engagement of the staff and students are also considered.

The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered.

In 2020/21, the corporation did not meet its Key Performance Indicator targets for staff satisfaction, student numbers and student achievement. The group made a deficit in the year and the benchmarking tool showed a levelling off of principal pay in the sector as a whole and therefore no inflationary increase was awarded.

Relationship of the Principal's hourly equivalent rate of pay and hourly equivalent for all staff expressed as a multiple is shown below:

	2022	2021
Principal's basic salary as a multiple of the median of all staff	4.24	4.24
Principal's total remuneration as a multiple of the median of all staff	4.30	4.36

8 Other operating expenses

	2022	2021
	£'000	£'000
Teaching costs	899	658
Non-teaching costs	1,887	1,594
Premises costs	956	907
Total	**3,742**	**3,159**

Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' remuneration:		
Financial statements audit	21	21
Extended Assurance Services	-	-
Other services provided by the financial statements auditor - audit of Teacher's Pension Certificate	1	1
Hire of assets under operating leases	219	66

9 Interest and other finance costs

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:	8	7
Net Interest on defined pension liabilities (note 19)	106	129
Total	**114**	**136**

10 Fixed Assets

	Freehold Land and buildings £'000	Fixtures and Fittings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation					
At 1 August 2021	16,530	1,334	5,776	60	23,700
Additions	154	254	574	505	1,487
Disposals					
At 31 July 2022	**16,684**	**1,588**	**6,350**	**565**	**25,187**
Depreciation					
At 1 August 2021	8,100	708	5,117	-	13,925
Charge for the year	441	137	314	-	892
Elimination in respect of disposals					
At 31 July 2022	**8,541**	**845**	**5,431**	**565**	**14,817**
Net book value at 31 July 2022	**8,143**	**743**	**919**	**565**	**10,370**
Net book value at 31 July 2021	8,430	626	659	60	9,775

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 £295,000 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.

Included within equipment are assets under finance lease at cost of £250,000 (2020/21: £nil), accumulated depreciate of £41,000 (2020/21: £nil) resulting in a net book value of £209,000 (2020/21: £nil).

Assets under the course of construction consisted of the costs associated with the new Equine Unit to be built at Craven Auction Mart and leased by Craven College and re-defurbishmnet of laboratories funded through T-level capital grants. The total for these costs is £559,000 and covers planning fees, surveyor and legal costs and interim certificate payments to contractors.

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**

Assets Held For Sale

Assets held for sale at 31st July 2022 comprises of the property at High Street Skipton, BD23 1JY. The asset is held at cost of £486,000, (2020/21 £486,000). These assets were transferred from Fixed Assets at a cost of £953,000 and depreciation to date of £467,000. This asset was financed by Exchequer Funds. The proceeds from the sale of the asset will not be subject to surrender.

11 Trade and Other Receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	25	44
Prepayments and accrued income	572	444
Amounts owed by the ESFA	129	121
Total	**726**	**609**

12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Other Loans	2	68
Obligations under finance leases	82	-
Trade payables	530	201
Other taxation and social security	135	124
Accruals and deferred income	1,663	1,364
Deferred income - government capital grants	408	353
Deferred Income - government revenue grants	-	26
Amounts owed to the ESFA	428	419
Total	**3,248**	**2,555**

13 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Other loans	-	3
Obligations under finance leases	125	-
Deferred income - government capital grants	3,493	3,692
Total	**3,618**	**3,695**

14 Maturity of Debt

	2022	2021
	£'000	£'000
In one year or less	84	68
Between one and two years	125	3
Between two and five years	-	-
Total	**209**	**71**

15 Cash and cash equivalents

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,606	67	-	1,673
Total	**1,606**	**67**	**-**	**1,673**

16 Capital and other commitments

	2022	2021
	£'000	£'000
Other projects under way with capital commitments	286	182
Commitments contracted for at 31 July	**286**	**182**

17 Lease obligations

At 31 July 2022 the College had minimum lease payments under non-cancellable operating leases (covering campuses at Auction Mart, Ripon and Scarborough and Leeds Bradford Airport) as follows:

	2022	2021
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	226	290
Later than one year and not later than five years	640	621
Later than five years	843	968
	1,709	**1,879**
Other		
Not later than one year	307	57
Later than one year and not later than five years	321	59
	628	**116**

18 Events after the reporting period

There have been reportable events after the reporting period.

19 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 2016 and of the LGPS 31 March 2019.

The total pension cost for the year is summarised below:

		2022		2021
		£'000		£'000
Teachers' Pension Scheme: contributions paid		651		621
Local Government Pension Scheme:				
Contributions paid	730		653	
FRS 102 (28) charge	1,157		1,171	
Charge to the Statement of Comprehensive Income		1,887		1,824
Enhanced pension charge to Statement of Comprehensive Income				-
Total Pension Cost for Year within staff costs		2,538		2,445

Contributions amounting to £83,110 were payable to the Local Government Pension Scheme and contributions amounting to £72,724 were payable to the Teachers Pension Scheme as at 31 July 2022 and are included within accruals and deferred income. These contributions relate to amounts due to the schemes for July 2022 and were paid over in August 2022.

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 2016. The valuation report was published by the Department for Education (the Department) in April 2019.

The valuation reported total scheme liabilities (pensions currently in payment and the estimated costs of future benefits) for service to the effective date of £218 billion and the notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

As a result of the valuation new employer contribution rates were set at 23.68% (previously 16.48%) of pensionable pay from September 2019 onwards.

The DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 and 2022-23 financial year.

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

The pension costs paid to TPS, including staff contributions, in the year amounted to £883,000 (2020/21: £842,000).

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 2022 were £942,000, of which employer's contributions totalled £730,000 and employees' contributions totalled £212,000. The agreed contribution rates for future years are 20.4% 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 2019 updated to 31 July 2022 by a qualified independent actuary.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.9%	3.9%
Future pensions increases	2.6%	2.6%
Discount rate for scheme liabilities	3.4%	1.7%
Inflation assumption (CPI)	2.6%	2.6%

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 2022 Years	At 31 July 2021 years
Retiring today:		
Males	21.8	21.9
Females	23.8	24.0
Retiring in 20 years:		
Males	23.5	23.6
Females	25.7	25.8

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

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022 £'000	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021 £'000
Equity instruments	51.6%	13,254	60.3%	17,194
Government Bonds	13.4%	3,442	14.3%	4,077
Corporate Bonds	7.4%	1,901	4.1%	1,169
Property	8.3%	2,132	6.1%	1,739
Cash	0.4%	103	1.7%	485
Other	18.9%	4,855	13.5%	3,849
Total fair value of plan assets	**100%**	**25,687**	**100%**	**28,513**

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

	2022	2021
	£'000	£'000
Fair value of plan assets	25,687	28,513
Present value of plan liabilities	(24,981)	(35,164)
Net pensions (liability)	**706**	**(6,651)**

The effect of the asset ceiling on the scheme has reduced this net asset position under FRS102 of £706,000 to nil.

The actual return on assets in the year was a deficit of £3,515,000 (2020/21: £3,679,000).

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,887	1,824
Past service cost	69	48
Total	**1,956**	**1,872**
Amounts included in interest and other finance costs		
Net interest expense	106	129
Pension expense recognised in profit and loss	**2,062**	**2,001**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(3,515)	3,679
Experience losses arising on defined benefit obligations	12,135	504
Amount recognised in Other Comprehensive Income	**8,620**	**4,183**

Movement in net defined benefit (liability) during year

	2022	2021
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(6,651)	(9,534)
Movement in year:		
Current service cost	(1,887)	(1,824)
Past Service Cost Employer contributions	(69)	(48)
Employer Contributions	799	701
Net interest on the defined (liability)	(106)	(129)
Actuarial gain or loss	8,620	4,183
Net defined benefit (liability)/asset at 31 July	**706**	**(6,651)**

Asset and Liability Reconciliation

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	35,164	33,908
Current service cost	1,887	1,824
Interest cost	593	471
Contributions by Scheme participants	212	204
Experience gains and losses on defined benefit obligations	(12,135)	(504)
Past Service Cost	69	48
Net benefits paid out	(809)	(787)
Defined benefit obligations at end of period	**24,981**	**35,164**

	2022 £'000	2021 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	28,513	24,374
Interest on plan assets	487	342
Return on plan assets	(3,515)	3,679
Employer contributions	799	701
Contributions by Scheme participants	212	204
Net benefits paid out	(809)	(787)
Fair value of plan assets at end of period	**25,687**	**28,513**

Sensitivity analysis on significant actuarial assumptions

The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice any movement in assumptions could be accompanied by a partially offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is therefore likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

		2022 £'000	2021 £'000
Rate of increase in salaries	+/-0.1%	+/-1,102	+/-1,895
Future pensions increases	+/-0.1%	+1,142/-1,063	+1,958/-1,834
Discount rate for scheme liabilities	+/-0.1%	+1,063/-1,142	+1,834/-1,958
Mortality rate increases	+/- 1 years	+1,143/-1,061	+1,975/-1,815

No adjustment has been made for inflation experience since the actuarial report. If this had been applied it would equate to a c.5% increase in pension liabilities or c.£1,250,000. Given the effect of the asset ceiling being applied has resulted in a reduction in the disclosed pension position of £706,000 no further adjustment has been made for this in light of the scheme currently undergoing its triennial valuation which will be reflected in the financial statements for 31st July 2023.

20 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 £nil; (2020/21: nil).

No Governor has received any remuneration or waived payments from the College during the year (2020/21: None).

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's Principal, Lindsey Johnson, was appointed as a Director of the Company in June 2020. The Colleges Vice Principal Finance and Resources, Gareth Dixon is the Company Secretary, appointed June 2020. Purchase transactions with the Company in the year amounted to £28,080 (2020/21: £28,188) with £nil (2020/21: £nil) 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. The College Principal Lindsey Johnson was appointed as a director in March 2020. Purchase transactions with the Company in the year amounted to £nil (2020/21: £nil). There were no sales transactions with the company during the year.

Craven District Council

Andy Brown, a former 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, at an interest rate of 6% The outstanding balance on the loan as at 31 July 2022 was £nil (2020/21: £64,000). Purchase transactions with the Council in the year amounted to £51,324 (2020/21: £56,884) with £27,876 (2020/21: £31,861) was outstanding at the year-end. There were £8,691 (2020/21: £6,227) of sales transactions with the Council during the year and outstanding amounts owed to the College as at 31st July 2022 of £62 (2020/21: £nil).

Drake Lane Associates

Ed Drake, a Governor, is also the former Managing Director of Drake Lane Associates. Purchase transactions with the company in the year amounted to £15,044 (2020/21: £24,386) with £nil (2020/21: £nil) balance outstanding at the year end. There were no (2020/21:£nil) sales transactions with the company during the year.

Yorkshire and Humber Institute of Technology

The College's Principal, Lindsey Johnson was appointed as a Director of the consortium in May 2020. The Yorkshire & Humber Institute of Technology is a consortium of colleges, which is one of twelve Institutes of Technology across the country designed to increase higher level technical skills for employers. York College is working alongside eight other educational partners: Askham Bryan College, Bishop Burton College, Craven College, East Riding College (now East Riding TEC), Grimsby Institute of Further and Higher Education (Scarborough TEC) and Selby College, as well as the University of Hull and University of York St John, to deliver the Institute of Technology in Yorkshire and the Humber. During the year the college received no grant funding (2020/21 £28,691). Purchase transactions with York College, on behalf of the company, in the year amounted to £9,631 (2020/21: £13,432) with £nil (2020/21: £nil) balance outstanding at the year end. There were no sales transactions with the company during the year.

21 Lottery Grant Funding

	2022 £'000	2021 £'000
The College received grant funding during the year from the Big Lottery Fund. These funds were held for work with troubled families.		
Opening balance	33	4
Amounts claimed in the year	(200)	(171)
Grant received during the period	223	200
To be claimed	**56**	**33**

The outstanding claim value is included within deferred income (Note 12)

LOTTERY FUNDED