

**Cornwall College Further Education  
Corporation**

**Board report and financial statements**

**For the year ended 31 July 2015**

## **Board report and financial statements**

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## **Board report**

The Corporation Board members are pleased to present their report and the audited consolidated financial statements for the year ended 31 July 2015.

### **Legal status**

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

### **Mission and Values**

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

TCCG is one of the largest education establishments in the South West, with a turnover of approximately £70m. It operates across eight campuses in Devon and Cornwall, with extensive outreach facilities and partnerships. The Group has four main customer facing brands, with a specialist brand for businesses working across the Group:

1. Cornwall College
2. Duchy College
3. Bickton College
4. Falmouth Marine School

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

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

TCCG is the fifth largest further education college provider of apprenticeships in England and the largest in the South West, with 3,640 apprentices in 42 vocational areas. Success rates and employer satisfaction rates for apprenticeships are well above the national average. TCCG is actively involved in developing key Trailblazer frameworks that are important for employers in our region.

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

Examples of our collaborative partnerships are:

### **River Cottage**

River Cottage and TCCG are working together to give ambitious apprentices a fantastic opportunity to join the River Cottage Apprenticeship Scheme as a food and beverage apprentice. This is ideal for those who have the desire to develop a career in a restaurant, bar or hotel and they will learn the importance of communication, teamwork, safety and hygiene during food and drink delivery.

### **Eden Project Learning**

In partnership with Eden Project Learning, TCCG has recently introduced a range of new apprenticeships for enterprising and innovative individuals and businesses. A range of relevant degrees are also available, through the partnership at the Eden Project.

### **Spearhead Academy**

An innovative scheme developed by Spearhead International and Duchy College, this two-year programme of study and employment includes periods of study at Duchy College and periods of employment in Central and Eastern Europe and in the UK.

## **Board report (continued)**

### **Mission and Values (continued)**

#### **Blue Flame Academy**

A newly launched training partnership with one of the largest and most professional plumbing and heating companies in Cornwall. Full-time plumbing learners have the opportunity to work with Blue Flame, through coaching and 1-1's in college, work experience and the Blue Flame selection process at their office in Penryn which could lead to the possibility of an apprenticeship on completion of their study programme.

Since 2008, TCCG has delivered on 29 ESF projects, attracting £47m of EU funding. This has provided learning for 26,441 individuals who achieved 16,175 qualifications.

A full Ofsted inspection of the Cornwall College Group was undertaken in December 2015. The inspection report published by Ofsted on 14th January 2016 rated TCCG as 'good' in all categories and praises the expertise of teachers on all the campuses, the high standards of work from apprentices, the strong community links and the contribution of the college to raising the aspirations of people across Devon and Cornwall (only 35% of general further education colleges attained the same outcome or better under the current inspection regime).

TCCG's mission as approved by the Board is:

'Making learning work'

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

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

#### **Implementation of the strategic intent**

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

- 1. Personal Impact:** Now – exceptional choice and range of courses  
Next – lively and inclusive learning, inspiring individuals to be ambitious in life, society and work
- 2. Social Impact:** Now – major contribution in engaging the communities we serve  
Next – Deeper connectivity between individuals, business and the voluntary sector, so communities prosper
- 3. Economic Impact:** Now – Responsive to changing demands from employers  
Next – True partnerships with employers focused on shared purpose and sustainable futures
- 4. Every Learner Develops their USP:** Now – learners value learning and teaching that is learner-led  
Next – Ambitious learners expand their learning through Universal, Specialist and Personal skills (USP)
- 5. Brilliant Learning Organisation:** Now – good College with outstanding characteristics  
Next – brilliant College shaped by individuals, communities and employers
- 6. Networks of Expertise:** Now – geographically spread College sites with some exceptional specialisms  
Next – world class communities of practice energise new ideas, new outlooks and new learning

## **Board report (continued)**

### **Implementation of the strategic intent (continued)**

- 7. Future Talent Pipeline:** Now – strong learner progression to further and higher education and employment  
Next – coveted learners with deep expertise and wider capabilities to enable the regional economy
- 8. Career-led Curriculum:** Now – high levels of learner success in achieving national qualifications  
Next – work-ready learners confident to capitalise on immediate and future career opportunities
- 9. Entrepreneurial Thought and Action:** Now – successful sponsor of social enterprise  
Next – innovative individuals and partnership create opportunities for themselves and communities

### **Financial objectives**

The Cornwall College Group's financial objectives are to:

- Pursue alternative sources of funding consistent with the College's core competencies and the need for a financial contribution to the College's overall finances
- Generate sufficient levels of income to support the asset base of the College
- Adapt the cost base of the College in line with reducing funding

### **Achievements**

TCCG's achievements during 2014/15 are summarised below:

- Completed the refurbishment of the Falmouth Marine School campus
- New partnerships developed in the local community with Eden Project, Blue Flame, Deep Blue Sound, River Cottage, Software Cornwall and Plymouth Argyle
- Merger of Bicton College with the Cornwall College Group
- TCCG led on four out of five Local Response Funded projects
- Higher Newham Farm granted planning permission
- Best catering college in the South West; one of only two colleges nationally to win three People First Centre of Excellence awards
- Cornwall College media students won two Royal Television Society awards at the Cornwall Film Festival
- All agriculture apprenticeships delivered in Cornwall and the Isles of Scilly are delivered by TCCG
- Doubled awards in the World Skills competitions and was ranked 8<sup>th</sup> nationally out of the UK providers
- Increase of 12% on student uptake of the 24+ advanced learning loans
- Continued to embed TCCG's Mission Statement, set of values and nine goals under the Strategic Intent
- Further developed business services to meet the skills needs of small and medium sized enterprises
- Managed programmes funded through co-financing which deliver positive benefits
- Used recruitment and staff development to develop a balanced and capable college workforce
- Continued to work with local schools to enable learning opportunities for 14-16 year olds
- taken every opportunity to celebrate success of both TCCG and the individual
- continued to explore funding opportunities to improve existing facilities

Delivery of public benefit is covered throughout the Board report.

### **Performance indicators**

Although the Skills Funding Agency (SFA) continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. FE Choices (formerly Framework for Excellence) has four key performance indicators:

- Success rates
- Learner destination
- Learner satisfaction survey (formerly learner views)
- Employer satisfaction survey (formerly employer views)

## Board report (*continued*)

### Performance indicators (*continued*)

In 2014/15 The Cornwall College Group:

- Improved classroom learning success rates in eleven out of fifteen sector subject areas and continues its drive for further improvement
- Enabled the large majority of our learners to successfully achieve their programme of learning and develop the skills and confidence to progress to higher levels of study and employment
- Delivered the largest apprenticeship provision in the South West region with high quality learner outcomes
- Invested some of the cash balance on capital builds and refurbishments to improve the student experience
- Made progress in line with the Three Year Delivery Plan towards ensuring teaching staff achieve Qualified Teacher, Learning and Skills (QTLS) status
- Continued its high level of engagement with employers

These areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the four dimensions.

The Group is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the SFA.

### Student numbers

The main element of funding comes from the SFA and Education Funding Agency (EFA) and is dependent upon the level of activity each year. In 2014/15 the College delivered activity that has produced £24,412,000 in SFA/EFA recurrent grant funding (2013/14: £25,998,000). TCCG had 12,685 SFA/EFA-funded and 22,092 non-SFA/EFA funded students.

### Student achievements

The overall classroom learning success rate for students in 2014/15 has increased to 80.2% which demonstrates annual improvement. High numbers of learners continue to develop their English and Mathematics skills with an increasing proportion of A\*-C grades in GCSE. Overall value added for vocational courses is at or above the national average. A level success rates are excellent with large numbers of A2 learners achieving grades A\*-B. As a consequence of the Group's focus on Universal, Specialist and Personal (USP) skills, learners develop very good personal, social and employability skills with high progression rates to higher level qualifications and employment.

The Group is the largest further education provider of apprenticeships in the south west region and the large majority of apprenticeship success rates are consistently well above national averages. The overall success rate at 75.1% for 2014/15 is 6.2% above the 2013/14 national average. Timely success at 67.5% for 2014/15 is 12.8% above the 2013/14 national average.

The work place learning success rates are 87.7% overall for 2014/15, which is 3.2% above the 2013/14 national average and timely success of 79.7% for 2014/15 which is at the 2013/14 national average.

### Curriculum developments

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

## Board report (continued)

### Finances

TCCG generated an operating deficit of £6,078,000 (2013/14: £1,059,000 deficit) and these results compare with a Board target of £188,000 surplus. The historical cost position was a deficit of £9,038,000 (2013/14: £705,000 deficit) and this compares with a target of £500,000 surplus.

Income of £69,574,000 (2013/14: £71,179,000) was 2.3% lower than last year and expenditure of £75,652,000 (2013/14: £72,238,000) was 4.7% higher than last year. The expenditure included an actuary adjustment of £850,000 (13/14: £726,000).

The general revenue reserves deficit has increased to £14,214,000 (2013/14: deficit of £576,000) due mainly to an increase in the net pension liability of £10,707,000. The college has incurred a net loss on the merger with Bicton College of £3,032,000. This is mainly due to taking on net liabilities on acquisition of £5,866,000 as a result of the diminution in fixed assets following a fair value exercise. The cash balance has reduced to £3,607,000 (2013/14: £7,366,000) following capital expenditure investment of £5,631,000 (note 13) supported in part by £2,290,000 grants received (note 21).

The operating deficit includes an exceptional item of £1,017,000 (2013/14: £1,098,000) in respect of restructuring costs.

TCCG considers a number of financial performance indicators which include the following:

	2014/15	2013/14
• ratio of general revenues reserve to income	(20.4%)	(0.8%)
• ratio of general revenues reserve to income (excluding FRS 17)	31.9%	35.5%
• current ratio	0.32:1	1.30:1
• staff costs to income	73.2%	68.9%
• ratio of SFA/EFA income to total income	53.9%	50.6%

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

Name	Nature of Business	Profit generated £	Gift Aid Payment £	Retained Profit / (Loss) £
CC Education Services Limited	Co-financing projects and property services	24,394	23,414	980
CCMS (2000) Limited	Recruitment services	417,806	420,706	(2,900)

On 31 March 2015 the Cornwall College Group acquired Bicton College, the assets, liabilities and undertaking of Bicton College transferred to the Cornwall College Group at fair values. The transfer of Bicton College has been treated using acquisition accounting rules. The fair value calculation for the transfer of assets/liabilities from Bicton College has resulted in a net liability being transferred into the Cornwall College Group balance sheet. The details of the acquisition are set out in note 34. The merger is an excellent opportunity for the College to expand its curriculum offering for the benefit of local communities and to strengthen the College's rural provision. However, the 2014/15 annual accounts for the Cornwall College Group are showing a deficit position for the financial year. Bicton College was a financially challenged organisation and their financial issues are now being addressed by the Cornwall College Group. Huge progress has been made to date with the finance function of Bicton College having now been fully integrated into the Cornwall College Group's systems and processes. To achieve the integration and financial turnaround of Bicton College this has inevitably led to increased expenditure in-year contributing to the deficit outturn for the Cornwall College Group.

### Bank loans

Given the financial performance for the year ended 31 July 2015, it is likely that TCCG have breached its banking covenants in respect of the 2014/15 year, therefore, the bank loans previously shown under long term liabilities have been classified as short term liabilities in the 2014/15 financial report and accounts.



## Board report (continued)

### Cash flows

At £533,000 per cash flow statement (2013/14: £1,792,000), operating cash flow has decreased. The overall cash balance has fallen by £3,761,000 (2013/14: £2,615,000) due to the merger with Bicton College and continued investment in TCCG's property, plant and equipment, some of which is funded through grants and some through additional borrowings. TCCG drew down a new loan of £2.0 million to support these capital investments.

### Treasury policies and objectives

Treasury management is the management of TCCG's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. TCCG has a separate treasury management policy in place.

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

### Liquidity

The size of TCCG's total borrowing and its approach to interest rate management are assessed to ensure a reasonable balance between the total cost of servicing debt and operating cash flow. As part of the Bicton Merger, the College had already planned to support the cost of merger through the sale of assets. Given the current cash position, the College has decided to accelerate this process to ensure adequate levels of liquidity in the medium term.

### Developments

TCCG continued to reinvest in equipment and upgrade facilities and significant developments during the year included:

- Refurbishment of the Falmouth Marine School campus
- Set-up partnerships with a number of third party organisations to promote the employability agenda
- Merger with Bicton College

### Post balance sheet events

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

### Resources

TCCG has various resources that it can deploy in pursuit of its strategic objectives including:

- Financial - TCCG has £37,957,000 per consolidated balance sheet of net assets (including £36,391,000 per consolidated and College balance sheet of pension liability).
- People - TCCG employs 1,809 people (expressed as full time equivalents), of whom 527 are teaching staff and 1,282 are non-teaching staff, 225 of the latter relate to the trading company
- Reputation - TCCG has a good reputation locally and nationally. Maintaining a quality brand is essential for TCCG's success at attracting students and external relationships

### Taxation

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

### Principal risks and uncertainties

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

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



## Board report *(continued)*

### Principal risks and uncertainties *(continued)*

Risk registers are maintained at locality, curriculum and cross college department level and these are reviewed at least annually by the RMG to ensure that they are comprehensive and to specifically identify risks which are ranked as corporate. The Audit Committee receives the minutes and reports of RMG meetings on behalf of the Corporation Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on TCCG and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout TCCG.

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

#### 1. Government funding and student recruitment

TCCG has considerable reliance on continued government funding through the further and higher education sector funding bodies. In 2014/15, 72% (2013/14: 68%) of TCCG's revenue was ultimately public 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.

TCCG is aware of five issues which may impact on future funding:

- The November 2015 Comprehensive Spending Review confirmed that the government is reviewing its priorities for the adult skills and HE sectors which are resulting in a cash neutral funding position.
- The Chancellor of the Exchequer announced in the 2015 budget a limited devolution for Cornwall. Although there are no firm details at the moment this may well affect how skills funding is commissioned in the future.
- The demographics of Cornwall mean there are fewer 16-18 year olds progressing to Further Education.
- Department for Education and Department for Business Innovation and Skills are carrying out area based reviews which may impact on the future delivery of further education.
- The government has announced that it will be introducing an apprenticeship levy for employers. This will change the way that apprenticeships are funded.

These risks are mitigated in a number of ways:

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

#### 2. Capital programme

TCCG's Property Strategy aims to address the future requirements of students and the need to reduce the carbon footprint in response to the HE Carbon Management Programme. The strategy will be delivered over a period of years dependent on the grant funding opportunities available, cash generation and long-term borrowing.

#### 3. Quality

TCCG continues to monitor performance criteria for further education and apprenticeship programmes and introduced a number of mitigation strategies which have already resulted in TCCG achieving success rates which are in line with national averages for all FE provision. TCCG is continuing to focus on this high priority area to both remove the risk of losing educational provision as a result of performance and maintain the overall success rates of students at the current level which is above national averages. The strategy includes:

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

### Stakeholder relationships

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

- Students

## **Board report (continued)**

### **Stakeholder relationships (continued)**

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

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

### **Staff and student involvement**

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

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

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

### **Equal opportunities and employment of disabled persons**

TCCG is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. TCCG's Equality and Diversity Policy, including its Race Relations and Transgender Policies, is published on TCCG's internet site.

TCCG considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with TCCG continues. TCCG's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An Equality and Diversity Annual Report is published each year and monitored by managers and governors.

### **Disability statement**

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

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

## Board report (*continued*)

### 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.

This Board Report was approved by order of the members of the Corporation Board on 10 February 2016 and signed on its behalf by:



**P K Rees**  
**Chair**

**10 February 2016**

### Professional advisers

Financial Statement and Regularity Auditors: PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Princess Court, 23 Princess Street, Plymouth, PL1 2EX

Internal auditors: RSM Risk Assurance Services LLP, Hartwell House, 55-61 Victoria Street, Bristol, BS1 6AD

Bankers: Barclays Bank plc, 20 High Street, Exeter, Devon, EX4 3YR

Lloyds TSB Bank plc, 1<sup>st</sup> Floor, Phase 2, South East, Canons House, Canons Way, Bristol, BS99 7LB

Solicitors: Ashfords, Princess Court, 23 Princess Street, Plymouth, Devon, PL1 2EX

Bond Dickinson LLP, Ballard House, West Hoe Road, Plymouth, PL1 3AE

Foot Anstey LLP, Salt Quay House, 4 North East Quay, Sutton Harbour, Plymouth, PL4 0BN

Michelmores LLP, Woodwater House, Pynes Hill, Exeter, EX2 5WR

Stephens and Scown LLP, Osprey House, Malpas Road, Truro, Cornwall, TR1 1UT

## Corporate Governance

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

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

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

### The Corporation

The composition of the Corporation Board is set out on page 11. It is the Corporation Board’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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

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

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

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

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

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

## **Corporate Governance (continued)**

### **The Corporation (continued)**

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

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

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

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

Mr A Shefford was appointed with effect from 1.8.14

Mr A Woolman was appointed with effect from 1.8.14 for a one year term and reappointed on 1.8.15

Dr I Tunbridge OBE was appointed with effect from 10.12.14

Mr J Beer OBE was appointed with effect from 8.7.15

Mrs S Dudden was reappointed with effect from 31.7.15

Mr L Holland was appointed with effect from 1.8.15

The Board agreed at its October 2015 and December 2015 meeting to reappoint the following members whose terms of office finish shortly:

Mrs T Sorensen OBE with effect from 17.12.15

Mr P Child with effect from 7.3.16

Mr P Hardaker with effect from 1.6.16

Mr A Tuckett OBE with effect from 1.6.16.

In addition, the Board agreed at its December meeting to appoint Dr I Tunbridge as the Chair Designate.

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

Mrs B Warne resigned 15.10.14

Mrs S-J Coode completed her term of office 5.3.15

Dr J Doble completed her term of office 5.3.15

Mr A Shefford completed his term of office 31.7.15

Mrs A M Phillips acted as the Corporation Secretary.

### **Subsidiary companies**

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

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

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

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

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



**Corporate Governance (continued)**

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

Name	Date of appointment or re-appointment	Years of service Total to 31.7.15	Remaining term From 1.8.15	Board Meeting attendance 2014/15*	Status of appointment	Current Committee Membership
Mr P K Rees (Chair from 18.10.01)	1.1.13	15	1	5/5	External	Chair of Remuneration Search and Governance Finance and Resources Excellence and Experience Delivery and Development
Mr A Basi	1.9.13	-		5/5	Principal and CEO ex officio	All committees except Audit and Remuneration
Mr J Beer OBE	8.7.15	-	4		External	Audit
Mr M Bell	1.12.12	3	1	5/5	External	Chair of Delivery and Development
Ms K Burrows	1.1.14	2	2	3/5	External	Finance and Resources
Mr P Child (Vice Chair from 6 March 2014)	7.3.16	3	5	4/5	External	Chair of Finance and Resources Delivery and Development Search and Governance
Mrs S-J Coode (Vice Chair from 17.5.12)	6.3.13	12	Term ended	3/3	External	
Dr J A Doble	6.3.11	12	Term ended	3/3	External	
Mrs S Dudden	1.8.15	10	2	5/5	External	Delivery and Development
Ms J Green	1.6.12	7	1	3/5	External	Excellence and Experience
Mr P Hardaker	1.6.16	7	3	4/5	External	Chair of Audit Search and Governance
Mr L Holland	1.8.15	-	1	-	Student	Excellence and Experience
Mr D Parker	17.5.14	9	3	4/5	External	Excellence and Experience
Mr D Sharples	1.8.13	2	2	4/5	Staff	Audit
Mr A Shefford	1.8.14	-	Term ended	N/A	Student	
Mrs T Sorensen OBE	17.12.15	8	4	5/5	External	Chair Search and Governance Finance and Resources
Mr C Stratton	14.10.13	6	2	4/5	External	Finance and Resources
Ms N Taylor	1.6.13	6	2	3/5	External	Excellence and Experience Remuneration
Mr A Tuckett OBE	1.6.16	3	2	4/5	External	Chair of Excellence and Experience
Dr I Tunbridge OBE	10.12.14	1	3	4/5	External	Audit Excellence and Experience Delivery and Development
Mr P Walker	1.8.13	6	2	4/5	Staff	Excellence and Experience Search and Governance
Mr A Woolman	1.8.14	1	1	5/5	Student	Excellence and Experience Search and Governance

\*In addition to scheduled Board meetings there were seven Special Board meetings during 2014/15. Despite being called at short notice these meetings were well attended with some members attending via telephone.

Approved by order of the members of the Corporation Board on 10 February 2016 and signed on its behalf by:



**P K Rees**  
Chair

## **Corporate Governance (continued)**

### **Appointments to the Corporation**

#### ***Search and Governance Committee***

Any appointments to the Corporation Board are a matter for the consideration of the Corporation Board as a whole. The Corporation has a Search and Governance Committee which, during the year ending 31 July 2015, comprised Mr P K Rees (Chair), Mrs S-J Coode (to 5 March 2015), Mr P Child (from 6 March 2015) Mr P Hardaker, Mrs T Sorensen OBE, Mr P Walker and Mr T Woolman. The Search and Governance Committee is responsible for the selection and nomination of any new external member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training and induction for new governors is provided as required.

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

#### ***Remuneration Committee***

During the year ending 31 July 2015, the Remuneration Committee comprised Mr P K Rees, Mrs S-J Coode (to 5 March 2015), Mr P Child (from 6 March 2015) and Ms N Taylor. The committee's responsibilities are to decide and report to the Board on the remuneration and benefits of the Principal and CEO, other senior post holders and the Corporation Secretary.

Details of remuneration for the year ended 31 July 2015 are set out in note 8 to the financial statements.

#### ***Audit Committee***

The Audit Committee comprises four members of the Corporation (excluding the Principal and CEO, Chair, and members of the Finance and Resources Committee), Mrs S-J Coode (Chair to 5 March 2015), Dr J Doble (to 5 March 2015), Mr P Hardaker (Chair from 6 March 2015) and Mr D Sharples and two external co-opted members, Mr J Mashen and Mr R Cowie (from 1 November 2014). During the year the committee secretary was Mrs A Phillips, Corporation Secretary. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

The Audit Committee also advises the Corporation on the appointment of both internal and financial statement auditors and their remuneration for both audit and non-audit work.

### **Internal Control**

#### ***Scope of responsibility***

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

The Corporation has delegated the day-to-day responsibility to the Principal and CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the Group and the Skills Funding Agency. The Principal and CEO is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.



## **Corporate Governance (continued)**

### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Cornwall College Group for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

### ***The risk and control framework***

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

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

The Group has an internal audit service, which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation Board on the recommendation of the Audit Committee.

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

### ***Review of effectiveness***

As Accounting Officer, the Principal and CEO has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- comments made by the Group's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports

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

The Senior Executive 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 Executive Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation Board's agenda includes consideration of risk and control and to receive reports thereon from the Senior Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

### ***Capacity to handle risk***

The Corporation Board has reviewed the key risks to which the Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation Board.

## Corporate Governance (*continued*)

### *Internal Control*

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

### *Going Concern*

The year ended 31 July 2015 has been a challenging year financially, especially given the exceptional costs related to the acquisition of Bicton College. Given this financial performance for the year ended 31 July 2015, it is likely that the Cornwall College Group has breached its banking covenants in respect of the 2014/15 year, therefore, the bank loans previously shown under long term liabilities have been classified as short term liabilities. However, the bank has stated that it does not intend to remove support for the College and negotiations are underway to negotiate new covenants.

As part of the Bicton Merger, the College had already planned to support the cost of merger through the sale of assets. Given the current cash position, the College has decided to accelerate this process to ensure adequate levels of liquidity in the medium term.

The Board of Governors is confident that the issues underlying the financial performance for the year ended 31 July 2015 are being addressed and expects a significant improvement in financial performance moving forwards. In future the Board expects that the College will be able to operate within its banking covenants on agreed terms.

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

The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

Approved by order of the members of the Corporation Board on 10 February 2016 and signed on its behalf by:



**P K Rees**  
*Chair*



**A Basi**  
*Principal and CEO*

10 February 2016

## Statement of responsibilities of the members of the Corporation Board

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency ('the Agency') and the Corporation Board of the College, the Corporation Board, through its Principal, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *Accounts Direction for 2014-15 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

### Disclosure of information to auditors

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

Approved by order of the members of the Corporation Board on 10 February 2016 and signed on its behalf by:



**P K Rees**  
**Chair**

10 February 2016

# **Independent auditors' report to the Corporation of Cornwall College (the "institution")**

## **Report on the financial statements**

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### **Our opinion**

In our opinion:

- Cornwall College's group financial statements and parent institution financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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### **Emphasis of matter – Going concern premise**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and institution's ability to continue as a going concern. During the year to 31 July 2015, it is likely that the institution has breached its banking covenants and, as a result, bank loans previously shown under long term liabilities have been reclassified as short term liabilities.

Management are currently negotiating new covenants with the bank, and the Board of Governors is confident that the issues underlying the financial performance for the year ended 31 July 2015 are being addressed and expects a significant improvement in financial performance moving forwards. However, negotiations with the bank have yet to be finalised or agreed. These conditions along with other matters explained in note 1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt on the group's and institution's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and institution were unable to continue as a going concern.

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### **What we have audited**

The financial statements comprise:

- the consolidated and college Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the consolidated Statement of Historical Surpluses and Deficits for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended
- the reconciliation of net cash flow to movement in net debt for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

In our opinion, in all material respects:

- proper accounting records have been kept, and

- the financial statements are in agreement with the accounting records and returns.

## Responsibilities for the financial statements and the audit

### Respective responsibilities of the Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation Board set out on page 16 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Corporation; and
- the overall presentation of the financial statements.

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

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

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



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Plymouth

17 February 2016

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



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

In accordance with the terms of our engagement letter dated 15 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Cornwall College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of Cornwall College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of how the corporation discharges its responsibilities to safeguard the college's assets;
- Reviewing corporation minutes to confirm there are reporting arrangements in place to regularly inform the college's governing body of the financial health of the college;
- Reviewing policies and procedures in place which set powers of authorisation and obtaining evidence over situations where corporation approval is required;

- Obtaining an understanding of how members of the corporation discharge their responsibilities as charitable trustees;
- Obtaining evidence to demonstrate that members of the corporation are discharging their responsibilities as charitable trustees;
- Reviewing evidence to demonstrate how the college periodically reviews its activities to ensure they are within its powers;
- Obtaining an understanding of the non-core activities of the College and evaluating the controls in place to monitor such activities;
- Obtaining an understanding of how the college established appropriate arrangements for each subsidiary to enable governors to discharge their accountability responsibilities which include:
  - appropriate representation by governors on the boards;
  - arrangements for regular reporting of performance to the corporation;
  - a clear memorandum of understanding in place; and
  - coverage of activities within the internal audit plan;
- Reviewing settlements to or employment claims by a senior post holder to ensure related authorisations, legal and other professional correspondence and Board minutes are in place to evidence appropriate review and approval and demonstrate procedures followed and decisions reached are reasonable and consistent with Financial Memorandum requirements;
- Reviewing the College's property strategy to confirm this has been developed in line with good practice guidance in the further education sector;
- Reviewing disposals to obtain evidence to demonstrate that the funding body was notified –nothing has come to our attention which appears to meet the notification criteria;
- Examining policies and procedures in operation during the year for each funding stream where specific conditions are in place – nothing has come to our attention which would suggest specific conditions are in place on any funding streams;
- Evaluating the control environment for approval, administering, monitoring and applying funds in accordance with the terms and conditions attached to the funding;
- Evaluating the controls over the completion of funding claims and returns and obtaining evidence that all necessary returns have been completed and returned and that these have been reconciled to the specific eligible costs/activities incurred/delivered;
- Obtaining an understanding of how the College ensures it complies with funding requirements for subcontracted provision and if necessary performing substantive testing to test that the college has complied with related funding requirements;
- Obtaining policies on acceptance of gifts and/or hospitality and other relevant policies and evaluating whether the college has put reasonable procedures in place to mitigate against corruption;
- Understanding and evaluating procedures for identifying and recording potential conflicts of interest and related parties for staff in a position of trust and obtaining evidence that there is a register of interest to capture these;
- Obtaining evidence that the procurement process is clearly documented in college financial regulations or financial procedures;
- Obtaining an understanding of the access arrangements in place over the register of interests and confirming this covers all governors and staff with significant financial and decision making powers;
- Obtaining an understanding of and evaluating the college's whistle blowing policies and procedures and the impact of any whistle blowing allegations on the financial statements and regularity audit;
- Obtaining evidence that the whistle blowing policy has been approved by the Corporation and the confidentiality arrangements are in place;
- Obtaining an understanding of and evaluating the college's controls and procedures for the safeguarding of assets from fire and theft, including inspecting minutes and records to identify any occurrences in the year and obtaining details of these;
- Obtaining an understanding of the process for regular review of insurance cover in place to ensure these are sufficient and adequate and obtaining evidence of insurance cover in place over assets;
- Obtaining an understanding of the college's policies over the appointment of staff and how the college demonstrates even-handedness;
- Obtaining an understanding of if the College has entered into any subsidiary, joint ventures or similar arrangements and where necessary, ensuring a cost/benefit analysis has been prepared and approved by the Corporation;
- Obtaining an understanding of the reporting arrangements to governors on the performance of investments, subsidiaries and joint ventures;
- Obtaining an understanding of the college's policy and procedures for monitoring overseas travel expenses and reporting arrangements to the Corporation and if considered significant, performing substantive testing to evidence that this relates to a strategy for overseas activities approved by the Corporation;



- Obtaining an understanding of policies and where necessary testing the controls over disposals of fixed assets and review whether disposals are authorised in accordance with the financial regulations of the college;
- Obtaining an understanding of the policies in place over personal expense claims and performing substantive testing where necessary to confirm the controls are operating effectively;
- Obtaining an understanding of the reporting process and controls over project appraisal and monitoring from inception to completion and post implementation review and performing substantive testing of these processes where necessary to gain assurance over the procedures in place for significant capital and revenue projects and these are in accordance with the financial regulations; and
- Obtaining evidence that the Corporation has approved expenditure levels above which formal quotations are required and that further approval levels are in place in the procurement process and documented in the financial regulations.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers LLP', is written over a faint, larger version of the same text.

PricewaterhouseCoopers LLP  
Chartered Accountants  
17 February 2016

**Consolidated income and expenditure account**  
**for the year ended 31 July 2015**

	<i>Note</i>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Income</b>			
Funding body grants	2	37,484	35,988
Tuition fees and education contracts	3	13,068	12,883
Research grants and contracts	4	5,251	9,585
Other income	5	13,720	12,670
Investment income	6	51	53
<b>Total income</b>		<b>69,574</b>	<b>71,179</b>
<b>Expenditure</b>			
Staff costs (including exceptional restructuring costs of £1,017,000 (2014: £1,098,000))	7	50,915	49,190
Other operating expenses	9	20,172	19,190
Depreciation	13	3,457	2,811
Interest and other finance costs	10	1,108	1,047
<b>Total expenditure</b>		<b>75,652</b>	<b>72,238</b>
<b>Deficit after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>(6,078)</b>	<b>(1,059)</b>
Exceptional items	12a	(3,032)	-
<b>Deficit after depreciation of tangible fixed assets at valuation and after exceptional items</b>		<b>(9,110)</b>	<b>(1,059)</b>
(Loss) / profit on disposal of fixed assets		(359)	29
Taxation	11	-	-
<b>Deficit for the year retained within general reserves</b>		<b>(9,469)</b>	<b>(1,030)</b>

The consolidated income and expenditure account is in respect of continuing activities for both 2014 and 2015.

**Consolidated statement of total recognised gains and losses  
for the year ended 31 July 2015**

		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		<b>(9,469)</b>	<b>(1,030)</b>
Actuarial loss in respect of pension scheme (£5,164 Cornwall and (£564) Devon)	<i>25&amp;25b</i>	<b>(4,600)</b>	<b>(8,808)</b>
<b>Total recognised losses since last report</b>		<b>(14,069)</b>	<b>(9,838)</b>
<b>Reconciliation of reserves</b>			
Opening reserves – restated		<b>6,459</b>	<b>16,297</b>
Total recognised losses for the year		<b>(14,069)</b>	<b>(9,838)</b>
<b>Closing reserves</b>		<b>(7,610)</b>	<b>6,459</b>

**Consolidated statement of historical cost surpluses and deficits  
for the year ended 31 July 2015**

		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
Deficit on continuing operations before taxation		<b>(9,469)</b>	<b>(1,030)</b>
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	<i>22</i>	<b>431</b>	<b>325</b>
<b>Historical cost deficit for the year before and after taxation</b>		<b>(9,038)</b>	<b>(705)</b>

**Consolidated balance sheet**  
**as at 31 July 2015**

	<i>Note</i>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Fixed assets</b>			
Tangible assets	13	99,231	85,094
Investments	14	15	-
<b>Total fixed assets</b>		<b>99,246</b>	<b>85,094</b>
<b>Current assets</b>			
Stocks	15	697	591
Debtors	16	5,073	4,307
Cash at bank and in hand		3,607	7,366
<b>Total current assets</b>		<b>9,377</b>	<b>12,264</b>
<b>Less Creditors: Amounts falling due within one year</b>	17	<b>(29,307)</b>	<b>(9,453)</b>
<b>Net current (liabilities) / assets</b>		<b>(19,930)</b>	<b>2,811</b>
<b>Total assets less current liabilities</b>		<b>79,316</b>	<b>87,905</b>
<b>Less Creditors: Amounts falling due after more than one year</b>	18	<b>(350)</b>	<b>(14,497)</b>
<b>Less Provisions for liabilities</b>	20	<b>(4,618)</b>	<b>(1,777)</b>
<b>Net assets excluding pension liability</b>		<b>74,348</b>	<b>71,631</b>
<b>Net pension liability</b>	25	<b>(36,391)</b>	<b>(25,684)</b>
<b>Net assets including pension liability</b>		<b>37,957</b>	<b>45,947</b>
<b>Deferred capital grants</b>	21	<b>45,567</b>	<b>39,488</b>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	24	22,177	25,108
Pension reserve	24	(36,391)	(25,684)
<b>Income and expenditure account including pension reserve</b>	24	<b>(14,214)</b>	<b>(576)</b>
Revaluation reserve	22	6,527	6,958
Restricted reserve	23	77	77
<b>Total reserves</b>		<b>(7,610)</b>	<b>6,459</b>
<b>Total funds</b>		<b>37,957</b>	<b>45,947</b>

The financial statements on pages 22 to 55 were approved by the Corporation on 10 February 2016 and were signed on its behalf on that date by:



**P K Rees**  
**Chair**

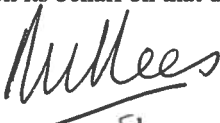


**A Basi**  
**Principal and CEO**

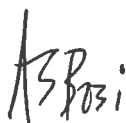
**College balance sheet**  
**as at 31 July 2015**

	<i>Note</i>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Fixed assets</b>			
Tangible assets	13	<b>98,937</b>	84,781
Investments	14	<b>15</b>	-
<b>Total fixed assets</b>		<b>98,952</b>	84,781
<b>Current assets</b>			
Stocks	15	<b>697</b>	591
Debtors including £347,000 (2014: £394,000) due after more than one year	16	<b>5,081</b>	4,457
Cash at bank and in hand		<b>3,527</b>	7,363
<b>Total current assets</b>		<b>9,305</b>	12,411
<b>Less Creditors: Amounts falling due within one year</b>	17	<b>(28,958)</b>	(9,254)
<b>Net current (liabilities) / assets</b>		<b>(19,653)</b>	3,157
<b>Total assets less current liabilities</b>		<b>79,299</b>	87,938
<b>Less Creditors: Amounts falling due after more than one year</b>	18	<b>(424)</b>	(14,622)
<b>Less Provisions for liabilities</b>	20	<b>(4,618)</b>	(1,777)
<b>Net assets excluding pension liability</b>		<b>74,257</b>	71,539
<b>Net pension liability</b>	25	<b>(36,391)</b>	(25,684)
<b>Net assets including pension liability</b>		<b>37,866</b>	45,855
<b>Deferred capital grants</b>	21	<b>45,567</b>	39,488
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	24	<b>22,086</b>	25,016
Pension reserve	24	<b>(36,391)</b>	(25,684)
<b>Income and expenditure account including pension reserve</b>	24	<b>(14,305)</b>	(668)
Revaluation reserve	22	<b>6,527</b>	6,958
Restricted reserve	23	<b>77</b>	77
<b>Total reserves</b>		<b>(7,701)</b>	6,367
<b>Total funds</b>		<b>37,866</b>	45,855

The financial statements on pages 22 to 55 were approved by the Corporation on 10 February 2016 and were signed on its behalf on that date by:



**P K Rees**  
**Chair**



**A Basi**  
**Principal and CEO**

**Consolidated cash flow statement  
for the year ended 31 July 2015**

	<i>Note</i>	<b>2015 £'000</b>	<b>2014 £'000</b>
Net cash flow from operating activities	26	533	1,792
Returns on investments and servicing of finance	28	(591)	(672)
Capital expenditure	28	(2,894)	(4,379)
Cash outflow before financing		<u>(2,952)</u>	<u>(3,259)</u>
Financing	28	(1,072)	644
Decrease in cash in the year		<u><u>(4,024)</u></u>	<u><u>(2,615)</u></u>

**Reconciliation of net cash flow to movement in net debt**

		<b>2015 £'000</b>	<b>2014 £'000</b>
Decrease in cash in the year		(4,024)	(2,615)
Cash (inflow) / outflow from financing	28	<u>1,072</u>	<u>(644)</u>
Change in net debt resulting from cash flows		<u>(2,952)</u>	<u>(3,259)</u>
Net debt at 1 August	27	(8,349)	(5,090)
Additional debt on acquisition of Bicton College	27	<u>(2,767)</u>	<u>-</u>
Net debt at 31 July	27	<u><u>(14,068)</u></u>	<u><u>(8,349)</u></u>

## Notes to the financial statements

### 1 Statement of accounting policies

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 on a going-concern basis and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards in the United Kingdom. They conform to guidance published jointly by the Skills Funding Agency and EFA, in the 2014/15 Accounts Direction Handbook.

The year ended 31 July 2015 has been a challenging year financially, especially given the exceptional costs related to the acquisition of Bicton College. Given this financial performance for the year ended 31 July 2015, it is likely that the Cornwall College Group has breached its banking covenants in respect of the 2014/15 year, therefore, the bank loans previously shown under long term liabilities have been classified as short term liabilities. However, the bank has stated that it does not intend to remove support for the College and negotiations are underway to negotiate new covenants.

As part of the Bicton Merger, the College had already planned to support the cost of merger through the sale of assets. Given the current cash position, the College has decided to accelerate this process to ensure adequate levels of liquidity in the medium term.

The Board of Governors is confident that the issues underlying the financial performance for the year ended 31 July 2015 are being addressed and expects a significant improvement in financial performance moving forwards. In future the Board expects that the College will be able to operate within its banking covenants on agreed terms.

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

The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

#### *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards in the United Kingdom.

#### *Basis of consolidation*

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the Student Union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

#### *Recognition of income*

The recurrent grants from the funding bodies and HEFCE represent the funding allocations attributable to the current financial year and are credited directly to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the SFA adult learner responsive funding is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding bodies at the end of November following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the SFA. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.



## Notes to the financial statements

### 1 Statement of accounting policies (*continued*)

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

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Funding bodies (see note 33).

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

#### *Agency Arrangements*

The College acts as an agent in the collection and payment of discretionary support funds and educational maintenance allowance. Related income received from the funding bodies and subsequent disbursements to students and other further education colleges are excluded from the income and expenditure account (and are shown separately in note 33) except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

#### *Post-retirement benefits*

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using bid values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

#### *Enhanced Pensions*

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the SFA.

## Notes to the financial statements

### 1 Statement of accounting policies (*continued*)

#### *Tangible fixed assets*

##### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The balance sheet also includes capitalised interest in respect of new land and buildings in the course of construction.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years for buildings substantially constructed of block and 25 years for buildings substantially constructed of wood. Leasehold land and buildings are depreciated over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

All buildings and equipment are depreciated on a straight line basis and depreciation is provided to write off cost or valuation.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings currently included within the financial statements but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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(s) may not be recoverable.

##### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

##### *Buildings owned by third parties*

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to on-going future economic benefit.

These assets are then depreciated over their expected useful economic life.

## Notes to the financial statements

### 1 Statement of accounting policies (*continued*)

#### *Equipment*

General equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Computers costing less than £1,000 per individual item that are part of a wider replacement programme are capitalised at cost and depreciated over its useful economic life as follows:

Photovoltaic panels	-	25 years
Motor vehicles and general equipment	-	5 years
Computer equipment	-	3 years
Furniture and fittings	-	5 years

Depreciation is first charged in the year following acquisition and up to the month preceding disposal.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### *Leased assets*

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

#### *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.

#### *Assets held for resale*

Assets that are surplus to requirement are transferred to current assets and are held at the lower of cost and net realisable value.

#### *Investments*

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

#### *Stocks*

Stocks are stated at the lower of their cost and net realisable value. Farm live-stock is valued using current market value less a discount rate recommended by HMRC guidance. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### *Maintenance of premises*

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

## Notes to the financial statements

### 1 Statement of accounting policies (continued)

#### *Taxation*

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 2011 and as such is a charity 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 Chapter 3 Part 11 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 to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax (VAT). For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### *Deferred taxation*

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

#### *Liquid resources*

Liquid resources include sums on short-term deposits with recognised banks.

#### *Provisions*

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.

#### *Cash*

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

#### *Designated reserves*

Profits generated by the College's subsidiary companies CCMS (2000) Limited and CC Education Services Limited are credited to the designated reserve, which forms part of the income and expenditure reserve. The designated reserve will be used to finance development opportunities through private funds.

### 2 Funding body grants

	2015 £'000	2014 £'000
Recurrent grant	24,412	25,998
Non recurrent grant	12,623	9,755
Releases of deferred capital grants (note 21)	449	235
	<hr/>	<hr/>
	37,484	35,988
	<hr/>	<hr/>

Total funding body grants in 2015 are net of a claw-back totalling £186,000 in respect of the 2013/14 provision.

**Notes to the financial statements****3 Tuition fees and education contracts**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Tuition fees	<b>11,490</b>	10,562
Education contracts	<b>1,578</b>	2,321
	<hr/> <b>13,068</b> <hr/>	<hr/> 12,883 <hr/>

**4 Research grants and contracts**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
European Commission	<b>2,734</b>	2,305
Other grants and contracts	<b>2,517</b>	7,280
	<hr/> <b>5,251</b> <hr/>	<hr/> 9,585 <hr/>

**5 Other income**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Farming activities	<b>1,024</b>	1,034
Recruitment services	<b>5,464</b>	4,244
Releases from deferred capital grants (non-SFA) (note 21)	<b>792</b>	682
Other income	<b>6,440</b>	6,710
	<hr/> <b>13,720</b> <hr/>	<hr/> 12,670 <hr/>

**6 Investment income**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Bank interest receivable	<b>51</b>	<b>53</b>
	<hr/> <b>51</b> <hr/>	<hr/> 53 <hr/>

## Notes to the financial statements

## 7 Staff costs

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

	2015 Number	2014 Number
Teaching staff	527	583
Non teaching staff	1,282	1,111
	<u>1,809</u>	<u>1,694</u>

Staff costs for the above persons were as follows:

	2015 £'000	2014 £'000
Teaching staff	20,936	20,003
Non teaching staff	26,199	23,665
Restructuring costs	1,017	1,098
Contracted out services	2,251	3,962
Local Government pension retirement benefit charge	512	462
	<u>50,915</u>	<u>49,190</u>

	2015 £'000	2014 £'000
Wages and salaries	39,966	36,723
Social security costs	2,223	2,336
Other pension costs (note 25)	5,458	5,071
Restructuring costs	1,017	1,098
	<u>48,664</u>	<u>45,228</u>
Payroll sub total	48,664	45,228
Contracted out services	2,251	3,962
	<u>50,915</u>	<u>49,190</u>

## Notes to the financial statements

### 7 Staff costs (*continued*)

The number of staff, including senior postholders and the Principal, who received emoluments in the following ranges was:

	2015 Number of senior post-holders	2015 Number of other staff	2014 Number of senior post-holders	2014 Number of other staff
£30,001 to £40,000	1	-	-	-
£60,001 to £70,000	1	-	-	6
£70,001 to £80,000	1	4	-	3
£80,001 to £90,000	-	4	-	3
£90,001 to £100,000	-	1	-	1
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	1	-	-	1
£120,001 to £130,000	-	-	1	-
£130,001 to £140,000	-	-	1	1
£140,001 to £150,000	1	-	-	-
£150,001 to £160,000	-	-	-	-
£170,001 to £180,000	-	-	1	-
£180,001 to £190,000	-	-	-	-
£210,001 to £220,000	-	-	1	-
£250,001 to £260,000	1	-	-	-

There was no pay award in 2014/15 (2013/14 – nil) as none was approved by the Corporation Board. There were no senior postholders with emoluments below £30,001 and none with emoluments above £260,000.

### 8 Emoluments of senior post holders and members

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

	2015 Number	2014 Number
The number of senior postholders including the Principal was	6	5
Senior postholders' emoluments are made up as follows:		
	2015 £'000	2014 £'000
Salaries	523	551
Benefits in kind	1	2
Pension contributions	85	77
Pay in lieu of notice and other obligations	50	120
Total emoluments	659	750

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder).

As at 31 July 2015, there were 4 senior postholders, including the Principal. Two senior postholders left post in year but received remuneration during the year (Deputy CEO and Finance Director). The deputy CEO left and received a payment in lieu of notice alongside their salary and benefits. The Finance Director took early retirement for which no additional remuneration was paid. Details of their emoluments, disclosed in the totals above, are shown overleaf:



## Notes to the financial statements

8 Emoluments of senior postholders and members (*continued*)

	2015 £'000	2014 £'000
Salaries	72	198
Benefits in kind	1	1
Pension contributions	17	30
Pay in lieu of notice and other obligations	50	-
<b>Total emoluments</b>	<b>140</b>	<b>229</b>

Included in the disclosure is remuneration for a senior postholder which is below £60,000. This relates to the current Finance Director who was only in post from April 2015, following the retirement of the previous postholder (as noted above). The annualised total remuneration for the current Finance Director is expected to be in the region of £100,000, which is comparable to their predecessor.

	2015 £'000	2014 £'000
Salary (Principal)	200	183
Benefits in kind	1	1
Pension contribution	28	26
	<b>229</b>	<b>210</b>

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

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

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

Senior post-holders and other higher paid staff did not receive a pay increase in both 2014/15 and 2013/14, which is in line with the Board decision not to award a pay increase this year.

**Overseas activities**

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

	Total cost £'000	Contributions Received £'000	Net cost to College £'000
Members	-	-	-
Senior post-holders	2	-	2
Other higher paid staff	1	-	1
	<b>3</b>	<b>-</b>	<b>3</b>

## Notes to the financial statements

### 9 Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	9,391	9,160
Non teaching costs	6,313	6,722
Premises costs	4,468	3,308
	<u>20,172</u>	<u>19,190</u>
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit - Cornwall College *	76	48
Financial statements audit - Bicton College*	16	-
Internal audit **	37	36
Other services from either external and internal audit	103	11
Hire of computers and associated equipment – operating leases	136	261
Hire of other assets – operating leases	75	264
Hire of other assets – premises leases	559	640

\* - includes £35,038 in respect of the College (2014: £36,539), and an additional invoice of £19,000 in relation to 2014

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

### 10 Interest and other finance costs

	2015 £'000	2014 £'000
On bank loans and overdrafts:	618	702
Enhanced pensions	68	62
Local Government pensions	398	264
Assets financed under finance leases	24	19
	<u>1,108</u>	<u>1,047</u>

### 11 Taxation

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

### 12 Deficit for the year

The deficit for the year is made up as follows:

	2015 £'000	2014 £'000
College's deficit for the year	(9,910)	(1,407)
Profit generated by subsidiary undertakings and transferred to the College by Gift Aid Payment	444	368
(Loss) / profit retained in subsidiary	(2)	9
	<u>(9,468)</u>	<u>(1,030)</u>

## Notes to the financial statements

## 12 a Exceptional items

	2015	2014
	£'000	£'000
SFA grant support for Bicton College	3,429	-
SFA restructuring grant for Bicton College	2,744	-
	<hr/>	<hr/>
Total Bicton College income	6,173	-
Costs incurred during the year related to the merger	(3,339)	-
Goodwill written off on acquisition (see note 34)	(5,866)	-
	<hr/>	<hr/>
Exceptional loss on merger with Bicton College	(3,032)	-
	<hr/>	<hr/>

## Notes to the financial statements

## 13 Tangible assets

<i>Group</i>	Tangible Land and buildings			Intangible		Total
	Freehold	Long leasehold	Short leasehold	Equipment	Milk Quota	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2014	95,433	5,841	1,452	11,180	236	114,142
Assets acquired from Bicton College stated at fair value	11,343	-	-	980	-	12,323
Other additions at cost	4,029	491	-	1,111	-	5,631
Disposals	(755)	-	-	(73)	-	(828)
<b>At 31 July 2015</b>	<b>110,050</b>	<b>6,332</b>	<b>1,452</b>	<b>13,198</b>	<b>236</b>	<b>131,268</b>
<b>Accumulated depreciation</b>						
At 1 August 2014	19,352	967	1,233	7,261	236	29,049
Depreciation charge for year	1,855	121	54	1,427	-	3,457
Eliminated in respect of disposals	(397)	-	-	(72)	-	(469)
<b>At 31 July 2015</b>	<b>20,810</b>	<b>1,088</b>	<b>1,287</b>	<b>8,616</b>	<b>236</b>	<b>32,037</b>
<b>Net book value</b>						
<b>At 31 July 2015</b>	<b>89,240</b>	<b>5,244</b>	<b>165</b>	<b>4,582</b>	<b>-</b>	<b>99,231</b>
<b>At 31 July 2014</b>	<b>76,081</b>	<b>4,874</b>	<b>219</b>	<b>3,920</b>	<b>-</b>	<b>85,094</b>
Inherited	7,593	27	122	-	-	7,742
Financed by capital grant	42,488	2,938	-	142	-	45,568
Other	39,160	2,279	43	4,440	-	45,921
<b>At 31 July 2015</b>	<b>89,240</b>	<b>5,244</b>	<b>165</b>	<b>4,582</b>	<b>-</b>	<b>99,231</b>

## Notes to the financial statements

## 13 Tangible assets (continued)

<i>College</i>	Tangible Land and buildings			Intangible		Total
	Freehold	Long leasehold	Short leasehold	Equipment	Milk quota	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2014	95,433	5,841	1,452	10,818	236	113,780
Assets acquired from Bicton College stated at fair value	11,343	-	-	980	-	12,323
Other additions	4,029	491	-	1,111	-	5,631
Disposals	(755)	-	-	(73)	-	(828)
<b>At 31 July 2015</b>	<b>110,050</b>	<b>6,332</b>	<b>1,452</b>	<b>12,856</b>	<b>236</b>	<b>130,906</b>
<b>Accumulated depreciation</b>						
At 1 August 2014	19,352	967	1,233	7,211	236	28,999
Depreciation charge for year	1,855	121	54	1,409	-	3,439
Eliminated in respect of disposals	(397)	-	-	(72)	-	(469)
<b>At 31 July 2015</b>	<b>20,810</b>	<b>1,088</b>	<b>1,287</b>	<b>8,548</b>	<b>236</b>	<b>31,969</b>
<b>Net book value</b>						
<b>At 31 July 2015</b>	<b>89,240</b>	<b>5,244</b>	<b>165</b>	<b>4,288</b>	<b>-</b>	<b>98,937</b>
<b>Total at 31 July 2014</b>	<b>76,081</b>	<b>4,874</b>	<b>219</b>	<b>3,607</b>	<b>-</b>	<b>84,781</b>
Inherited	7,593	27	122	-	-	7,742
Financed by capital grant	42,488	2,938	-	142	-	45,568
Other	39,159	2,279	43	4,146	-	45,627
<b>At 31 July 2015</b>	<b>89,240</b>	<b>5,244</b>	<b>165</b>	<b>4,288</b>	<b>-</b>	<b>98,937</b>

## Notes to the financial statements

### 13 Tangible assets (continued)

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Stratton & Holborrow, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £38,182,536 (2014: £32,893,668) have been financed from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

Fixed assets include land and buildings with a net book value of £15,851,458 (2014: £11,218,661) which have been partially funded by a grant from the funding agencies. The receipt in the current year was £1,042,491 (2014: £1,260,096). The Council does not have the power to guarantee future funding streams to colleges and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

The net book value of equipment includes an amount of £381,073 (2014: £752,306) in respect of assets held under finance leases

Long leasehold land and buildings includes the following properties:

Property	Length of Lease		Property	Length of Lease	
	From	To		From	To
Agriculture House, Exeter	2013	2014	Ponsharden, Falmouth	2004	2024
Atlantic Centre, Newquay	2012	2037	Rosewarne Buildings	1997	2027
Chiltern House, Truro	2008	2025	Rosewarne Land	1997	2027
Classic Airforce, St Mawgan (licence agreement)	2014	2015	Royal Cornwall Showground, Wadebridge	2009	Ongoing
Culdrose Room, Falmouth (licence)	2014	2015	Sisna Park, Plymouth	2013	2019
Discovery Quay Falmouth	2010	Ongoing	St Mellion Tourism Academy, St Mellion	2011	2036
Duchy Home Farm	1996	Ongoing	Tolcarne, Newquay	2009	2019
Duchy Home Farm, Bungalow 1 (small business agreement)	2012	2015	Unit 3 Enterprise Park, Saltash	2007	2023
Duchy Home Farm, Bungalow 2 (small business agreement)	2009	2015	Unit 4 & 5 Enterprise Park, Saltash	2006	2023
Duchy Campus at Stoke Climsland	1996	Ongoing	Unit 6 Enterprise Park, Saltash	2008	2023
Dunheved House, Launceston	2012	2037	Unit 7 Enterprise Park, Saltash	2012	2023
Kirkham House, Worcester	2015	2025	Watersports Assoc., Falmouth (hire of portacabin/ground rent but no details held by Estates)		
Heaven Scent, St Austell	2009	2019			
Mashfords, Torpoint (licence)	2014	2019			

## Notes to the financial statements

### 14 Fixed asset investments

	2015 £'000	2014 £'000
Investments at cost	15	-

The Board believes that the carrying value of the investments is supported by their underlying net assets.

The Corporation owns 100% of the issued ordinary shares of CC Education Services Limited, a company registered in England and Wales. The principal business activity of CC Education Services Limited is the supply of education contracts and property services.

CC Education Services Limited owns the issued ordinary shares of CCMS (2000) Limited, a company registered in England and Wales. The principal business activity of CCMS (2000) Limited is the supply of recruitment services.

The results of CC Education Services Limited and CCMS (2000) Limited have been consolidated into these financial statements.

The Corporation owns 100% of the issued share capital of Western Edge Limited, a dormant company limited by guarantee which is incorporated in England and Wales.

### 15 Stocks

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Livestock and growing crops	544	544	473	473
Consumables and goods for resale	153	153	118	118
	<u>697</u>	<u>697</u>	<u>591</u>	<u>591</u>

### 16 Debtors

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	1,747	1,312	1,763	1,419
Amounts owed by subsidiary undertakings	-	99	-	71
Other debtors	1,026	584	776	438
Prepayments and accrued income	2,300	2,297	1,768	1,767
	<u>5,073</u>	<u>4,292</u>	<u>4,307</u>	<u>3,695</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	789	-	762
	<u>5,073</u>	<u>5,081</u>	<u>4,307</u>	<u>4,457</u>

## Notes to the financial statements

### 17 Creditors: Amounts falling due within one year

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	1,222	1,222	1,139	1,139
Obligations under finance leases	325	325	281	281
Payments received on account	998	998	1,914	1,914
Deposits	171	171	140	140
Trade creditors	316	320	984	982
Amounts owed to subsidiary undertakings	-	112	-	328
Other taxation and social security	1,249	1,249	1,319	1,319
Accruals and deferred income	6,879	6,414	3,676	3,151
Other amounts owed to funding bodies	2,271	2,271	-	-
Bank Loans – reclassified as current liabilities	15,876	15,876	-	-
	<u>29,307</u>	<u>28,958</u>	<u>9,453</u>	<u>9,254</u>

Given the financial performance for the year ended 31 July 2015, it is likely that TCCG have breached its banking covenants in respect of the 2014/15 year, therefore, the bank loans previously shown under long term liabilities have been classified as short term.

### 18 Creditors: Amounts falling due after more than one year

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	-	-	13,887	13,887
Obligations under finance leases	252	252	408	408
Loans from subsidiary undertakings	-	74	-	125
Other accruals	98	98	202	202
	<u>350</u>	<u>424</u>	<u>14,497</u>	<u>14,622</u>

### 19 Analysis of borrowings

#### Bank loans and overdrafts

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	1,860	1,860	1,139	1,139
Between one and two years	674	674	647	647
Between two and five years	1,862	1,862	837	837
In five years or more	12,702	12,702	12,403	12,403
	<u>17,098</u>	<u>17,098</u>	<u>15,026</u>	<u>15,026</u>

Bank loans at interest rates ranging from 2.059% to 6.575% (2014: 2.059% to 6.494%) are repayable by instalments falling due between 1 August 2012 and 12 May 2028 totalling £17,098,000 (2014: £15,026,000). The lender has a charge over a number of freehold fixed assets as security against the loans. As stated above in note 17, due to the likely covenant breaches, all of these borrowings have been reclassified as repayable within one year. However, management expect that repayments will continue in line with the above profile following conversations with the College bankers.



## Notes to the financial statements

## 19 Analysis of borrowings (continued)

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Loans from subsidiary undertakings:				
Within one year	-	50	-	50
Between one and two years	-	74	-	50
Between two and five years	-	-	-	75
	<u>-</u>	<u>124</u>	<u>-</u>	<u>175</u>

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
The net finance lease obligations to which the institution is committed are:				
Within one year	325	325	281	281
Between one and two years	151	151	281	281
Between two and five years	101	101	127	127
	<u>577</u>	<u>577</u>	<u>689</u>	<u>689</u>

Finance lease obligations are secured on the assets to which they relate.

## 20 Provisions for liabilities

*Group and College*

	Enhanced Pensions	Restructuring	Bicton Merger Costs	Total
	£'000	£'000	£'000	£'000
At 1 August 2014	1,468	309	-	1,777
Addition in year on acquisition of Bicton College	626	-	-	626
Expenditure in the year	(130)	(309)	-	(439)
Net charge to income and expenditure account	159	155	2,340	2,654
	<u>2,123</u>	<u>155</u>	<u>2,340</u>	<u>4,618</u>
At 31 July 2015	2,123	155	2,340	4,618

The pension provision relates to enhanced pensions payable to former employees and includes £9,551 (2014: £9,809) in respect of enhanced pension payable to former senior post-holders. The restructuring provision relates to the cost of staff restructuring. The Bicton merger provision relates to the costs of restructuring and integrating Bicton College into the Cornwall College Group (following its acquisition on 31st March 2015).

**Notes to the financial statements****21 Deferred capital grants****Group and College**

	<b>Funding body grants £'000</b>	<b>Other grants £'000</b>	<b>Total £'000</b>
At 1 August 2014:			
Land and buildings	12,270	27,145	39,415
Equipment	7	66	73
	<u>12,277</u>	<u>27,211</u>	<u>39,488</u>
Additions in respect of the acquisition of Bicton College			
Land and buildings	3,913	611	4,524
Equipment	60	-	60
	<u>3,973</u>	<u>611</u>	<u>4,584</u>
Capital grants received/due:			
Land and buildings	1,392	1,344	2,736
Equipment	-	-	-
Released to income and expenditure account:			
Land and buildings	(424)	(754)	(1,178)
Equipment	(25)	(38)	(63)
	<u>17,193</u>	<u>28,374</u>	<u>45,567</u>
At 31 July 2015:			
Land and buildings	17,151	28,346	45,497
Equipment	42	28	70
	<u>17,193</u>	<u>28,374</u>	<u>45,567</u>

**22 Revaluation reserve**

	<b>Group £'000</b>	<b>College £'000</b>
At 1 August 2014	6,958	6,958
Depreciation of revalued assets	(431)	(431)
At 31 July 2015	<u>6,527</u>	<u>6,527</u>

**23 Restricted reserve**

	<b>Group £'000</b>	<b>College £'000</b>
At 1 August 2014 and 31 July 2015	<u>77</u>	<u>77</u>

## Notes to the financial statements

## 24 Income and expenditure account

	Group £'000	College £'000
<b>General revenue reserve</b>		
At 1 August 2014	(576)	(668)
Deficit on continuing operations after depreciation of assets at valuation and tax	(9,469)	(9,468)
Transfer from revaluation reserve	431	431
Actuarial gain	(4,600)	(4,600)
<b>At 31 July 2015</b>	<b>(14,214)</b>	<b>(14,305)</b>

	Group £'000	College £'000
<b>Represented by:</b>		
Pension reserve	(36,391)	(36,391)
Income and expenditure account reserve excluding pension reserve	22,177	22,086
<b>At 31 July 2015</b>	<b>(14,214)</b>	<b>(14,305)</b>

	Group £'000	College £'000
<b>Pension liability</b>		
Balance at 1 August 2014	(25,684)	(25,684)
Addition in year on acquisition of Bicton College	(5,257)	(5,257)
FRS 17 movements in the year	(5,450)	(5,450)
<b>At 31 July 2015</b>	<b>(36,391)</b>	<b>(36,391)</b>

## 25a Cornwall Council Pensions and similar obligations

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

Total pension cost for the year	2015		2014	
	£'000		£'000	
	Cornwall Council Scheme £'000	Devon County Council Scheme £'000	Total 2015 £'000	Total 2014 £'000
Local Government pension Scheme				
Contributions paid	2,831	56	2,887	2,508
FRS 17 charge	434	77	511	459
Charge to income and expenditure account (current service costs in staff costs)	3,265	133	3,398	2,967
Teachers Pension Scheme: contributions paid	1,989	71	2,060	2,104
<b>Total costs for the year</b>	<b>5,254</b>	<b>204</b>	<b>5,458</b>	<b>5,071</b>

## Notes to the financial statements

### 25a Cornwall Council Pensions and similar obligations (*continued*)

The deficit in the scheme as at 31 July is as follows:

	2015	2014
	£'000	£'000
Market value of assets	71,487	57,265
Present value of scheme liabilities	(107,878)	(82,949)
Deficit in schemes	(36,391)	(25,684)

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a "pay as you go" basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 %
Salary scale increases per annum	5.0 %
Market value of assets at date of last valuation	£162,650m

Proportion of members' accrued benefits covered by the actuarial value of the assets 98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution rate was 14.1%. The employee rate was 6.4% for the period to 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1st April 2012. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

#### FRS 17

Under the definitions set out in Financial Reporting Standard 17 "Retirement Benefits", the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Cornwall Council Local Authority. The total contribution made for the year ended 31 July 2015 was £3,664,000 (2013/14: £3,280,000) of which employers' contributions totalled £2,829,000 (2013/14: £2,491,000) and employees' contributions totalled £835,000 (2013/14: £790,000). The agreed contribution rates for future years are 15.8% plus a lump sum of £526,000 (2013/14: £439,000) for employers and range from 5.5% to 7.5% for employees, depending on salary.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2010
Actuarial method	Projected Unit
Pension increases per annum	3.3%
Salary scale increases per annum	5.3%
Market value of assets at date of last valuation	£1,041m
Proportion of members' accrued benefits covered by the actuarial value of the assets	78.3%

## Notes to the financial statements

## 25a Cornwall Council pensions and similar obligations (continued)

## FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

	2015	2014
Rate of increase in salaries	4.5%	4.5%
Rate of increase in pensions	2.6%	2.7%
Discount rate for liabilities	3.7%	4.1%
Commutation of pensions to lump sums:		
Membership prior to 1 April 2008		40.0%
Membership post 1 April 2008		70.0%

\*Salary increases are 1% per annum nominal until 31 March 2015, reverting to long-term rates thereafter.

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

	2015	2014
<i>Current pensioners</i>		
Females	24.4	24.4
Males	22.2	22.2
<i>Retiring in 20 years</i>		
Females	26.8	26.8
Males	24.4	24.4

The assets in the scheme (of which the College's share is estimated at 3.2%) and the expected rates of return were:

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	27,319	6.5%	30,923
Bonds	3.6%	31,132	3.6%	22,333
Property	3.6%	3,812	4.7%	3,436
Cash	3.6%	1,271	3.6%	573
Total market value of assets		63,534		57,265
Present value of scheme liabilities		(95,151)		(82,949)
Deficit in scheme		(31,617)		(25,684)

## Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employer contributions)	367	440
Curtailment	67	19
Total operating charge	434	459

The employer service cost has been calculated as the current service charge £3,284,000 (2014: £2,948,000) less contributions of £2,917,000 (2014: £2,508,000) paid in the year.

**Notes to the financial statements****25a Cornwall Council pensions and similar obligations (continued)****Analysis of pension finance costs**

	2015 £'000	2014 £'000
Expected return on pension scheme assets	3,031	2,991
Interest on pension scheme liabilities	(3,366)	(3,255)
	<hr/>	<hr/>
Pension finance costs	(335)	(264)
	<hr/>	<hr/>

**Amounts recognised in the statement of total recognised gains and losses (STRGL)**

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	1,113	(1,041)
Change in financial and demographic assumptions underlying the scheme liabilities	(6,277)	(7,767)
	<hr/>	<hr/>
Actuarial (loss) / gain recognised in STRGL	(5,164)	(8,808)
	<hr/>	<hr/>

**Movement in deficit during year**

	2015 £'000	2014 £'000
Deficit in scheme at beginning of year	(25,684)	(16,153)
Movement in year:		
Current service charge	(3,284)	(2,948)
Contributions	2,917	2,508
Impact of curtailments and settlements	(67)	(19)
Net interest on assets	(335)	(264)
Actuarial (loss) / gain	(5,164)	(8,808)
	<hr/>	<hr/>
Deficit in scheme at end of year	(31,617)	(25,684)
	<hr/>	<hr/>

**Asset and liability reconciliation**

Reconciliation of Liabilities	2015 £'000	2014 £'000
<b>Liabilities at start of year</b>	<b>82,949</b>	<b>69,706</b>
Service cost	3,284	2,948
Interest cost	3,366	3,255
Employee contributions	835	794
Actuarial losses on scheme liabilities	6,277	7,767
Benefits paid	(1,627)	(1,540)
Losses on curtailments	67	19
	<hr/>	<hr/>
<b>Liabilities at end of year</b>	<b>95,151</b>	<b>82,949</b>
	<hr/>	<hr/>

**Reconciliation of Assets**

	2015 £'000	2014 £'000
<b>Assets at start of year</b>	<b>57,265</b>	<b>53,553</b>
Expected return on assets	3,031	2,991
Actuarial (loss) / gains on assets	1,113	(1,041)
Employer contributions	2,917	2,508
Employee contributions	835	794
Net benefits paid out	(1,627)	(1,540)
	<hr/>	<hr/>
<b>Assets at end of year</b>	<b>63,534</b>	<b>57,265</b>
	<hr/>	<hr/>

## Notes to the financial statements

### 25a Cornwall Council pensions and similar obligations (*continued*)

The estimated value of employer contributions for the year ended 31 July 2016 will be approximately £2,790,000.

#### History of experience gains or losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Scheme liabilities	(95,151)	(82,949)	(69,706)	(63,495)	(50,926)
Scheme assets	63,534	57,265	53,553	44,634	42,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit	(31,617)	(25,684)	(16,153)	(18,861)	(8,613)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Experience adjustments on scheme liabilities	-	870	-	(664)	1,852
Experience adjustments on scheme assets	1,113	(1,041)	5,170	(2,052)	1,963

The total cumulative amount recognised through the statement of recognised gains and losses is a loss of £23,355,000.

### 25b Devon County Council pensions and similar obligations

#### FRS 17

##### Principal actuarial assumptions

At 31 July 2015

Inflation	3.6
Rate of increase in salaries	4.5
Rate of increase to pensions in payment	2.7
Rate of increase to deferred pensions	2.7
Discount rate for scheme liabilities	3.9

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 2015

<i>Retiring today</i>	
Males	22.8
Females	26.1
<i>Retiring in 20 years</i>	
Males	25.1
Females	28.4



**Notes to the financial statements****25b Devon County Council pensions and similar obligations (continued)**

The College's share of assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000
Equities	5.7%	2,026
Overseas equities	5.7%	2,587
Gilts	5.7%	375
Other bonds	5.7%	379
Property	5.7%	825
Infrastructure	5.7%	232
Cash	5.7%	184
Alternative assets	5.7%	144
Absolute return funds	5.7%	1,201
<b>Total market value of assets</b>		<b>7,953</b>
<b>Present value of scheme liabilities</b>		
- Funded		(12,727)
- Unfunded		-
<b>(Deficit) in the scheme</b>		<b>(4,774)</b>

**Analysis of the amount charged to income and expenditure account**

	2015 £'000
Employer service cost (net of employee contributions)	133
<b>Total operating income</b>	<b>133</b>

**Analysis of pension finance income/(costs)**

	2015 £'000
Expected return on pension scheme assets	151
Interest on pension liabilities	(155)
<b>Total operating income</b>	<b>(4)</b>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

	2015 £'000
Actual return less expected return on pension scheme assets	(325)
Experience gains and losses arising on the scheme liabilities	-
Change in financial and demographic assumptions underlying the scheme liabilities	889
<b>Actuarial gain recognised in STRGL</b>	<b>564</b>

## Notes to the financial statements

## 25b Devon County Council pensions and similar obligations (continued)

Movement in (deficit) during year	2015 £'000
Deficit in scheme at 1 April 2015	(5,257)
Movement in year:	
Employer service cost (net of employee contributions)	(133)
Employer contributions	56
Past service cost	-
Net interest / return on assets	(4)
Actuarial gain	564
<b>Deficit in scheme at 31 July 2015</b>	<b>(4,774)</b>

## Asset and liability reconciliation

Reconciliation of liabilities	2015 £'000
Liabilities at 1 April 2015	(13,338)
Service cost	(133)
Interest cost	(155)
Employee contributions	(29)
Actuarial gain	889
Benefits paid	39
<b>Liabilities at 31 July 2015</b>	<b>(12,727)</b>

Reconciliation of assets	2015 £'000
Assets at 1 April 2015	8,081
Expected return on assets	151
Actuarial (losses)	(325)
Employer contributions	56
Employee contributions	29
Benefits paid	(39)
<b>Assets at 31 July 2015</b>	<b>7,953</b>

## History of experience gains or losses

	2015 £'000	31 March 2015 £'000	2014 £'000	2013 £'000	2012 £'000
Scheme liabilities	(12,727)	(13,338)	(10,865)	(9,567)	(9,049)
Scheme assets	7,953	8,081	7,370	6,964	5,772
<b>Deficit</b>	<b>(4,774)</b>	<b>(5,257)</b>	<b>(3,495)</b>	<b>(2,603)</b>	<b>(3,277)</b>
<b>Experience adjustments on fund</b>	<b>(325)</b>	<b>303</b>	<b>(141)</b>	<b>667</b>	<b>(219)</b>

## Notes to the financial statements

## 26 Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
(Deficit) after depreciation of assets at valuation, disposal of assets and tax	(9,469)	(1,030)
Depreciation (note 13)	3,457	2,811
Deferred capital grants released to income (note 21)	(1,241)	(917)
Loss / (profit) on disposal of tangible fixed assets	359	(29)
Interest received (notes 6)	(51)	(53)
Interest paid (note 10)	642	725
Pension costs less contributions payable (note 25)	384	459
Pension finance costs (note 25)	466	264
(Increase) / decrease in stocks	64	40
(Increase) / decrease in debtors	68	582
Increase / (decrease) in creditors	(2,218)	(1,256)
Increase in provisions	2,206	196
Exceptional goodwill write off in respect of the Bicton merger	5,866	-
<b>Net cash inflow from operating activities</b>	<b>533</b>	<b>1,792</b>

## 27 Analysis of changes in net debt

	At 1 August 2014 Cornwall College £'000	Acquisition of Bicton College £'000	Other changes £'000	Cash flows £'000	At 31 July 2015 £'000
Cash at bank and in hand	7,366	2	-	(3,761)	3,607
Overdrafts	(503)	(447)	-	(263)	(1,213)
	6,863	(445)	-	(4,024)	2,394
Debts due after 1 year	(636)	-	(15,876)	627	(15,885)
Debts due within 1 year	(13,887)	(2,150)	15,876	161	-
Finance leases due within 1 year	(281)	(48)	-	4	(325)
Finance lease due after 1 year	(408)	(124)	-	280	(252)
<b>Total</b>	<b>(8,349)</b>	<b>(2,767)</b>	<b>-</b>	<b>(2,952)</b>	<b>(14,068)</b>

## Notes to the financial statements

## 28 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	51	53
Interest paid	(618)	(706)
Interest element of finance lease rental payments	(24)	(19)
<b>Net cash outflow from return on investments and servicing of finance</b>	<b>(591)</b>	<b>(672)</b>
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(5,630)	(6,527)
Deferred capital grants received	2,736	2,117
Sale of tangible assets	-	31
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,894)</b>	<b>(4,379)</b>
<b>Financing</b>		
New secured repayable loans	2,000	2,300
Capital element of finance lease rental payments	(284)	(281)
Repayment of long term loans	(2,788)	(624)
Short term borrowing – bank overdraft	-	(751)
<b>Net cash inflow / (outflow) from financing</b>	<b>(1,072)</b>	<b>644</b>

## 29 Contingent liability

There are no contingent liabilities.

## 30 Financial commitments

At 31 July, the College had annual commitments under non-cancellable operating leases as follows:

	2015		2014	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	72	1	261	89
Expiring between two and five years inclusive	55	59	35	263
Expiring over five years	380	151	310	-
	<b>507</b>	<b>211</b>	<b>606</b>	<b>352</b>

## 31 Capital commitments

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31 July	-	-	3,117	3,117
Authorised but not contracted at 31 July	3,000	3,000	-	-

## Notes to the financial statements

### 32 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures.

The College procures catering supplies from Hunt's Food Services Ltd. Mrs J Doble who served as a governor of the College is also a director of this company. Total expenditure with Hunt's Food Services Ltd for 2014/15 was £285,377 (2013/14: £328,742). The company were awarded the contract from the College following a full OJEU tender process, with submissions reviewed and evaluated by the College procurement team.

The College is a co-sponsor of the Marine Academy Plymouth Limited and CCMS (2000) Limited, one of the College's subsidiary companies, provided services to the value of £61,844 in year (2013/14: £87,094).

### 33 Learner support funds

	2014	2014
	£'000	£'000
Funding body grants- hardship support	1,500	1,485
Funding body grants - childcare	177	335
Funding body grants – residential bursaries	337	159
	<hr/>	<hr/>
	2,014	1,979
Disbursed to students	(1,663)	(1,887)
Administration costs	(92)	(76)
	<hr/>	<hr/>
Balance unspent at 31 July included in creditors	259	16
	<hr/>	<hr/>

SFA/EFA grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

## Notes to the financial statements

## 34 Bicton College acquisition note

The Cornwall College Group acquired Bicton College on 31<sup>st</sup> March 2015. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustment £'000	Fair value to Group £'000
<b>Fixed assets</b>			
Tangible assets	12,323	-	12,323
Investments	15	-	15
	<hr/> 12,338 <hr/>	<hr/> - <hr/>	<hr/> 12,338 <hr/>
<b>Current assets</b>			
Stocks	170	-	170
Debtors	834	-	834
Cash and bank	2	-	2
	<hr/> 1,006 <hr/>	<hr/>	<hr/> 1,006 <hr/>
<b>Less: Creditors</b>			
Amounts falling due within one year	(8,599)	-	(8,599)
	<hr/> (7,593) <hr/>	<hr/> - <hr/>	<hr/> (7,593) <hr/>
<b>Net current liabilities</b>			
	<hr/> (7,593) <hr/>	<hr/> - <hr/>	<hr/> (7,593) <hr/>
<b>Total assets less current liabilities</b>	4,745	-	4,745
<b>Less: Creditors</b>			
Amounts falling due after more than one year	(135)	-	(135)
Provision for liabilities	(635)	-	(635)
	<hr/> 3,975 <hr/>	<hr/> - <hr/>	<hr/> 3,975 <hr/>
<b>Net assets excluding pension liability</b>			
	<hr/> 3,975 <hr/>	<hr/> - <hr/>	<hr/> 3,975 <hr/>
<b>Net pension liability</b>	(5,257)	-	(5,257)
	<hr/> (1,282) <hr/>	<hr/> - <hr/>	<hr/> (1,282) <hr/>
<b>Net assets including pension liability</b>			
Deferred capital grants	(4,584)	-	(4,584)
	<hr/> (5,866) <hr/>	<hr/> - <hr/>	<hr/> (5,866) <hr/>
<b>Net liabilities</b>			
	<hr/> (5,866) <hr/>	<hr/> - <hr/>	<hr/> (5,866) <hr/>
<b>Goodwill</b>			(5,866)
<b>Consideration</b>			-
			<hr/>

## 35 Post Balance Sheet Events

As part of the Bicton merger, the College had already planned to support the cost of merger through the sale of assets. Given the current cash position, the Board approved (at its meeting on 16 December 2015) to accelerate this process to ensure adequate levels of liquidity in the medium term. Consequently, the College is currently in the process of raising in excess £4m from the sale of Bicton assets.

