Capel Manor College

Report and Financial Statements for the year ended 31 July 2017

Contents

Strategic Report

The Corporation presents its annual report and audited financial statements for the year ended 31 July 2017.

Nature, Objectives and Strategies

Legal status

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

The Corporation was incorporated as Capel Manor Horticultural and Environmental Centre. The Secretary of State granted consent to the Corporation to change the College's name to Capel Manor College.

Mission and Strategic Policy

The College's mission is to "provide outstanding and inspirational land based learning opportunities in the Greater London region".

Public Benefit

Capel Manor College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11 to 15.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education and training:

- Outstanding teaching, learning and assessment
- Widening participation, tackling social exclusion and first rate student support
- Excellent transition into employment or progression to higher study
- Unrivalled links with employers, industry and commerce
- Strong links with the London Economic Action Partnership (LEAP)

Strategic Planning

The Governors and Senior Leaders have created a shared vision and strategic aims for the College and Senior Leaders plan and operate to meet clear strategic priorities within a framework of robust Governance to support and challenge Senior Leadership.

The College has a culture of continuous improvement and aspires to seek excellence in all of its operations and at all times. There are well-developed quality assurance and quality improvement processes and risk management strategies designed and managed to deliver sustained, reliable and ever improving operations.

Financial Objectives

The College's financial objectives are:

- to achieve an annual operating surplus;
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competences, and the need for a financial contribution to the College's overall finances;
- to generate sufficient levels of income to support the asset base of the College;
- to further improve the College's shorter term liquidity;
- to fund continued investment in appropriate capital development.

Performance Indicators

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Key Performance Indicator	Measure/Target	Actual for 2016/17
Operating surplus/ sector EBITDA as % of income	≥ 3%	11.7%
Staff costs as a % of income	≤ 65%	57.8%
Operating cash flow	> 0	£645k
Cash days in hand/liquidity (adjusted current ratio)	≥1.6:1	2.93:1
Borrowing as a % of income	≤ 4%	0%
Cash days in hand	≥ 30	58 days
Operating surplus	> 0	£712k

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

Financial Position

Financial results

The group generated a surplus before other gains and losses in the year of £712k (2015/16: £306k), with total comprehensive income of £13,109k (2015/16: £11,985k). The total comprehensive income in 2016/17 is stated after accounting for the disposal of land which generated a surplus on disposal of £703k.

The group has accumulated reserves of £4,316k and cash and short term investment balances of £3,142k. The Group wishes to continue to accumulate reserves and cash balances in order to reinvest in its current operations and fund future development opportunities as they arise.

The group's reserves increased in the year by £2,860k (2015/16: reduced by £1,391k). This arises from the above surplus of £712k and an actuarial gain of £2,148k (2015/16: actuarial loss of £1,697k).

Tangible fixed asset additions during the year amounted to £352k (note 10). This was split between buildings (£217k) and equipment (£135k).

The College has significant reliance on the education sector funding bodies for its principal funding, largely from recurrent grants. In 2016/17 the FE funding bodies provided 72% (2015/16: 66%) of the College's total income.

The group accounts incorporate the results of Forty Hall Community Vineyard Limited and Capel Manor Limited (note 11).

Treasury policies and objectives

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

Cash flows and liquidity

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Recent loan borrowing was repaid in full in the year (£525k). All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum/Funding Agreement.

The group made a net cash inflow of £645k (2015/16: outflow of £2,480k) in the year (Consolidated Statement of Cash Flows).

Reserves Policy

The group has reserves of £3,696k which are all freely available for general purposes. The College seeks to hold reserves equivalent to three months trading. This would presently equate to £3.3m. A capital application has been submitted to develop the Crystal Palace campus which would require the College to invest £2.9m of these funds. £1.4m will be provided from the College and the rest would be subject to borrowing, to be repaid from cash inflows over the following seven years. It is the Corporation's intention to increase reserves through the generation of annual operating surpluses.

Current and Future Development and Performance

Financial Health

The financial health of the College is **Outstanding**. This is expected to be retained. Should the capital application to develop the Crystal Palace campus be successful, this is expected to change to "Good" in the short term.

Student Recruitment

The funding allocation for 2015/16 from the ESFA was £8,317k. The College recruited 738 students under 19 years of age in 2016/17. The final Individual Learner Record (ILR) for 2016/17 reported £5,611k of 16-18 Programme Study activity (£29k below allocation). For its adult provision, the College delivered classroom activity to the value of £2,295k (£72k above allocation). Apprenticeships (employer responsive) were £39k below the final funding allocation of £496k.

Academic Performance

Students continue to prosper at the College. Achievement rates rose again in 2016/17 to 81.4% which is 2.4% higher than the previous year. The achievement rate for 16-19 Study Programmes increased to 85.6% which is 9.9% higher year on year.

Academic Quality

The College received a short Ofsted inspection in November 2016 and was graded as Good by Ofsted with effective safeguarding. Ofsted praised the learning environment, progress made by students, the College's resource and links with employers and challenged the College to increase the pace of improvement.

Curriculum

Capel Manor College is Greater London's leading land based college that specialises in education and training in the environment, land based and related green (LARG) skills industries. In 2016/17 over 72% of all Government funded LARGs provision in London was delivered by the College across its 5 centres and this percentage is growing. The College provides courses from Entry Level to Foundation Degrees in main curriculum areas: Animal Management, Arboriculture, Balloon Artistry, Countryside Management, Environmental Conservation, Floristry, Garden Design, Horticulture, Landscaping, Saddlery and Zoology. The Area Based Review in 2016 demonstrated that there is significant unfilled demand for land based skills and the College has been expanding its curriculum to meet this demand.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the 2015/16 accounting year, the College paid 97 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

There were no significant post balance sheet events.

Future developments

The College continues to seek every opportunity to work in partnerships to cost effectively provide access to high quality learning and skills development opportunities across 11 land-based sectors in London and its immediate surrounding areas.

The College is vocationally focused and has good support from land-based and related industries. The College has been sensitive to the changes in Government funding priorities and has been quick to respond to these; in particular the expansion in provision of employer based learning to provide apprenticeship training and high quality, cost effective, specialist learning opportunities and the introduction of loan finance for level 3 learners aged 24 plus.

The College seeks to maintain, or even increase, its level of government funding by providing high quality cost effective specialist learning opportunities. However the College is keen not to increase its dependency on government funding and therefore opportunities will be taken to expand services directly for the industry, further diversification of the College's services and the focus on delivering 'bespoke' education and training for the LARG sector's industries and professional bodies. The College is preparing for an increase in level 4-5 provision in 2017/18 (in response to Government encouragement.)

The two year Financial Plan for 2017/18 and 2018/19 submitted to the Skills Funding Agency and Education and Skills Funding Agency in July 2017 confirmed the College to be both a "going concern" and to have an "Outstanding" financial health grade.

Resources

The College has various resources that it can deploy in pursuit of its main strategic objective (to provide quality land based and related education across London through its centres located across the Greater London area).

Premises and Estates

The main centre at Enfield is 12ha and comprises both listed and more modern buildings including offices, workshops and classrooms to support a broad spectrum of land based training initiatives. There are mature gardens and licensed zoos that are open to the public with shops, a restaurant and public events to attract and entertain visitors. The College also operates the 42ha Forty Hall Farm that includes a vineyard, orchard and market garden and farm shop.

The Gunnersbury Park centre in West London occupies a 1ha walled garden leased from Hounslow Borough Council. The Regent's Park centre is operated under licence from Royal Parks. At Crystal Palace, the College has a tenancy of a 0.64ha farm and accommodation in the sports stadium. The Brooks Farm centre in east London is leased from Waltham Forest Borough Council.

Financial

The College has £4,316k of net assets (including £3,261k pension liability) and no long term debt.

People

The College employs approximately 239 people (expressed as 185 full time equivalents); of whom 84 are teaching staff (expressed as 70 FTE staff).

Reputation

The College has an excellent reputation for practical vocational training both regionally and nationally and is increasingly attracting overseas students. Its unique model of education and training embedded in the land based industry as well as aligned to land based employers is increasingly admired.

Principal Risks and Uncertainties

The College has a risk management strategy that reflects the Corporation's risk appetite, changes in the risks facing the College, and where possible, takes action to mitigate the possibility of these risks damaging the College. The College utilises the internal audit system and encourages good communications with its staff and stakeholders to further develop systems to protect the College's assets and reputation.

Risk Management systems are supported by frequent comprehensive reviews and the Risk Register is reviewed at least annually by the Governor's committees responsible for overseeing the management of risk and the Audit Committee seeks assurance that the risk management strategy and timetable is followed. Staff are involved in risk management including safeguarding, equality and diversity, management and health and safety awareness training.

Details of major risks and the College's strategy to mitigate risk are in the Risk Management Action Plan which identifies the following significant risks:

- Failure to achieve ESFA and other recruitment and funding targets
- Failure of the curriculum to be innovative, relevant and effectively managed
- Commercial activities failure to achieve targets
- Brexit
- Competition and merger
- Failure of partnerships
- Unexpected events

The principal risks affecting the College are detailed below although not all are directly with the control of the College and other risks may adversely affect the College:

1. Government Funding

The College has considerable reliance on continued government funding through the ESFA. In 2016/17, 72% of the College's revenue was public funded.

The following key issues may impact on future funding:

- Changes to Apprenticeship levy-based funding and new standards
- Reduction of funding especially the Adult Education Budget
- Removal of the specialist weighting for land based colleges
- Devolution
- The recruitment of Higher Education students
- The uptake of Advanced Learning Loans
- Competition from schools for 16-18 year old students
- Changes from existing qualifications to T-Levels

2. Tuition Fees

The College annually reviews tuition fees in line with cost of living and market forces.

Risks are mitigated by:

- ensuring the curriculum is high quality and relevant;
- ensuring students perceive value for money for students;
- close monitoring of competition and changes in demand.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Accounting for defined benefit pension schemes under FRS 102 is a risk as the relevant pension scheme is not under the direct control of the College. It is accounted for in accordance with the advice of an independent qualified actuary who applies significant judgements in relation to assumptions for future salary increases, inflation, investment returns and member longevity, which all underpin their evaluations.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Outstanding" as described above. This is largely the consequence of astute financial management. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

Risks are mitigated by:

- Rigorous budget setting procedures and sensitively analysis;
- Regular in year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies.

Stakeholder Relationships

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

- Students and staff;
- Education sector funding bodies;
- Local employers;
- Local authorities, Government Offices/ Regional Development Agencies/LEPs;
- Local communities;
- Other Further Education (FE) institutions;
- Professional bodies;
- The Land Based and Related Green (LARG) industry;
- Livery companies of London.

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

Equality and Diversity Policy

The College values difference and recognises that people with different backgrounds, skills, attitudes and experiences bring fresh ideas, perceptions and encourage harmony and understanding to the College community.

Capel Manor College recognises that it is an integral part of the local and wider community. The College serves the needs of a wide range of individuals from the diverse ethnic and social mix of multicultural London and Great Britain.

Capel Manor College is committed to attracting staff and students from a wide variety of backgrounds. Such diversity of staff and students is viewed as a major strength of the organisation. The College aspires that all staff, students and visitors are treated with dignity and respect within a safe, positive working and learning environment free from discrimination, harassment or victimisation. The College will not accept any form of discrimination whether it is overt or covert, and is totally committed to tackling discrimination at all levels. Everyone must accept responsibility for upholding this position as a basic requirement of working or studying at College.

The College will safeguard the interest of all equality characteristics and will provide equality of opportunity.

The College will safeguard the interests of all equality groups outlined in the Equality Act 2010 with reference to the nine protected characteristics age, disability, gender identity, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion and belief, sex (gender), sexual orientation and marriage / civil partnership.

The College will work to eliminate unlawful discrimination, harassment or victimisation on the grounds of the protected characteristics as well as discrimination on the grounds of a perceived or associative protected characteristic.

The College promotes equality of opportunity to ensure that students, staff and visitors feel welcome, safe, valued, included and respected in the College community and when at College premises.

The College will investigate claims of discrimination and treat such acts, if proven, as gross misconduct.

The College deems that wilful discrimination is gross misconduct and will take relevant disciplinary action against students or staff who are found to be guilty of such an act. The College will seek to provide a supportive environment for those who make claims of discrimination, harassment or victimisation. Acts of discrimination, whether they are direct or indirect, harassment, victimisation or abuse, will be treated as a very serious disciplinary offence, which could lead to dismissal or permanent exclusion.

The Four Year Equality Objectives, Equality and Diversity policy, Single Equality Scheme and Annual Action Plan and annual Equality Data are published on the Capel Manor College website and Moodle (the College VLE).

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of 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.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of Information to the Auditor

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Roger McClure
Chairman of Governors

13 December 2017

Key Management Personnel

Principal, Chief Executive and Accounting Officer - Malcolm Goodwin (from 1 August 2017)
Principal, Chief Executive and Accounting Officer - Stephen Dowbiggin (until 31 July 2017)
Vice Principal (Academic) - Lynn Hart
Director of Finance - Damien Fallon
Director of Human Resources - Simon O'Hear
Assistant Principal (Facilities, Health & Safety) - Richard Prowse

Professional Advisers

Financial Statements and Regularity Auditors

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal Auditors

Scrutton Bland
Fitzroy House
Crown Street
Ipswich
Suffolk
IP1 3LG

Solicitors

Duffield Harrison
Rathmore House
56 High Street
Hoddesdon
Herts.
EN11 8EX

Bankers

Bank of Scotland PLC
300 Lawn Market
Royal Mile
Edinburgh
EN1 2PH

Clydesdale Bank PLC
88 Wood Street
London
EC2V 7QQ

Barclays Bank PLC
1 Churchill Place
London
E15 HHP

Lloyds Bank PLC
25 Gresham Street
London
EC2V 7HN

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 28 March 2017.

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

The Corporation

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

Governors serving on the College Board during 2016/17						
Name	Date of Appointment (A) Re-Appointment (B) Re-Appointment (C) Re-Appointment (D) Re-Appointment (E) Re-Appointment (F)	Term of office	Date of resignation (as received by the Corporation)	Method of appointment	Committees served	Corporation meeting attendance
Dr Heather Barrett-Mold OBE	(A) Appointed at the end of the Summer term 25 March 2015	4 years		Governing Body	• Corporation • Academic (Vice Chair) • Health and Safety • Strategy	3/3
John Bennett	(E) 24 July 2008 (F) 4 April 2012 (G) 22 March 2016	3 years 9 months 4 years 3 years		Governing Body	• Corporation • Academic	2/3
Paul Campbell	(A) 10 July 2013 (B) 2 July 2017	4 years 4 years		Governing Body	• Corporation • Audit • Health and Safety (Chair)	1/2
Dr Beryl De Souza	(A) 2 April 2012 (B) 22 March 2016	4 years 4 years		Governing Body	• Corporation • Audit	3/3
David Domoney	(A) 2 April 2014	4 years		Governing Body	• Corporation	3/3
Dr Stephen Dowbiggin OBE	(A) 1 September 2011	Ongoing	Resigned 31July 2017	Principal	All Committees except Remuneration and Audit	3/3
Doug Fussell	(C) 10 December 2008 (D) 4 April 2012 (E) 20 July 2016	3 years 7 months 4 years 3 years		Governing Body	• Corporation • Finance and General Purposes (Chair) • Remuneration (Chair) • Search and Governance • Strategy	3/3

Governors serving on the College Board during 2016/17

Name	Date of Appointment (A) Re-Appointment (B) Re-Appointment (C) Re-Appointment (D) Re-Appointment (E) Re-Appointment (F)	Term of office	Date of resignation (as received by the Corporation)	Method of appointment	Committees served	Corporation meeting attendance
Malcolm Goodwin	(A) 1 August 2017	Ongoing		Principal	All Committees except Remuneration and Audit	N/A
Don Gratton	(B) 9 April 2008 (C) 14 December 2011 (D) 9 December 2015	3 years 8 months 4 years 2 years		Governing Body	• Corporation • Health and Safety (Vice Chair) • Finance and General Purposes • Remuneration •	3/3
Mechelle Hemley-Francis	(A) 9 December 2015	2 years	Resigned 12 July 2017	Student Body/ Governing Body	• Corporation • Academic • Health and Safety	3/3
Joy Hillyer	(A) 2 April 2014	4 years		Governing Body	• Corporation • Finance and General Purposes • Search and Governance • Academic • Strategy (Chair)	3/3
Robert Howard	(A) 14 July 2010 (B) 9 July 2014	4 years 4 years		Governing Body	• Corporation • Audit (Chair) •	2/3
Tony Leach	(A) 9 April 2008 (B) 14 July 2011 (C) 15 July 2015	3 years 4 months 4 years 4 years		Governing Body	• Corporation • Academic	2/3

Governors serving on the College Board during 2016/17						
Name	Date of Appointment (A) Re-Appointment (B) Re-Appointment (C) Re-Appointment (D) Re-Appointment (E) Re-Appointment (F)	Term of office	Date of resignation (as received by the Corporation)	Method of appointment	Committees served	Corporation meeting attendance
Roger McClure	(A) 30 June 2016	4 years		Governing Body	• Corporation (Chair) • Finance and General Purposes (Vice Chair) • Search and Governance (Vice Chair) • Remuneration • Academic • Strategy	3/3
Lady Milnes Coates	(A) 12 December 2012 (B) 7 December 2016	4 years 4 years		Governing Body	• Corporation • Finance and General Purposes	2/3
Lady Salisbury	(A) 10 December 2008 (B) 4 April 2012 (C) 20 July 2016	3 years 7 months (end of summer term meeting 2012) 4 years 3 years		Governing Body	• Corporation (Madam Vice Chairman) • Finance and General Purposes • Remuneration (Madam Vice Chairman) • Search and Governance (Madam Chairman) • Strategy	2/3
Polly Robson-Halil	(A) 9 December 2015	2 years	Resigned 12 July 2017	Student Body/ Governing Body	• Corporation • Academic • Health and Safety	3/3

Governors serving on the College Board during 2016/17

Name	Date of Appointment (A) Re-Appointment (B) Re-Appointment (C) Re-Appointment (D) Re-Appointment (E) Re-Appointment (F)	Term of office	Date of resignation (as received by the Corporation)	Method of appointment	Committees served	Corporation meeting attendance
Andrew Smith	(A) 12 December 2013 (B) 9 December 2015 (C) 2 July 2017	2 years 2 years 2 years		Staff Body/ Governing Body	• Corporation • Academic • Health and Safety	3/3
Sir William Stubbs	(A) Appointed at the end of the Summer term 09 July 2014	4 years	Resigned 28 March 2017	Governing Body	• Corporation (Chair) • Finance and General Purposes • Remuneration • Search and Governance • Strategy	2/2
Doug Taylor	(B) 13 July 2011 (C) 15 July 2015	4 years 4 years		Governing Body	• Corporation	1/3
James Wisdom	(C) 12 December 2007 (D) 10 December 2008 (E) 14 July 2010 (F) 10 July 2013 (G) 28 March 2017	1 year 2 years 4 months 3 years 4 years 4 years		Governing Body	• Corporation • Academic (Chair) • Strategy	3/3

Clare Kendal resigned as Clerk to the Corporation on 14 April 2016 and was replaced by Joanne Coffey from 1 September 2016. A member of the administration staff acted as a temporary Clerk until the appointment of Joanne Coffey.

Date of appointment data is provided for the last ten years. The full history is therefore not provided under categories A, B and C in respect of governors who have held office in excess of ten years.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy, Finance and General Purposes, Remuneration, Academic, Health and Safety, Search and Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at: Capel Manor College, Bullsmoor Lane, Enfield, Middlesex, EN1 4RQ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

The College also has a Patron, Vice Presidents and an Honorary Fellow who served in an honorary capacity during the year.

Patron: The Duke of Devonshire KCVO, CBE, DL	
Honorary Vice Presidents	
Mr Roger Abraham Mr Sam Bell (deceased 2017) Mr Bob Binney Ms Christine Cohen, OBE Mr Kenneth Crowther Mr Graham Eustance, OBE Mr David Everett Major Charles Fenwick, LVO Mr Ian S Ferguson Lord Graham of Edmonton	Dr David G Hessayon, VMM (Senior Vice President) Mr Vincent Lawton Brigadier Andrew Parker Bowles OBE Mr Malcolm Parkinson MBE Mr Gordon Rae Dame Marion Roe, DBE The Rt. Hon Lord Tebbit, CH,PC Mr John Wilson
Honorary Fellows	
Irene Byard	

The College has agreed to discontinue with the appointment of Vice Presidents and to develop a system whereby the College appoints Honorary Fellows. Appointment as an Honorary Fellow will reflect an outstanding contribution to the College or be used to develop a partnership with a person who could provide invaluable links or expertise. Current Vice Presidents have the option of continuing in that honorary role or converting to become Fellows.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2017. Breadth of performance and depth of knowledge were measured using a green, amber and red scale. The final average score was graded as Good, based on 78% green and 22% amber.

Remuneration Committee

Throughout the year ended 31 July 2017, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Audit Committee

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

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

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

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

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Capel Manor College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

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

Capel Manor College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's systems of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports

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

The Accounting Officer and Senior Leadership Team receive 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 Principal and Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2017 meeting, the Audit Committee, on behalf of the Corporation, carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Leadership Team and the internal audit, and taking account of events since 31 July 2017.

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

Going Concern

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

The College has net current assets of £2,258k. Cash flow projections show the College to be in funds for the 2017/18 year, Pension deficits will need to be funded but over a period of 20 years plus. College management plan to generate surpluses from the current and future expansion of the student population.

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Roger McClure Chairman of Governors	Malcolm Goodwin Accounting Officer
13 December 2017	13 December 2017

Governing Body's statement on Regularity, Propriety and Compliance

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

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

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

Roger McClure Chairman of Governors	Malcolm Goodwin Accounting Officer
13 December 2017	13 December 2017

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the financial memorandum/funding agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction for 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 Member's Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College. The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Roger McClure
Chairman of Governors

13 December 2017

Independent auditor's report to the Corporation of Capel Manor College

Opinion

We have audited the financial statements of Capel Manor College (the 'parent college') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the group statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent college's affairs as at 31 July 2017 and of the group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Signed:

Buzzacott LLP
Statutory Auditor
130 Wood Street, London, EC2V 6DL

Date:

Reporting accountant's assurance report on regularity

To: The Corporation of Capel Manor College and Secretary for Education acting through the Department for Education ("the Department")

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

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of Capel Manor College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Buzzacott LLP
Chartered Accountants
130 Wood Street, London, EC2V 6DL

Date:

Consolidated Statements of Comprehensive Income

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
INCOME					
Funding body grants	2	9,389	9,389	7,876	7,876
Tuition fees and education contracts	3	1,431	1,431	1,560	1,560
Other income	4	2,280	1,818	2,541	2,387
Investment income	5	10	10	8	8
Total income		13,110	12,648	11,985	11,831
EXPENDITURE					
Staff costs	6	7,544	7,420	7,123	7,118
Other operating expenses	7	4,281	3,945	3,761	3,618
Depreciation	10	458	457	687	683
Interest and other finance costs	8	115	115	107	107
Total expenditure		12,398	11,937	11,678	11,526
Surplus before tax		712	711	307	305
Taxation	9	-	-	(1)	-
Surplus after tax		712	711	306	305
Actuarial gain / (loss) in respect of pensions		2,148	2,148	(1,697)	(1,697)
Total comprehensive income / (expenditure) for the year		2,860	2,859	(1,391)	(1,392)

The Statement of comprehensive income is in respect of continuing activities.

Represented by:				
Restricted comprehensive income	-	-	-	-
Unrestricted comprehensive income	2,860	2,859	(1,391)	(1,392))
	2,860	2,859	(1,391)	(1,392))
Surplus for the year attributable to:				
Non-controlling interest	-	-	-	-
Group	2,860	2,859	(1,391)	(1,392))
Total Comprehensive Income for the Attributable to:				
Non-controlling interest	-	-	-	-
Group	2,860	2,859	(1,391)	(1,392))

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2015	2,206	641	2,847
Surplus from the income and expenditure account	306	-	306)
Other comprehensive income	(1,697)	-	(1,697)
Transfers between revaluation and income and expenditure reserves	10	(10)	-
	(1,381)	(10)	(1,391
Balance at 31st July 2016	825	631	1,456
Surplus from the income and expenditure account	712	-	712
Other comprehensive income	2,148	-	2,148
Transfers between revaluation and income and expenditure reserves	11	(11)	-
Total comprehensive income for the year	2,871	(11)	2,860
Balance at 31 July 2017	3,696	620	4,316
College			
Restated Balance at 1st August 2015	2,204	641	2,845
Surplus from the income and expenditure account	305	-	305
Other comprehensive income	(1,697)	-	(1,697)
Transfers between revaluation and income and expenditure reserves	10	(10)	-
	(1382)	(10)	(1,392)
Balance at 31st July 2016	822	631	1,453
Surplus from the income and expenditure account	711	-	711
Other comprehensive income	2,148	-	2,148
Transfers between revaluation and income and expenditure reserves	11	(11)	-
Total comprehensive income for the year	2,870	(11)	2,859
Balance at 31 July 2017	3,692	620	4,312

Balance Sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Non-current assets					
Tangible fixed assets	10	7,446	7,445	7,785	7,783
Intangible fixed assets		22	22	22	22
Investments	11	-	-	-	-
Total fixed assets		7,468	7,467	7,807	7,805
Current assets					
Stocks		51	9	52	37
Trade and other receivables	12	384	401	600	570
Short term deposits	13	1,069	1,069	650	650
Cash and cash equivalents		2,073	2,030	1,428	1,357
Total current assets		3,577	3,509	2,730	2,614
Less: Creditors – amounts falling due within one year	14	(1,319)	(1,255)	(1,456)	(1,343)
Net current assets		2,258	2,254	1,274	1,271
Total assets less current liabilities		9,726	9,721	9,081	9,076
Less: Creditors – amounts falling due after more than one year	15	(2,149)	(2,148)	(2,697)	(2,695)
Provisions: Defined benefit obligations	17	(3,261)	(3,261)	(4,928)	(4,928)
Total net assets		4,316	4,312	1,456	1,453
Unrestricted Reserves:					
Income and expenditure account		3,696	3,692	825	822
Revaluation reserve		620	620	631	631
Total reserves		4,316	4,312	1,456	1,453

The financial statements on pages 30 to 56 were approved and authorised for issue by the Corporation on 13 December 2017 and were signed on its behalf on that date by:

Roger McClure
Chairman of Governors

13 December 2017

Malcolm Goodwin
Accounting Officer

13 December 2017

Consolidated Statement of Cash Flows

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		712	306
Adjustment for non-cash items			
Depreciation		459	687
Decrease/(increase) in stocks		1	(16)
Decrease in debtors		216	104
Increase/(decrease)		4	(528)
Decrease in creditors due after one year		(165)	(84)
Pensions costs less contributions payable		481	329
Adjustment for investing or financing activities			
Investment income		(10)	(8)
Interest payable		2	11
Profit on sale of fixed assets		(703)	-
Net cash flow from operating activities		997	801
Cash flows from investing activities			
Proceeds from sale of fixed asset		936	-
Increase in intangible fixed assets		-	(22)
Payments made to acquire fixed assets		(352)	(2,569)
Investment income		10	8
Increase in short term deposits		(419)	(547)
		175	(3,130)
Cash flows from financing activities			
Interest paid		(2)	(11)
Repayments of amounts borrowed		(525)	(140)
		(527)	(151)
Decrease in cash and cash equivalents in the year		645	(2,480)
Cash and cash equivalents at beginning of the year	18	1,428	3,908
Cash and cash equivalents at end of the year	18	2,073	1,428

Notes to the Accounts

1. Accounting policies

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 in accordance with the *Statement of Recommended* Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP) and the College Accounts Direction for 2016-17 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Forty Hall Community Vineyard Limited and Capel Manor Limited controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2017.

The College has another subsidiary company, Enfield Veg Co Limited, which remained dormant in the financial year ended 31 July 2017.

Going concern

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

The College currently has no loans outstanding.

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

Recognition of income

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 Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are capitalised, held as deferred income and recognised in income in line with depreciation over the life of the assets, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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

Accounting for Post-retirement benefits

Post-employment 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 Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

As stated in note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

London Borough of Enfield Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 10 years. Improvements to leasehold property are depreciated over the remaining life of the lease.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

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.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets 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 asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset.

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition, unless it is part of a scheme of capital work. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – the shorter of 10 years on a straight-line basis or the remainder of the lease term
- equipment – 5 years on a straight-line basis
- motor vehicles – 4 years on a straight-line basis

A full year of depreciation is charged in the year of acquisition.

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Investments

The investments in the subsidiary companies are accounted for at cost less impairment in the individual financial statements.

Inventories

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

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

Financial Liabilities and equities

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

All loans and short term deposits held by the group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at Historical Cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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 exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

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.

Borrowing Costs

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and adult learning grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 25, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Funds applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Provision for bad debts

Provision is made in full against the value of a debt where its recovery has become uncertain.

2 Funding body grants

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Recurrent grants				
ESFA- adult	2,247	2,247	2,171	2,171
ESFA– 16-18	5,598	5,598	4,689	4,689
ESFA– apprenticeships	487	487	449	449
Specific grants				
ESFA– AGE grants	43	43	70	70
ESFA– high needs funding	703	703	390	390
Releases of deferred capital grants	95	95	107	107
EFSA Discretionary learner support	157	157	-	-
ESFA Free school meal funds	59	59	-	-
Total	9,389	9,389	7,876	7,876

3 Tuition fees and education contracts

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Tuition fees	1,424	1,424	1,422	1,422
Education contracts	7	7	138	138
Total	1,431	1,431	1,560	1,560

Tuition fees funded by bursaries: Included within the above amounts are tuition fees funded by bursaries of £27k (2016: £26k).

4 Other income

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Residencies and catering	247	243	234	234
Other income generating activities	334	95	530	430
Farming income	207	30	139	85
Capital grants	19	19	86	86
Teaching related activities	181	181	326	326
Examination and registration costs	162	162	169	169
Premises income	166	134	155	155
Other income	964	954	902	902
Total	2,280	1,818	2,541	2,387

5 Investment income

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Other interest receivable	10	10	8	8
Total	10	10	8	8

6 Staff costs – group and college

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

	2017 No.	2016 No.
Teaching staff	70	71
Non-teaching staff	115	111
	185	182

Staff costs for the above persons

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Wages and salaries	5,662	5,555	5,442	5,442
Social security costs	496	491	430	430
Other pension costs	1,198	1,186	1,067	1,067
Payroll sub total	7,356	7,232	6,939	6,939
Contracted out staffing services	188	188	184	179
Total Staff costs	7,544	7,420	7,123	7,118

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, the Clerk to the Governing Body and the Senior Leadership Team.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	6	6

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£10,001 to £20,000	1	1	-	-
£50,001 to £60,000	1	-	-	-
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	-	2	-	-
£90,001 to £100,000	1	-	-	-
£120,001 to £130,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
	6	6	-	-

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries – gross of salary sacrifice and waived emoluments	468	447
Employers National Insurance	59	53
	527	500
Pension contributions	81	79
Total emoluments	608	579

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid key management personnel):

	2017	2016
	£'000	£'000
Salary	145	121
Pension contributions	24	20
	169	141

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme or Local Government Pension Scheme and are paid at the same rates as for other employees.

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

7 Other operating expenses

	Group 2017	College 2017	Group 2016	College 2016
	£'000	£'000	£'000	£'000
Teaching costs	841	841	547	547
Non-teaching costs	2,377	2,043	2,184	2,041
Premises costs	1,063	1,061	1,030	1,030
Total	4,281	3,945	3,761	3,618

Other operating expenses include:	2017	2016
	£'000	£'000
Auditor's remuneration:		
Financial statements and regularity audit*	31	31
Internal audit	25	21
Other services provided by the financial statements auditor - tax compliance and non-audit services	8	5
Hire of assets under operating leases	213	213

* Includes £29k in respect of the College (2015/16: £27k)

8 Interest and other finance costs – Group and College

	2017 £'000	2016 £'000
Net interest on defined pension liability (note 23)	113	96
Bank loan interest	2	11
Total	115	107

9 Taxation

No corporation tax arises from the activities of the College or Capel Manor Limited or Forty Hall Community Vineyard Limited during the year.

10 Tangible fixed assets (Group)

	Land and buildings			Equipment	Total
	Freehold	Under Construction	Long leasehold		
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August	10,481	18	3,323	1,671	15,493
Reclassification*	-	(18)	18	-	-
Disposals	(233)	-	-	(146)	(379)
Additions	209	-	8	135	352
At 31 July	10,457	-	3,349	1,660	15,466
Depreciation					
At 1 August	3,541	-	2,711	1,456	7,708
Reclassification*	-	-	-	-	-
Elimination in respect of disposals	-	-	-	(146)	(146)
Charge for the year	202	-	113	143	458
At 31 July	3,743	-	2,824	1,453	8,020
Net book value at 31 July 2017	6,714	-	525	207	7,446
Net book value at 31 July 2016	6,940	18	612	215	7,785

Tangible fixed assets (College only)

	Land and buildings			Equipment	Total
	Freehold	Under Construction	Long leasehold		
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August	10,481	18	3,323	1,650	15,472
Reclassification*	-	(18)	18	-	-
Disposals	(233)	-	-	(146)	(379))
Additions	209	-	8	135	352
At 31 July	10,457	-	3,349	1,639	15,445
Depreciation					
At 1 August	3,541	-	2,711	1,437	7,689
Reclassification*	-	-	-	-	-
Elimination in respect of disposals	-	-	-	(146)	(146))
Charge for the year	202	-	113	142	457
At 31 July	3,743	-	2,824	1,433	8,000
Net book value at 31 July 2017	6,714	-	525	206	7,445
Net book value at 31 July 2016	6,940	18	612	213	7,783

*Assets previously classified as under construction have been reclassified upon their completion.

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. If fixed assets had not been revalued before being deemed as cost on transition they would have been included at £nil historical cost.

Land and buildings with a net book value of £620k (2016: £631k) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

The College occupies land and buildings at Forty Hall Farm. 4.85 hectares of land at the farm are held on a 99 year lease at a peppercorn rent. The farm buildings and a further 64 hectares of land are held under an agricultural tenancy. The College has a partnership agreement with the London Borough of Enfield to manage and conserve the farm estate and to restore the derelict buildings on site. The properties are maintained and insured by the College. The properties are included in the balance sheet at £nil cost, as the properties were in a state of disrepair at the start of the tenancy.

The college has capitalised an item of software as an intangible fixed asset (£22k).

11 Non-current investment (College)

	2017 £	2016 £
Investments in subsidiary companies	5	5
Total	5	5

The College owns 100 per cent of the issued ordinary £1 shares of Capel Manor Limited, a company incorporated in England and Wales. Capel Manor Limited owed the College £31,275 (2016: £64) at 31 July 2017. The principal business activity of Capel Manor Limited is to develop profitable commercial income streams from which it will distribute all its trading profits to the College under gift aid.

The College owns a 50% share in Forty Hall Community Vineyard Limited, a company incorporated in England and Wales. The College owed Forty Hall Community Vineyard Limited £3k (2016 - £5k) at 31 July 2017. The principal business activity of Forty Hall Community Vineyard Limited is the operation of a commercial vineyard that provides a community therapeutic resource via a locally appointed management committee of volunteers.

The College owns 100 per cent of the issued ordinary £1 shares of Enfield Veg Co Limited, a company incorporated in England and Wales. The company did not trade during the year.

12 Trade and other receivables

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade debtors	97	82	346	333
Prepayments and accrued income	250	250	221	204
Amounts owed from the ESFA	11	11	25	25
Amounts owed from subsidiary undertaking	-	31	-	-
Other debtors	26	27	8	8
Total	384	401	600	570

13 Current investments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Short term deposits	1,069	1,069	650	650
Total	1,069	1,069	650	650

Deposits are held with banks and building societies operating in the London market and licenced by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

14 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Payments received in advance	214	214	123	104
Bank loan	-	-	140	140
Trade creditors	187	184	124	92
Other taxation and social security	141	141	163	160
Accruals and deferred income	505	500	592	582
Amount due to ESFA	17	17	-	-
Deferred income – Government capital grants	97	96	99	100
Amounts owed to subsidiary undertaking	-	3	-	5
Other creditors	158	100	215	160
Total	1,319	1,255	1,456	1,343

15 Creditors: amounts falling after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loan	-	-	385	385
Deferred income – Government capital grants	2,149	2,148	2,312	2,310
Total	2,149	2,148	2,697	2,695

16 Maturity of debt

The bank loan is repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	-	-	140	140
Between one and two years	-	-	140	140
Between two and five years	-	-	245	245
Total	-	-	525	525

On 21 October 2016 the College disposed of agricultural land that was surplus to its requirements for a consideration of £950k. On 26 October 2016 the College cancelled the Revolving credit facility of £300k and used £525k of the sale proceeds to repay in full its loan from Lloyds Bank.

17 Provisions (Group and College)

Defined benefit obligations

	2017 £'000	2016 £'000
At 1 August 2016	(4,928)	(2,902)
Expenditure in the period	(481)	(329)
Deduction/(Additions) in period	2,148	(1,697)
At 31 July 2017	(3,261)	(4,928)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.
The principal assumptions for this calculation are:

	2017	2016
Price inflation	3.74%	3.74%
Discount rate	2.5%	2.5%

18 Cash and Cash Equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	1,428	645	2,073
Total	1,428	645	2,073

19 Post-balance sheet events (Group and College)

There are no events after the reporting period

20 Capital commitments (Group and College)

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	-	-
Authorised but not contracted at 31 July	385	264

21 Lease obligations (Group and College)

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

Future minimum lease payments due:	2017 £'000	2016 £'000
Land and buildings:		
Expiring within one year	224	233
Expiring within two and five years inclusive	189	140
Expiring in over five years	973	922
	1,386	1,295

	2017 £'000	2016 £'000
Equipment:		
Expiring within one year	40	31
Expiring within two and five years inclusive	79	65
	119	96

22 Contingent liability

The College took advantage of a VAT exemption of £610k in the construction of an Animal Care building that was completed in the year ending 31 July 2015. This arises from the building being used to educate 16-18 year old students. This exemption is subject to a ten year review (2025) in which any education of adults must not exceed 5% of the student population. Governors have adopted a strategy that will prevent the liability from crystallising. A contingent liability of £61k per annum exists should that strategy fail.

23 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Enfield Local Authority. Both are defined-benefit schemes.

Total pension cost for the year		2017		2016
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		354		351
Local Government Pension Scheme:				
Contributions paid	475		483	
FRS 102 charge	368		233	
Charge to the Income and Expenditure Account (staff costs)		843		716
Total Pension Cost for Year		1,197		1,067

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £94k (2015/16: £102k) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuation and Employer Cost Cap)

Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings, an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulation giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £354k (2015/16: £351k).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan.

The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contributions rates.

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Borough of Enfield Local Authority. The total contributions made for the year ended 31 July 2017 were £653k, of which employer's contributions totalled £494k and employees' contributions totalled £159k. The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.5%	3.3%
Rate of increase for pensions in payment and to deferred pensions	2.0%	1.8%
Discount rate for scheme liabilities	2.6%	2.4%
Rate of increase in inflation (Consumer Price Index)	2.0%	1.8%
Commutation of pensions to lump sums	70%	70%

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

	At 31 July 2017	At 31 July 2016
	Years	Years
Retiring today		
Males	24.4	24.6
Females	27.0	27.8
Retiring in 20 years		
Males	26.5	26.7
Females	29.3	30.1

Local Government Pension Scheme

Sensitivity analysis	At 31 July 2017	At 31 July 2016
	£'000	£'000
Discount rate +0.1%	13,484	N/a
Discount rate -0.1%	14,074	N/a
Mortality assumption – 1 year increase	14,175	N/a
Mortality assumption – 1 year decrease	13,379	N/a

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

	Long-term rate of return expected at 31 July 2017	Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016	Value at 31 July 2016 £'000
Equities	N/A	5,278	N/A	4,329
Property		726		689
Government Bonds		1,598		1,248
Corporate Bonds		768		652
Cash		473		382
Other		1,672		2,010
Total market value of assets		10,515		9,310
Actual return on plan assets		1,059		912

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

	2017 £'000	2016 £'000
Fair Value of plan assets	10,515	9,310
Present value of plan liabilities	(13,776)	(14,238)
Net pensions liability (Note 17)	(3,261)	(4,928)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	843	716
Total	843	716
Amounts included in finance income/(costs)		
Net interest cost	(113)	(96)
	(113)	(96)

Amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	834	618
Experience gains / (losses) arising on defined benefit obligations	1,314	(2,315)
Amount recognised in Other Comprehensive Income	2,148	(1,697)

Movement in net defined benefit liability during year

	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	(4,928)	(2,902)
Movement in year:		
Current service cost	(843)	(716)
Employer contributions	475	483
Net interest/return on assets	(113)	(96)
Actuarial gain / (loss)	2,148	(1,697)
Net defined benefit liability at 31 July	(3,261)	(4,928)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	14,238	10,821
Current service cost	843	716
Interest cost	338	390
Contributions by scheme participants	159	150
Experience gains and losses on defined benefit obligations	(1,314)	2,315
Estimated benefits paid	(488)	(154)
Defined benefit obligations at end of period	13,776	14,238

Changes in fair value of plan assets

Fair value of plan assets at start of period	9,310	7,919
Interest on assets	225	294
Return on plan assets	834	618
Employer contributions	475	483
Contributions by Scheme participants	159	150
Benefits paid	(488)	(154)
Fair value of plan assets at end of period	10,515	9,310

The estimated value of employer contributions for the year ending 31 July 2018 is £471k.

Deficit contributions

The agreement with the LGPS whereby the College made additional contributions ceased on 31 March 2017 as such contributions were no longer required to fund the scheme. £37k was paid in additional contributions between 1 August 2016 and 31 March 2017.

24 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and standard procurement procedures. There were no such transactions in the year

The total of expenses paid to or on behalf of the Governors during the year was £2k; 2 governors (2015/16: £3k, 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015/16: None).

Transactions and balances with the funding bodies are detailed in notes 2, 12 and 14.

25 Amounts disbursed as agent

Discretionary support funds

	2017 £'000	2016 £'000
Funding body grants	289	518
Disbursed to students	(215)	(385)
Administration costs	(7)	(24)
Amount consolidated in financial statements	(67)	(109)
Balance unspent as at 31 July, included in creditors	-	-

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

The definition of agency funds was revised in the year. This excludes additional funds of £216k that the College could dispense at its own discretion. Prior year comparative figures have not been restated as this change is effective for the current year onwards. Year on year, the College received less funding for the support of its learners (£13k).