

**Cornwall College Further Education
Corporation**

Board report and financial statements

For the year ended 31 July 2014

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 2014.

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'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
- 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

Board report (continued)

Implementation of the strategic intent (continued)

- 9. Entrepreneurial Thought and Action:** Now – successful sponsor of social enterprise
Next – innovative individuals and partnership create opportunities for themselves and communities

TCCG's achievements during 2013/14 are summarised below:

- TCCG was awarded the Queen's Anniversary Award
- undertook a "Big Conversation" with employers, community, staff and students to inform the 2014-2018 Strategic Intent
- implemented a new Mission Statement, set of values and nine goals under the new Strategic Intent, which was formally adopted by the Corporation Board and presented to stakeholders
- further developed services to meet the skills needs of small and medium sized enterprises
- increased programmes funded through co-financing where a positive benefit can be identified
- used recruitment and staff development to develop a balanced and capable college workforce
- continued to work with schools to expand collaboration in support of increased flexibility for 14-19 year olds
- retained matrix accreditation
- taken every opportunity to celebrate success of both TCCG and the individual
- completed the Skills Centre at Stoke Climsland and progressed the refurbishment and demolition of buildings at Camborne
- commenced the refurbishment of the Falmouth campus
- formally opened the new Animal Care Centre at Rosewarne campus and the new training restaurant and hair and beauty facilities at Camborne campus
- opened a new engineering facility in Cremyll to provide employer apprenticeship training
- continued to explore and develop the business plan proposal for the Future Farm facility at Stoke Climsland
- continued to explore funding opportunities to improve existing accommodation and develop new facilities
- successfully awarded the Pilot Project for 18-21 Work Skills

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)

In 2013/14 the College:

- improved a number of key student success rates but continues to work on this area
- 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 College 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. The current rating of Satisfactory is considered an acceptable outcome.

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 2013/14 the College delivered activity that has produced £35,988,000 in SFA/EFA recurrent grant funding (2012/13: £39,149,000). TCCG had 16,235 SFA/EFA-funded and 12,137 non-SFA/EFA funded students.

Board report (continued)

Student numbers (continued)

The reduction in funded Adult Learner Responsiveness funding is the result of changes to priorities which are now focussed on a combination of employer responsiveness work place learning and adult learning that leads to recognised qualifications and away from developmental activity.

Student achievements

The classroom based learning success rate for students on long courses in 2013/14 has increased to 83.4% (2013: 82.4%) which represents an upward three year trend. The overall success rate for all courses (excluding functional skills) is 84.7% (2013: 84.6%). The overall combined Alps value-added score on A level and BTEC is Alps grade 3, between the 75th and 89th percentile. For vocational courses the value-added scores are in line with national averages.

Performance on apprenticeship programmes has remained at a consistently high level with the overall success rate at 78.25% being 5.95% above the 2012/13 national average. Timely success at 69.99% is 13.7% above the 2012/13 national average.

The work place learning success rates are 84.1% overall and timely success of 72.0%.

Curriculum developments

- Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population
- Apprenticeship and work place learning programmes continue to expand with the development of the Cornwall Leadership Academy and opening Business Centres in Plymouth and Launceston
- Higher Education programmes franchised from the University of Plymouth are being maintained at current levels but are unlikely to expand due to restrictions in growth funding available from the Government. TCCG is converting a number of its foundation degrees to full degree status. TCCG is part of the Combined Universities in Cornwall (CUC) initiative

Finances

TCCG generated an operating deficit of £877,000 (2012/13: £536,000 deficit) and these results compare with a Board target of £188,000 surplus. The historical cost position was a deficit of £552,000 (2012/13: £211,000 deficit) and this compares with a target of £500,000 surplus.

Income of £71,179,000 (2012/13: £73,501,000) was 3.2% lower than last year and expenditure of £72,085,000 (2012/13: £74,026,000) was 2.6% lower than last year. The expenditure included an actuary adjustment of £726,000 (2012/13: £795,000).

The general revenue reserves have reduced to a deficit of £423,000 (2012/13: surplus of £8,937,000) due mainly to an increase in the net pension liability of £9,531,000. The cash balance has reduced to £7,366,000 (2012/13: £9,981,000) following capital expenditure investment of £6,527,000 (note 13) supported in part by £2,117,000 grants received (note 28).

The operating deficit includes an exceptional item of £1,098,000 (2012/13: £295,000) in respect of restructuring costs.

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

	2013/14	2012/13
• ratio of general revenues reserve to income	(0.59%)	12.2%
• ratio of general revenues reserve to income (excluding FRS 17)	35.5%	34.1%
• current ratio	1.32:1	1.39:1
• staff costs to income	68.9%	68.2%
• ratio of SFA/EFA income to total income	50.6%	53.3%

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 £
CC Education Services Limited	Co-financing projects and property services	16,004	13,804	2,200
CCMS (2000) Limited	Recruitment services	360,968	354,436	6,532

Board report (continued)

Cash flows

At £1,792,000 per cash flow statement (2012/13: £1,702,000), operating cash flow is reasonably strong. The overall cash balance has fallen by £2,615,000 (2012/13: £2,379,000) due to the 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 £2.3 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 have been established to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

Developments

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

- new Skills Centre at Stoke Climsland
- developed engineering space in Cremyll
- refurbished Harris Building and further upgraded the Sharman Building at Camborne
- commenced refurbishment of the Falmouth campus

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 £46,099,000 per consolidated balance sheet of net assets (including £25,684,000 per consolidated and College balance sheet of pension liability) and long term debt of £14,497,000 per consolidated balance sheet
- People - TCCG employs 1,694 people (expressed as full time equivalents), of whom 583 are teaching staff and 1,111 are non-teaching staff, 203 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 plan, 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 2013/14, 68% (2012/13: 71%) 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 three issues which may impact on future funding:

- the October 2010 Comprehensive Spending Review confirmed that the government is reviewing its priorities for the adult skills and HE sectors which are resulting in reductions in government funding and a requirement to increase the contributions from students and employers
- the opportunities that exist to respond to Government initiatives and in particular relating to 16-18 year olds and apprenticeship activity
- the EFA and SFA funding methodologies changed in 2013/14

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 SFA and EFA

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 the minimum levels of performance (MLP) 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 MLP 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
- Education sector funding bodies
- Staff
- Local employers
- Local authorities

Board report (continued)

Stakeholder relationships (continued)

- 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. In addition the Corporation operates six local College Councils, which provide a direct link between the local colleges and the Corporation, and each College Council includes two staff and two students in its membership.

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. In 2012, CCSU and the College won the Learning and Skills Improvement Service national award for 'Innovative Approaches to the Learner Voice'.

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 December 2014 and signed on its behalf by:



P K Rees
Chair

Board report *(continued)*

Professional advisers

Financial Statement and Regularity Auditors:	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Princess Court, 23 Princess Street, Plymouth, PL1 2EX
Internal auditors:	Baker Tilly Risk Advisory 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 st Floor, Phase 2, South East, Canons House, Canons Way, Bristol, BS99 7LB
Solicitors:	Ashfords, Princess Court, 23 Princess Street, Plymouth, Devon, PL1 2EX Eversheds, Eversheds House, 70 Great Bridgewater St, Manchester M1 5ES 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 June 2010. 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 2014. 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 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 seven times during the year – five scheduled meetings and two special meetings.

The Corporation Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation Board. During the year these committees were Audit, Finance and Estates, Quality and Human Resources, Remuneration and Search and Governance. There was also a College Council for each of the constituent colleges of The Cornwall College Group and these are sub-committees of the Corporation Board. During the year the governance structure and arrangements have been reviewed. A new structure to align with the strategic themes and curriculum focus of the Group will be implemented from 2014/15. 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

During the year the Governance structure and arrangements have been reviewed. A new structure to align with the strategic themes and curriculum focus of the Group will be implemented from 2014/15.

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.

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

Corporate Governance (continued)

The Corporation (continued)

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 non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation Board and Principal and CEO of the Group 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:

Mrs S Dudden was reappointed with effect from 1.8.13
Miss C Knight was reappointed with effect from 1.8.13
Miss J Rose was appointed with effect from 1.8.13
Mr D Sharples was appointed with effect from 1.8.13
Mr P Walker was reappointed with effect from 1.8.13
Mrs B Warne was reappointed with effect from 1.9.13
Mr A Basi was appointed with effect from 1.9.13
Mr C Stratton was reappointed with effect from 14.10.13
Ms K Burrows was appointed with effect from 1.1.14
Mr D Parker was reappointed with effect from 17.5.14
Mr A Woolman was appointed with effect from 1.8.14
Mr A Shefford was appointed with effect from 1.8.14

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

Mr D P Linnell OBE left by mutual consent 31.8.13
Miss C Knight term of office expired 31.7.14
Ms J Rose term of office expire 31.7.14
Mrs B Warne resigned 15.10.14

Subsidiary companies

The Corporation has two wholly owned subsidiary companies, CC Education Services Limited and CCMS (2000) Limited. The following persons acted as directors of the companies:

Mr A Basi (appointed with effect from 9.10.13) and Mr P K Rees were directors of CC Education Services Limited.

Mr A Basi (appointed with effect from 9.10.13), Mr R Humphreys, Mrs M M Elwell, Mr P K Rees and Mr C Stratton were directors of CCMS (2000) Limited.

Mrs A M Phillips acted as the Corporation Secretary and subsidiary companies' secretary 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 31.7.14	Remaining term	Board Meeting attendance 2013/14*	Status of appointment	Current Committee Membership
Mr P K Rees (Chair from 18.10.01)	1.1.13	13	3	5/5	External	Chair of Remuneration Chair of 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 M Bell	1.12.12	2	2	4/5	External	Chair of Delivery and Development
Ms K Burrows	1.1.14	1	3	3/4	External	Finance and Resources
Mr P Child	7.3.12	2	2	5/5	External	Delivery and Development
Mrs S-J Coode (Vice Chair from 17.5.12)	6.3.13	11	1	5/5	External	Chair of Audit Remuneration Search and Governance
Dr J A Doble	6.3.11	11	1	4/5	External	Audit
Mrs S Dudden	1.8.13	9	1	5/5	External	Delivery and Development
Ms J Green	1.6.12	6	2	3/5	External	Finance and Resources
Mr P Hardaker	1.6.12	6	2	4/5	External	Audit Search and Governance
Ms C Knight	1.8.13	1	Term ended	5/5	Student	
Mr D P Linnell OBE	9.2.09	-	Left by mutual consent	N/A	CEO and Principal ex officio	
Mr D Parker	17.5.14	8	4	5/5	External	Excellence and Experience
Ms J Rose	1.8.13	-	Term ended	2/5	Student	
Mr D Sharples	1.8.13	1	3	4/5	Staff	Audit Committee
Mr A Shefford	1.8.14	-	1	N/A	Student	Delivery and Development
Mrs T Sorensen OBE	17.12.11	7	1	5/5	External	Chair Finance and Resources Search and Governance
Mr C Stratton	14.10.13	5	3	3/5	External	Finance and Resources
Ms N Taylor	1.6.13	5	3	5/5	External	Excellence and Experience Remuneration
Mr A Tuckett OBE	1.6.12	2	2	4/5	External	Chair of Excellence and Experience
Mr P Walker	1.8.13	5	3	4/5	Staff	Excellence and Experience Search and Governance
Ms B Warne	1.9.13	5	Resigned	3/5	External	
Mr A Woolman	1.8.14	-	1	N/A	Student	Excellence and Experience Search and Governance

*In addition to scheduled Board meetings there were two Special Board meetings during 2013/14. Despite being called at short notice these meetings were well attended with 16 and 18 members present.

Approved by order of the members of the Corporation Board on 10 December 2014 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 2014, comprised Mr P K Rees (Chair), Mrs S-J Coode, Mr P Hardaker, Miss C Knight, Mrs T Sorensen OBE and Mr P Walker. 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 2014, the Remuneration Committee comprised Mr P K Rees, Mrs S-J Coode 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 2014 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the CEO and Principal, Chair, and members of the Finance and Estates Committee), Mrs S-J Coode (Chair), Dr J Doble, Mr P Hardaker and Mr D Sharples and an external co-opted member, Mr J Mashen. During the year the committee secretary was Mr R Cowie who is a partner in a local accounting practice. Mr Cowie was appointed as a co-opted member of the Audit Committee with effect from 1 November 2014. 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 2014 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 CEO and Principal 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 2014 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

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.

Approved by order of the members of the Corporation Board on 10 December 2014 and signed on its behalf by:



P K Rees
Chair



A Basi
Principal and CEO

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 2013-14 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 December 2014 and signed on its behalf by:



P K Rees
Chair

Independent auditors' report to the Corporation of Cornwall College

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by Cornwall College Further Education Corporation, comprise:

- the consolidated and college Balance Sheets as at 31 July 2014;
- 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 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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.

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 15 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 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Plymouth

12 December 2014

- a. The maintenance and integrity of Cornwall College's 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 Auditor's Report on Regularity to the Corporation of Cornwall College and the Chief Executive of the Skills Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 10 October 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Responsibilities of the Corporation of Cornwall College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Cornwall College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

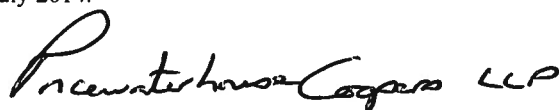
Our responsibility is to express a reasonable assurance opinion that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Framework and our engagement letter dated 10 October 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.



PricewaterhouseCoopers LLP
Chartered Accountants
Plymouth

12 December 2014

**Consolidated income and expenditure account
for the year ended 31 July 2014**

	<i>Note</i>	2014 £'000	Restated 2013 £'000
Income			
Funding body grants	2	35,988	39,149
Tuition fees and education contracts	3	12,883	12,380
Research grants and contracts	4	9,585	8,354
Other income	5	12,670	13,496
Investment income	6	53	122
Total income		71,179	73,501
Expenditure			
Staff costs (including exceptional restructuring costs of £1,098,000 (2013: £295,000))	7	49,012	49,683
Other operating expenses	9	19,215	20,522
Depreciation	13	2,811	2,511
Interest and other finance costs	10	1,047	1,310
Total expenditure		72,085	74,026
Deficit after depreciation of tangible fixed assets at valuation and before exceptional items and tax		(906)	(525)
Profit / (loss) on disposal of fixed assets		29	(11)
Deficit after depreciation of tangible fixed assets at valuation and exceptional items but before tax		(877)	(536)
Taxation	11	-	-
Deficit for the year retained within general reserves		(877)	(536)

The consolidated income and expenditure account is in respect of continuing activities.

**Consolidated statement of total recognised gains and losses
for the year ended 31 July 2014**

		2014	2013
	<i>Note</i>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(877)	(536)
Actuarial (loss) / gain in respect of pension scheme	25	(8,808)	3,503
Total recognised (losses) / gains since last report		(9,685)	2,967

Reconciliation of reserves

Opening reserves	16,297	13,330
Total recognised (losses) / gains for the year	(9,685)	2,967
Closing reserves	6,612	16,297

**Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2014**

		2014	2013
	<i>Note</i>	£'000	£'000
Deficit on continuing operations before taxation		(877)	(536)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	325	325
Historical cost deficit for the year before and after taxation		(552)	(211)

Consolidated balance sheet
as at 31 July 2014

	<i>Note</i>	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	13	85,071	81,358
Total fixed assets		85,071	81,358
Current assets			
Stocks	15	591	631
Debtors	16	4,307	4,888
Cash at bank and in hand		7,366	9,981
Total current assets		12,264	15,500
Less Creditors: Amounts falling due within one year	17	(9,277)	(11,156)
Net current assets		2,987	4,344
Total assets less current liabilities		88,058	85,702
Less Creditors: Amounts falling due after more than one year	18	(14,497)	(13,383)
Less Provisions for liabilities	20	(1,777)	(1,581)
Net assets excluding pension liability		71,784	70,738
Net pension liability	25	(25,684)	(16,153)
Net assets including pension liability		46,100	54,585
Deferred capital grants	21	39,488	38,288
Reserves			
Income and expenditure account excluding pension reserve	24	25,261	25,090
Pension reserve	24	(25,684)	(16,153)
Income and expenditure account including pension reserve	24	(423)	8,937
Revaluation reserve	22	6,958	7,283
Restricted reserve	23	77	77
Total reserves		6,612	16,297
Total funds		46,100	54,585

The financial statements on pages 19 to 47 were approved by the Corporation on 10 December 2014 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 2014

	<i>Note</i>	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	13	84,758	81,036
Investments	14	-	-
Total fixed assets		84,758	81,036
Current assets			
Stocks	15	591	631
Debtors including £394,000 (2013: £179,000) due after more than one year	16	4,089	5,528
Cash at bank and in hand		7,363	9,961
Total current assets		12,043	16,120
Less Creditors: Amounts falling due within one year	17	(9,078)	(11,349)
Net current assets		2,965	4,771
Total assets less current liabilities		87,723	85,807
Less Creditors: Amounts falling due after more than one year	18	(14,622)	(13,558)
Less Provisions for liabilities	20	(1,777)	(1,581)
Net assets excluding pension liability		71,324	70,668
Net pension liability	25	(25,684)	(16,153)
Net assets including pension liability		45,640	54,515
Deferred capital grants	21	39,488	38,288
Reserves			
Income and expenditure account excluding pension reserve	24	24,801	25,020
Pension reserve	24	(25,684)	(16,153)
Income and expenditure account including pension reserve	24	(883)	8,867
Revaluation reserve	22	6,958	7,283
Restricted reserve	23	77	77
Total reserves		6,152	16,227
Total funds		45,640	54,515

The financial statements on pages 19 to 47 were approved by the Corporation on 10 December 2014 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 2014**

	<i>Note</i>	2014 £'000	2013 £'000
Net cash flow from operating activities	26	1,792	1,702
Returns on investments and servicing of finance	28	(672)	(617)
Capital expenditure	28	(4,379)	(2,794)
Cash outflow before financing		(3,259)	(1,709)
Financing	28	644	(670)
Decrease in cash in the year		(2,615)	(2,379)

Reconciliation of net cash flow to movement in net debt

		2014 £'000	2013 £'000
Decrease in cash in the year		(2,615)	(2,379)
Cash (inflow) / outflow from financing	28	(644)	670
Change in net debt resulting from cash flows		(3,259)	(1,709)
Finance leases		-	(1,122)
Net debt at 1 August	27	(5,090)	(2,259)
Net debt at 31 July	27	(8,349)	(5,090)

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 2012/13 Accounts Direction Handbook.

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 2014.

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.

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.

Notes to the financial statements

1 Statement of accounting policies (*continued*)

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

	2014 £'000	2013 £'000
Recurrent grant	25,998	25,611
Non recurrent grant	9,755	13,311
Releases of deferred capital grants (note 21)	235	227
	<hr/>	<hr/>
	35,988	39,149
	<hr/>	<hr/>

Total funding body grants in 2014 are net of a claw-back totalling £625,000 in respect of the 2012/13 provision.

Notes to the financial statements

3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition fees	10,562	8,598
Education contracts	2,321	3,782
	<u>12,883</u>	<u>12,380</u>

4 Research grants and contracts

	2014 £'000	2013 £'000
European Commission	2,305	2,902
Other grants and contracts	7,280	5,452
	<u>9,585</u>	<u>8,354</u>

5 Other income

	2014 £'000	2013 £'000
Farming activities	1,034	884
Recruitment services	4,244	4,282
Releases from deferred capital grants (non-SFA)	682	720
Other income	6,710	7,610
	<u>12,670</u>	<u>13,496</u>

6 Investment income

	2014 £'000	2013 £'000
Bank interest receivable	53	122
	<u>53</u>	<u>122</u>

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:

	2014 Number	Restated 2013 Number
Teaching staff	583	614
Non teaching staff	1,111	1,071
	<u>1,694</u>	<u>1,685</u>

Staff costs for the above persons were as follows:

	2014 £'000	Restated 2013 £'000
Teaching staff	20,003	20,847
Non teaching staff	23,487	24,758
Restructuring costs	1,098	295
Contracted out services	3,962	3,450
Local Government pension retirement benefit charge	462	333
	<u>49,012</u>	<u>49,683</u>

	2014 £'000	Restated 2013 £'000
Wages and salaries	36,545	39,153
Social security costs	2,336	2,354
Other pension costs (note 25)	5,071	4,431
Restructuring costs	1,098	295
	<u>45,050</u>	<u>46,233</u>
Payroll sub total	45,050	46,233
Contracted out services	3,962	3,450
	<u>49,012</u>	<u>49,683</u>

The restatement of staff costs in 2013 reflects £446,000 of operating costs incorrectly classified in salaries and wages and a further reclassification of £2,169,000 between wages and salaries and contracted out services.

Notes to the financial statements

7 Staff costs (continued)

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

	2014 Number of senior post-holders	2014 Number of other staff	2013 Number of senior post-holders	2013 Number of other staff
£60,001 to £70,000	-	6	-	9
£70,001 to £80,000	-	3	-	5
£80,001 to £90,000	-	3	-	2
£90,001 to £100,000	-	1	1	1
£100,001 to £110,000	1	-	1	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	1	-
£130,001 to £140,000	1	1	1	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£170,001 to £180,000	1	-	1	-
£180,001 to £190,000	-	-	-	-
£210,001 to £220,000	1	-	-	-

A general pay award of nil (2012/13: nil) was made with effect from 1 November 2013, and was approved by the Corporation Board.

8 Emoluments of senior post holders and members

Senior post-holders are defined as members of the senior management team.

	2014 Number	2013 Number
The number of senior post-holders including the Principal was	5	5
Senior post-holders' emoluments are made up as follows:		
	2014 £'000	Restated 2013 £'000
Salaries	551	556
Benefits in kind	2	3
Pension contributions	77	84
Pay in lieu of notice and other obligations	120	100
Total emoluments	750	743

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

Notes to the financial statements**8 Emoluments of senior post holders and members (continued)**

	2014 £'000	2013 £'000
Salary (Principal)	183	150
Benefits in kind	1	1
Pension contribution	26	21
Pay in lieu of notice and other obligations	-	100
	<u>210</u>	<u>272</u>

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 received a pay increase of nil in 2013/14 (2012/13: nil) which is in line with the general pay award. No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

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	1	1	-
Senior post-holders	1	-	1
Other higher paid staff	14	5	9
	<u>16</u>	<u>6</u>	<u>10</u>

Notes to the financial statements

9 Other operating expenses

	2014 £'000	Restated 2013 £'000
Teaching costs	9,160	10,177
Non teaching costs	6,747	6,851
Premises costs	3,308	3,494
	<u>19,215</u>	<u>20,522</u>
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit *	48	44
Internal audit **	36	26
Other services from either external and internal audit	11	12
Hire of computers and associated equipment – operating leases	261	214
Hire of other assets – operating leases	264	339
Hire of other assets – premises leases	640	521

* - includes £36,539 in respect of the College (2013: £36,636)

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

10 Interest and other finance costs

	2014 £'000	Restated 2013 £'000
On bank loans and overdrafts:	702	724
Enhanced pensions	62	113
Local Government pensions	264	462
Assets financed under finance leases	19	11
	<u>1,047</u>	<u>1,310</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:

	2014 £'000	Restated 2013 £'000
College's deficit for the year	(1,254)	(979)
Profit generated by subsidiary undertakings and transferred to the College by Gift Aid Payment	368	429
Profit retained in subsidiary	9	14
	<u>(877)</u>	<u>(536)</u>

Notes to the financial statements

13 Tangible assets

Group	Tangible Land and buildings			Intangible		Total
	Freehold	Long leasehold	Short leasehold	Equipment	Milk Quota	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2013	92,647	3,837	1,452	9,637	236	107,809
Additions at cost	2,786	2,004	-	1,737	-	6,527
Disposals	-	-	-	(216)	-	(216)
At 31 July 2014	95,433	5,841	1,452	11,158	236	114,120
Accumulated depreciation						
At 1 August 2013	17,695	887	1,179	6,454	236	26,451
Depreciation charge for year	1,657	80	54	1,020	-	2,811
Eliminated in respect of disposals	-	-	-	(213)	-	(213)
At 31 July 2014	19,352	967	1,233	7,261	236	29,049
Net book value						
At 31 July 2014	76,081	4,874	219	3,897	-	85,071
At 31 July 2013	74,952	2,950	273	3,183	-	81,358
Inherited	6,754	31	173	-	-	6,958
Financed by capital grant	36,433	2,982	-	73	-	39,488
Other	32,894	1,861	46	3,824	-	38,625
At 31 July 2014	76,081	4,874	219	3,897	-	85,071

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
Cost or valuation						
At 1 August 2013	92,647	3,837	1,452	9,282	236	107,454
Additions	2,786	2,004	-	1,729	-	6,519
Disposals	-	-	-	(216)	-	(216)
At 31 July 2014	95,433	5,841	1,452	10,795	236	113,757
Accumulated depreciation						
At 1 August 2013	17,695	887	1,179	6,421	236	26,418
Depreciation charge for year	1,657	80	54	1,003	-	2,794
Eliminated in respect of disposals	-	-	-	(213)	-	(213)
At 31 July 2014	19,352	967	1,233	7,211	236	28,999
Net book value						
At 31 July 2014	76,081	4,874	219	3,584	-	84,758
At 31 July 2013	74,952	2,950	273	2,861	-	81,036
Inherited	6,754	31	173	-	-	6,958
Financed by capital grant	36,433	2,982	-	73	-	39,488
Other	32,894	1,861	46	3,511	-	38,312
At 31 July 2014	76,081	4,874	219	3,584	-	84,758

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 £32,893,668 (2013: £31,754,547) 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 £11,218,661 (2013: £10,997,211) which have been partially funded by a grant from the funding agencies. The receipt in the current year was 1,260,096 (2013: £1,906,105). 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 £752,073 (2013: £1,122,498) in respect of assets held under finance leases. There was no depreciation charge on these assets for the year (2013: £nil).

Long leasehold land and buildings includes the following properties:

Property	Length of Lease From To		Property	Length of Lease From To	
Agriculture House, Exeter	2013	2014	Ponsharden, Falmouth	2004	2024
Atlantic Centre, Newquay	2012	2037	Rosewarne Buildings	1997	2027
Bridon Ropes, Falmouth	2009	2024	Rosewarne Land	1997	2027
Chiltern House, Truro	2008	Ongoing	Royal Cornwall Showground, Wadebridge	2009	Ongoing
Classic Airforce, St Mawgan (licence agreement)	2014	2015	Sisna Park, Plymouth	2013	2019
Culdrose Room, Falmouth (licence)	2014	2015	St Mellion Tourism Academy, St Mellion	2011	2036
Discovery Quay Falmouth	2010	Ongoing	Tolcarne, Newquay	2009	2019
Duchy Home Farm	1996	Ongoing	Unit 3 Enterprise Park, Saltash	2007	2023
Duchy Home Farm, Bungalow 1 (small business agreement)	2012	2015	Unit 4 & 5 Enterprise Park, Saltash	2006	2023
Duchy Home Farm, Bungalow 2 (small business agreement)	2009	2015	Unit 6 Enterprise Park, Saltash	2008	2023
Duchy Campus at Stoke Climsland	1996	Ongoing	Unit 7 Enterprise Park, Saltash	2012	2023
Dunheved House, Launceston	2012	2037	Watersports Assoc., Falmouth (hire of portacabin/ground rent but no details held by Estates)		
Elgar House, Worcester	2004	2015			
Heaven Scent, St Austell	2009	2019			
Mashfords, Torpoint (licence)	2014	2019			
Mayflower Street, Plymouth	2005	2015			

Notes to the financial statements

14 Fixed asset investments

	2014 £	2013 £
Investment in subsidiary company at cost	2	2

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.

15 Stocks

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Livestock and growing crops	473	473	493	493
Consumables and goods for resale	118	118	138	138
	<u>591</u>	<u>591</u>	<u>631</u>	<u>631</u>

16 Debtors

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	1,763	1,419	1,217	1,009
Amounts owed by subsidiary undertakings	-	71	-	981
Other debtors	776	438	614	302
Prepayments and accrued income	1,768	1,767	3,057	3,057
	<u>4,307</u>	<u>3,695</u>	<u>4,888</u>	<u>5,349</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	394	-	179
	<u>4,307</u>	<u>4,089</u>	<u>4,888</u>	<u>5,528</u>

Notes to the financial statements

17 Creditors: Amounts falling due within one year

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	1,139	1,139	1,879	1,879
Obligations under finance leases	281	281	281	281
Payments received on account	1,914	1,914	2,544	2,544
Deposits	140	140	141	141
Trade creditors	984	982	456	456
Amounts owed to subsidiary undertakings	-	328	-	611
Other taxation and social security	1,319	1,319	1,245	1,245
Accruals and deferred income	3,500	2,975	4,406	3,988
Other amounts owed to funding bodies	-	-	204	204
	<u>9,277</u>	<u>9,078</u>	<u>11,156</u>	<u>11,349</u>

18 Creditors: Amounts falling due after more than one year

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	13,887	13,887	12,222	12,222
Obligations under finance leases	408	408	689	689
Loans from subsidiary undertakings	-	125	-	175
Other accruals	202	202	472	472
	<u>14,497</u>	<u>14,622</u>	<u>13,383</u>	<u>13,558</u>

19 Analysis of borrowings

Bank loans and overdrafts

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	1,139	1,139	1,879	1,879
Between one and two years	647	647	636	636
Between two and five years	837	837	1,333	1,333
In five years or more	12,403	12,403	10,253	10,253
	<u>15,026</u>	<u>15,026</u>	<u>14,101</u>	<u>14,101</u>

Bank loans at interest rates ranging from 2.059% to 6.494% (2013: 5.425% to 6.494%) are repayable by instalments falling due between 1 August 2012 and 12 May 2028 totalling £15,026,000 (2013: £14,101,000). The lender has a charge over a number of freehold fixed assets as security against the loans.

Notes to the financial statements**19 Analysis of borrowings (continued)**

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Loans from subsidiary undertakings:				
Within one year	-	50	-	50
Between one and two years	-	50	-	50
Between two and five years	-	75	-	125
	<u>-</u>	<u>175</u>	<u>-</u>	<u>225</u>
	<u><u>-</u></u>	<u><u>175</u></u>	<u><u>-</u></u>	<u><u>225</u></u>
	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Other accruals:				
Within one year	272	272	313	313
Between one and two years	135	135	313	313
Between two and five years	67	67	159	159
	<u>474</u>	<u>474</u>	<u>785</u>	<u>785</u>
	<u><u>474</u></u>	<u><u>474</u></u>	<u><u>785</u></u>	<u><u>785</u></u>
	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
The net finance lease obligations to which the institution is committed are:				
Within one year	281	281	281	281
Between one and two years	281	281	281	281
Between two and five years	127	127	408	408
	<u>689</u>	<u>689</u>	<u>970</u>	<u>970</u>
	<u><u>689</u></u>	<u><u>689</u></u>	<u><u>970</u></u>	<u><u>970</u></u>

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

20 Provisions for liabilities***Group and College***

	Enhanced Pensions £'000	Restructuring £'000	Total £'000
At 1 August 2013	1,452	129	1,581
Expenditure in the year	(99)	(129)	(228)
Net charge to income and expenditure account	115	309	424
	<u>1,468</u>	<u>309</u>	<u>1,777</u>
At 31 July 2014	<u><u>1,468</u></u>	<u><u>309</u></u>	<u><u>1,777</u></u>

The pension provision relates to enhanced pensions payable to former employees and includes £9,809 (2013: £9,585) in respect of enhanced pension payable to former senior post-holders. The restructuring provision relates to the cost of staff restructuring.

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

	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2013:			
Land and buildings	11,244	26,903	38,147
Equipment	8	133	141
	<u>11,252</u>	<u>27,036</u>	<u>38,288</u>
Capital grants received/due:			
Land and buildings	1,260	857	2,117
Equipment	-	-	-
Released to income and expenditure account:			
Land and buildings	(234)	(615)	(849)
Equipment	(1)	(67)	(68)
	<u>12,277</u>	<u>27,211</u>	<u>39,488</u>
At 31 July 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>

22 Revaluation reserve

	Group £'000	College £'000
At 1 August 2013	7,283	7,283
Depreciation of revalued assets	(325)	(325)
At 31 July 2014	<u>6,958</u>	<u>6,958</u>

23 Restricted reserve

	Group £'000	College £'000
At 1 August 2013 and 31 July 2014	<u>77</u>	<u>77</u>

Notes to the financial statements

24 Income and expenditure account

	Group £'000	College £'000
General revenue reserve		
At 1 August 2013	5,228	5,158
Deficit on continuing operations after depreciation of assets at valuation and tax	(877)	(1,267)
Transfer to designated reserve	(376)	(376)
Transfer from revaluation reserve to income and expenditure account	325	325
Actuarial gain	(8,808)	(8,808)
At 31 July 2014	(4,508)	(4,968)
Designated reserve		
At 1 August 2013 as previously stated	3,709	3,709
Transfer from general revenue reserve	376	376
At 31 July 2014	4,085	4,085
Total income and expenditure account	(423)	(883)
Balance represented by:		
Pension reserve	(25,684)	(25,684)
Income and expenditure account reserve excluding pension reserve	25,261	24,801
At 31 July 2014	(423)	(883)

	Group £'000	College £'000
Pension liability		
Balance at 1 August 2013	(16,153)	(16,153)
FRS 17 movements in the year	(9,531)	(9,531)
At 31 July 2014	(25,684)	(25,684)

25 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, which is managed by Hymans Robertson LLP. Both are defined-benefit schemes.

Total pension cost for the year	2014	2013
	£'000	£'000
Local Government pension Scheme:		
Contributions paid	2,508	2,233
FRS 17 charge	459	333
	2,967	2,566
Teachers Pension Scheme: contributions paid	2,104	1,865
Total cost for the year	5,071	4,431

Notes to the financial statements

25 Pensions and similar obligations (continued)

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%
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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 2014 was £3,280,000 (2012/13: £2,944,000) of which employers' contributions totalled £2,491,000 (2012/13: £2,217,000) and employees' contributions totalled £790,000 (2012/13: £726,000). The agreed contribution rates for future years are 15.8% plus a lump sum of £439,000* (2012/13: £366,000) 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%

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.

	2014	2013
Rate of increase in salaries	4.5%	5.1%
Rate of increase in pensions	2.7%	2.8%
Discount rate for liabilities	4.1%	4.6%
Commutation of pensions to lump sums:		
Membership prior to 1 April 2008	40.0%	40.0%
Membership post 1 April 2008	70.0%	70.0%

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

Notes to the financial statements

25 Pensions and similar obligations (continued)

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

	2014	2013
<i>Current pensioners</i>		
Females	24.4	23.4
Males	22.2	21.3
<i>Retiring in 20 years</i>		
Females	26.8	25.6
Males	24.4	23.2

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 2014	Value at 31 July 2014 £'000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.5%	30,923	6.4%	34,273
Bonds	3.6%	22,333	3.8%	12,853
Property	4.7%	3,436	4.6%	2,678
Cash	3.6%	573	3.4%	3,749
Total market value of assets		57,265		53,553
Present value of scheme liabilities		(82,949)		(69,706)
Deficit in scheme		(25,684)		(16,153)

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employer contributions)	440	318
Curtailment	19	15
Total operating charge	459	333

The employer service cost has been calculated as the current service charge £2,948,000 (2013: £2,551,000) less contributions of £2,508,000 (2013: £2,233,000) paid in the year.

Analysis of pension finance costs

	2014 £'000	2013 £'000
Expected return on pension scheme assets	2,991	2,180
Interest on pension scheme liabilities	(3,255)	(2,642)
Pension finance costs	(264)	(462)

Notes to the financial statements

25 Pensions and similar obligations (continued)

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

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(1,041)	5,170
Change in financial and demographic assumptions underlying the scheme liabilities	(7,767)	(1,667)
Actuarial (loss) / gain recognised in STRGL	(8,808)	3,503

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	(16,153)	(18,861)
Movement in year:		
Current service charge	(2,948)	(2,551)
Contributions	2,508	2,233
Impact of curtailments and settlements	(19)	(15)
Net interest on assets	(264)	(462)
Actuarial (loss) / gain	(8,808)	3,503
Deficit in scheme at end of year	(25,684)	(16,153)

Asset and liability reconciliation

Reconciliation of Liabilities

	2014 £'000	2013 £'000
Liabilities at start of year	69,706	63,495
Service cost	2,948	2,551
Interest cost	3,255	2,642
Employee contributions	794	732
Actuarial losses on scheme liabilities	7,767	1,667
Benefits paid	(1,540)	(1,396)
Losses on curtailments	19	15
Liabilities at end of year	82,949	69,706

Reconciliation of Assets

	2014 £'000	2013 £'000
Assets at start of year	53,553	44,634
Expected return on assets	2,991	2,180
Actuarial (loss) / gains on assets	(1,041)	5,170
Employer contributions	2,508	2,233
Employee contributions	794	732
Net benefits paid out	(1,540)	(1,396)
Assets at end of year	57,265	53,553

The estimated value of employer contributions for the year ended 31 July 2015 will be approximately £2,790,000.

Notes to the financial statements**25 Pensions and similar obligations (continued)****History of experience gains or losses**

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme liabilities	(82,949)	(69,706)	(63,495)	(50,926)	(53,211)
Scheme assets	57,265	53,553	44,634	42,313	36,224
Deficit	(25,684)	(16,153)	(18,861)	(8,613)	(16,987)
Experience adjustments on scheme liabilities	870	-	(664)	1,852	-
Experience adjustments on scheme assets	(1,041)	5,170	(2,052)	1,963	1,922

The total cumulative amount recognised through the statement of recognised gains and losses is a loss of £18,191,000.

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

	2014 £'000	2013 £'000
(Deficit) after depreciation of assets at valuation, disposal of assets and tax	(877)	(536)
Depreciation (note 13)	2,811	2,511
Deferred capital grants released to income (notes 2 and 5)	(917)	(947)
(Profit) / loss on disposal of tangible fixed assets	(29)	11
Interest received (notes 6)	(53)	(122)
Interest paid (note 10)	725	739
Pension costs less contributions payable (note 25)	459	333
Pension finance costs (note 25)	264	462
Decrease / (increase) in stocks	40	(25)
Decrease in debtors	582	1,127
(Decrease) in creditors	(1,409)	(1,857)
Increase in provisions	196	6
Net cash inflow from operating activities	1,792	1,702

27 Analysis of changes in net debt

	At 1 August 2013 £'000	Other changes £'000	Cash flows £'000	At 31 July 2014 £'000
Cash at bank and in hand	9,981	-	(2,615)	7,366
Overdrafts	(1,254)	-	751	(503)
	8,727	-	(1,864)	6,863
Debts due within 1 year	(625)	-	(11)	(636)
Debts due after 1 year	(12,222)	-	(1,665)	(13,887)
Finance leases due within 1 year	(281)	(281)	281	(281)
Finance lease due after 1 year	(689)	281	-	(408)
Total	(5,090)	-	(3,259)	(8,349)

Notes to the financial statements

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

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	53	122
Interest paid	(706)	(728)
Interest element of finance lease rental payments	(19)	(11)
Net cash outflow from return on investments and servicing of finance	(672)	(617)
Capital expenditure		
Payments to acquire tangible assets	(6,527)	(4,829)
Deferred capital grants received	2,117	2,035
Sales of tangible assets	31	-
Net cash outflow from capital expenditure and financial investment	(4,379)	(2,794)
Financing		
New secured repayable loans	2,300	68
Capital element of finance lease rental payments	(281)	(152)
Repayment of long term loans	(624)	(586)
Short term borrowing – bank overdraft	(751)	-
Net cash inflow / (outflow) from financing	644	(670)

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:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	261	89	204	118
Expiring between two and five years inclusive	35	263	148	339
Expiring over five years	310	-	200	-
	606	352	552	457

31 Capital commitments

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
	3,117	3,117	3,858	3,858

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 Doble Quality Foods. Mrs J Doble who served as a governor of the College is also a director of this company. Total expenditure with Doble Quality Foods for 2013/14 was £328,742 (2012/13: £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 £87,094 in year (2012/13: £52,994).

33 Learner support funds

	2014 £'000	2013 £'000
Funding body grants – hardship support	1,485	1,322
Funding body grants – childcare	335	500
Funding body grants – residential bursaries	159	159
	<hr/>	<hr/>
	1,979	1,981
Disbursed to students	(1,887)	(1,890)
Administration costs	(76)	(91)
	<hr/>	<hr/>
Balance unspent at 31 July included in creditors	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.