EAST KENT COLLEGE

Report and Financial Statements
for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Graham Razey, Principal and CEO; Accounting Officer
Anne Leese, Deputy Principal
Paul Sayers, Executive Director Corporate Services and Strategic Partnerships
Chris Legg, Executive Director Finance and Commercial Services
Tara Ashman, Clerk to the Governing Body

Board of Governors

A full list of Governors is given on pages 13 to 15 of these financial statements.

Ms T Ashman acted as Clerk to the Governing Body throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V6DL

Internal auditors:

Wilkins Kennedy
35 Station Road
Ashford
Kent
TN23 1PP

Bankers:

Santander
South East
3rd Floor
Santander House
100 Ludgate Hill
London
EC4M 7RE

Royal Bank of Scotland
London City Office
62-63 Threadneedle Street
London
EC2R 8LA

Solicitors:

Cripps LLP
Wallside House
12 Mount Ephraim Rd
Tunbridge Wells
TN11EG

Gillian Howard Associates
Clo Howard & Howard Solicitors
43 Wimpole Street
London
W1M 7AF

Eversheds
1 Wood St
London
EC2V7WS

PDT Solicitors
36-48 Queen St
Horsham
RH13 5M

CONTENTS **Page number**

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The Governors present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

Introduction - Financial Statements

The past year has been one of consolidation and growth for East Kent College. Following the transference of the Folkestone and Dover campuses to East Kent College, it has worked hard to tailor the curriculum offering to what is required in the local economy. The College has built strong partnerships with a range of key stakeholders, integrating itself more fully into the communities it serves. Ofsted also recognised the work done in turning the two campuses around, using their final 'Support and Challenge' report to praise the high-quality leadership, unrelenting drive for standards and attractive learning environments.

There was a restructure at senior management level as part of a strategic drive to promote more local and autonomous working for campuses. This resulted in a more efficient command chain making significant savings for the College.

The first year of the College's Technical School was a success with a strong vocational offering which added significantly to local education provision. The school was able to recruit sufficient numbers to deliver two technical pathways, ensuring that 14 to 16-year-olds in the local area are given a high quality technical and vocationaloption.

Three significant capital projects were delivered over the course of the year, with the new Michael Wright Centre for the Creative Industries and the Supported Education Centre launching officially in spring 2016, and The Yarrow training hotel opening at the end of July. These major developments have added significantly to the local skills provision offering on the College's Folkestone and Broadstairs campuses.

The College is also investing in new capital developments, with the decision made to expand its construction trade area in Folkestone. It has received £1.36 million of funding from the South East Local Enterprise Partnership to achieve this. The expansion is in line with local skills gaps, and will enable the College to deliver the construction training which the local economy requires to continue growth.

With a difficult funding environment, the College has also focussed on improving commercial and training revenue streams. Its Professional Learning area has increased its range of business training courses, tailoring them for the marketplace to drive sales. The College has also had considerable success with its commercial nursery, which was recently graded 'Good' by Ofsted.

Mission

East Kent College is committed to developing the prosperity and wellbeing of the community it serves.

Public Benefit

East Kent College is an exempt charity under Part 3 of the Charities Act 2011 and, from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body who are trustees of the exempt charity are disclosed on pages 13-15.

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 charitiesmust demonstrate, explicitly that their aims are for the public benefit.

In delivering its m1ss1on, the College provides the following identifiable public benefits through the advancement of education;

- high-quality teaching;
- widening participation and tackling social exclusion;
- strong links with the communities the College seNes;
- excellent employment and progression opportunities for students, including apprenticeships;
- strong student support systems; and
- links with employers, industry and commerce.

Implementation of strategic plan

At the start of 2015 the College launched its strategic plan for 2015-2019. This widely consulted and endorsed plan includes five strategic goals:

- to deliver a flexible curriculum that is attractive to students and highly relevant for East Kent;
- to offer an outstanding student experience that is distinctive within East Kent;
- to maximise student progress and achievement;
- to continue a sustained and supported college-wide drive for excellence; and
- to strengthen and extend our partnerships within the communities we seNe.

These goals are underpinned by objectives with a number of performance indicators being used to track and measure performance against them.

The College has worked hard to deliver on each of these key goals. It has regularly reviewed and, where necessary, altered its service level strategies to ensure every area is delivering on its objectives.

Within the plan, a separate action plan - 30 Steps to Success -was launched to drive through key projects that would ensure strategic aims were met. Many of these projects have been completed successfully, ensuring that strategic goals have been met throughout the year.

Financial Objectives

The College's financial objectives are:

- to achieve the budgeted outcome for the year;
- to maintain working capital to cover expenditure with a current ratio of more than 0.5; and
- to control expenditure on staff salaries so that the total cost represents no more than 65% of income.

The performance indicators confirm that these objectives have been monitored throughout the year by the Governors and the College's Executive Team. The College did not meet its budgeted outcome of an operating surplus of £29,000 for the year, and did not meet the target current ratio of greater than 0.5, but continued to control staff costs as a percentage of income of 64%, despite substantially reduced levels of sub-contracting. To deliver an improved current ratio in 2016/17, the Governors have approved a substantially reduced capital programme to generate a cash inflow of £500,000 and additional borrowings of £1.75 million.

Performance Indicators

The College has developed a comprehensive suite of performance indicators which are used by managers and Governors to track and monitor performance against 30 indicators. Monthly progress reports are issued for all indicators and are scrutinised at respective Management and Governor Committees. The performance indicators cover a range of measures including; student recruitment, finance, quality, staffing, safety, IT networks and Governor membership/attendance.

The FE Commissione'rs review of leadership at the College in December 2014 was particularly complimentary about these:

"The Executive meets regularly with managers and assiduously monitors a comprehensive range of indicators designed to provide qualitative and quantitative measures of performance. Clear, accurate and accessible data support actions for improvement and progress is evident in the increased level of student punctuality and attendance. Challenging targets, such as those for student attendance, are determined by reference to past outcomes and are therefore suitably differentiated by campus; thus, they are both realistic and uplifting." - *David Collins, FE Commissioner.*

Ofsted Result

The College was last inspected by Ofsted in March 2013 against the Common Inspection Framework and the grades awarded where:

Aspect	Grade
Overall effectiveness of provision	Good
Outcomes for learners	Good
Qualitv of teaching, learnina and assessment	Good
Leadership and manaqement	Outstandinq

With the transfer of Dover and Folkestone Campus the College benefited from two support and challenge visits by Ofsted during the academic year. The purpose of these was to support and track the progress of rapid improvement of provision across Dover and Folkestone. The final visit took place in March 2016 and a flavour of their findings is provided below:

"From the evidence of this visit, the capacity of new leaders and managers to continue to improve the quality of provision is strong. Campus principals demonstrate a sharp grasp of the strengths and weaknesses of the provision, and instil confidence that they will identify and tackle pockets of weaker performance.

Progress has been made in remedying several of the concerns that we reported upon last October. For example, in the curriculum areas observed we saw much more evidence of teachers and managers raising expectations and demanding more of their students. In motor vehicle engineering, the change in culture is particularly evident

The small sample of lessons we observed, accompanied by campus principals, indicate an improving picture; in most lessons teachers were promoting effective learning.

Safeguarding arrangements fulfil the evaluation criteria outlined in the inspection handbook that need to be met for safeguarding to be effective."

Employer Engagement

Since the acquisition of the Dover and Folkestone sites, the College has made progress in engaging with employers across East Kent. This includes signing formal agreements with the Port of Dover, DFDS Seaways, Tilmanstone Salads, and Viking Recruitment.

The Business Development team provides support to the curriculum delivery teams by providing a full recruitment and selection service, ensuring that suitable apprentices are placed with appropriate employers on industry-relevant Apprenticeship frameworks. The curriculum delivery teams are responsible for the monitoring, assessment and successful outcome of the Apprenticeships. The number of Apprenticeship starts has increased in 2015/16 compared with 2014/15 (288 starts compared with 255 in 2014/15). The apprenticeship success rate has also increased significantly to 77%.

The Centre for Professional Learning has developed a range of programmes to suit the needs of local employers, including bookable open courses, and bespoke courses tailored to individual needs.

FINANCIAL POSITION

Financial results

The College reports an operating deficit of £787,000 after pension adjustments (£1,008,000) have been taken into the income and expenditure account. At 31 July 2016, the College had accumulated income and expenditure reserves of £7,331,000 and a cash at bank balance of £197,000. The impact of the pension deficit on the Local Government Pension Scheme has been incorporated into the balance sheet and is reflected as a net pension liability of £16,095,000. This is an increase on the previous year-end position, with a further actuarial loss of £4,320,000.

Tangible fixed asset additions during the year amounted to £14.4million. This included £3.6million on the Centre for Creative Industries at the Broadstairs Campus, £1.6million spent on LLDD building at the Folkestone Campus, £8.5million on the refurbishment of the Yarrow building and £0.3million on opening the new 14-16 Technical School at the Broadstairs Campus. £10.7million of this expenditure was held as "assets in the course of construction" at the previous year-end, so the actual capital outlay in-year was £3.7million.

The College has significant reliance on the Skills Funding Agency (SFA) and Education Funding Agency (EFA) for its principal funding source, largely from recurrent grants. In 2014/15 the SFA and EFA provided 80.1% of the College's total income. In 2015/16, there was a decrease in the reliance on SFA and EFA income to 76.1%. This difference is explained by a reduction in ESF project work in 2015/16 along with an increase in commercial income against the previous year.

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 separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal and the Chair of the Governing Body. All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum and the College's Financial Regulations.

Cash flows and liquidity

The net cash outflow for the year is £589,000 (2014/15: net cash outflow of £3,922,000). This is predominantly made up of an operating cash inflow of £3,645,000 (2014/15: £12,594,000) and capital expenditure of £3,666,000 (2014/15: £15,992,000).

The size of the College's total borrowing and its approach to interest rate cover have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. The College has seen a decrease in trade creditors at year-end, due to the Yarrow capital project now being mostly paid and a corresponding decrease in debtors in relation to the depletion of the performance bond associated with the main contractor.

Reserves Policy

The College continues to be reliant on its core government grant funding, with 76.1% of its income coming from government sources in 2015/16. These income sources have seen annual real terms funding reductions in recent years, therefore it is especially important to ensure there are sufficient reserves to ensure the on-going solvency of the College.

The College already has substantial positive unrestricted reserves of £11,270,000, so the current three-year financial plan focuses more on following a strategy of increasing the College's cash holdings. The current cash balance of £197,000 is forecasted to increase to a balance of £2.6million by July 2018, through a mixture of cash inflow from operating activities and new borrowings of £1.75million.

Taxation

As an exempt charity for the purposes of the Charities Act 2011 the College is not liable to Corporation Tax.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £18,670,000 in funding body main allocation funding (2014/15 £20,457,000). The College had approximately 6,100 funded and 2,600 non-funded students.

Student achievements

The College achieved an overall success rate of 82.1% for 2015/16, against an 82.3% national average for all Colleges. The overall success rate on main courses (excluding mathematics and English) was 89.9%.

Curriculum developments

In this academic year, the focus for the curriculum was to ensure that all further education study programmes deliveredhigh quality English and mathematics and an experienceof work that wouldensure all graduating students would be ready for the world of work or to progress onto higher levels of study. The significant additional volumes of those students studying English and mathematics placed significant pressure on resources but the College was 100% compliant in meeting the English and mathematics condition of funding.

Curriculum development was centered on ensuring that the programmes offered on the Dover and Folkestone Campuses were closely aligned to the employment market and the economic regeneration sectors. This included introducing programmes in the creative industries, health and social care and early year's sectors at the Folkestone Campus and engineering and building services at the Dover Campus.

The College also continued to widen its portfolio of Apprenticeship frameworks that it could support.

In respect to Higher Education, the College took the decision to work more collaboratively with Canterbury College and to engage in direct delivery of **HE** provision through Pearsons.

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 College target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College estimates that the vast majority of invoices are paid within 30 days, which is evidenced by there being no interest charges paid in respect of late payment for this period.

Events after the end of the reporting period

Future prospects

The College is currently in preparation for the Kent Area Based Review and, alongside this, the Governors have given their approval in principle for a merger with Canterbury College . Subject to the lengthy merger process, including an in-depth financial due diligence on both organisations, the merger is intended to be in place for the beginning of the new academic year; 1 August 2017.

The College's senior managers are already in-post across both East Kent College and Canterbury College, along with the Heads of each of the corporate services. There are plans to reduce competition, rationalise some curriculum specialisms, improve quality and realise financial efficiencies.

Going Concern

The financial statements have been prepared on a going concern basis. Despite not generating an operating surplus, the College still maintains a significant operating cash inflow and is therefore able to improve the current ratio through this healthy cash generation. The Governors have given their approval for the College to acquire additional loan financing, which will improve the current ratio, whilst still maintaining manageable levels of debt.

The College has prepared a three-year financial plan, including a cash-flow forecast, which shows that the College will be able to meet its debts as they fall due, can deliver an operating surplus in every year of the plan and can maintain a satisfactory level of cash throughout. It is therefore appropriate for these financial statements to be prepared on a going concern basis.

RESOURCES

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

Tangible

Tangible resources include the main College site, currently stated at a net book value of £51.9million; equipmen,t plant and machinery with a net book value of £5.3million;and assets under construction with a net book value of£211,000.

Financial

The College has £11.3million of net assets (after deducting a £16.1million pension liability) and long term debt of £4.0million.

People

The College employs 466 people (expressed as full time equivalents),of whom 306 are teaching staff.

Reputation

The College has always been an outward facing organisation, with a positive reputation in its local communities and nationally. This year **it** has grown that reputation by building on existing community partnerships and developing new ones. Its programme of social action has been driven forward, with thousands of hours' worth of voluntary work given back to the communities it is based in. College staff and students have also indicated high levels of satisfaction with the organisation in surveys. This has ensured positive messages about the College both internally and externally. The College has also developed relationships with several community organisations. This year it was successful in winning the Times Education Supplement's Further Education Award for Contribution to the local community.

Property

During 2015/16, the College saw significant changes to its estate namely:

1. The completion of a new centre at the FolkestoneCampus for students with severe and profound learning difficulties/disabilities, which was part funded by the EFA and Shepway District Council.
2. The completion of the Michael Wright Centre for Creative Industries at the Broadstairs Campus which encompasses the refurbishment of an existing three-storey building and a new multi-function building for performances, exhibitions, meetings and student displays.
3. The completion of works for the conversion of the Yarrow Building into a commercial hotel.
4. The creation of a direct-entryTechnicalSchool for 14-16 year olds on the Broadstairs campus.

STAFF AND STUDENT INVOLVEMENT

During 2015/16, the College had a paid position of Student Union President with Vice Presidents based at every campus. The end of year student survey showed a 16% increase in the number of students engaging with the Student Union compared with 2014/15.

The College continued to implement a series of "progress weeks" during which students participated in community activities and charity events. The College won a national Times Education Award in recognition of the fantastic work students do in their respective communities.

Students were able to provide feedback on College progress through national and College surveys, a regular student question time with Senior Managers, Student Union, curriculum walks, and the student representative structure.

A husting event took place on the European Referendum with representatives from UKIP, Liberal Democrats and the National Student for Europe Campaign debating the issues with students.

The College also undertook an annual staff survey during 2015/16, which continued to demonstrate that staff are happy to be working for East Kent College.

PRINCIPAL RISKS AND UNCERTAINTIES

The College strives to continuously develop and improve its systems and processes for internal controls, particularly risk management.

The College has an established risk control system that was first implemented during 2012/13. The system links the identified high risks to the College's strategic aims and objectives, with progress being monitored by the key performance indicators. This direct linkage brings a sharp focus to key risks and has ensured that all actions are mitigating these risks.

The current risks include:

1. Government funding

The College has a dependency on government funding of 76.1%. This is above the benchmarked average for general further education colleges (74.0% as per the SFA Finance record 2014-15 for all General FE Colleges). The College has been following the strategy below to diversify its income:

- To develop a broader portfolio of courses in the College's specialisms to include pre-16 and higher education, already evidenced by the College's 14-16 Technical School and HE offer.
- To grow the commercial income by implementing business ventures and commercialism as part of the curriculum, for example the College's community cafes, commercial salons, and other entrepreneurial student-led enterprises.
- To be outstanding in all aspects of our work to raise the College profile with employers and stakeholders.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, East Kent College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS102. The College is aware of the level of this deficit and is mindful of the possibility of increasing employer's pension contribution rates. In the absence of any increases in the level of government grant funding to meet an increase in employer's pension costs, further efficiency gains would be introduced into the budgeting process.

4. Student Experience

With growing choice and competition for students, the experience that is delivered is often the determinant to differentiate between providers. The College is managing this with the following key strategies;

- to deliver outstanding teaching and learning making the learning experience relevant, coherent and attractive;
- to deliver an outstanding, innovative study programme which encompasses; English, mathematics and work experience alongside the main qualification aim;

- to build an estate that is safe, current and fit for the delivery of outstanding teaching and learning;
- to provide increased commercial opportunities that reflect industry standards and practices and to ensure links with employers provide relevant experience and insight;
- to deliver support services that remove all barriers to learning and embrace individuality and provide inclusivity;
- by putting learners at the heart of decision-making;
- to support students in making the right life choices for them to achieve positive progression into employment/higher level study; and
- to stretch and challenge students to be the best they can possibly be.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, East Kent College has many stakeholders. These include:

- students;
- staff;
- local employers;
- local schools;
- franchise partners;
- the Funding bodies;
- Local Authorities/Government Offices/LEPs;
- the local community;
- other FE institutions;
- Trade Unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication through the College website and through its membership of forums and other strategic partnerships.

Equal opportunities

East Kent College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, sexual orientation, able-bodiedness, class and age. The College strives vigorously to remove conditions that place people at a disadvantage and the College will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy, is published on the College's Internet site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are accessible to all staff. The College continues to maintain its "Two Ticks" status.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and makes the following commitments;

- as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities allow access to people with a disability;
- there is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students;
- the admissions policy ensures all needs are fully assessed prior to the start of the course ensuring full inclusivity. Appeals against a decision not to offer a place are dealt with under the admissions policy;
- the College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and /or disabilities. There are several student support practitioners who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and /or disabilities;

- specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- counselling and welfare services are described on the College website.

Disclosure of information to auditors

The Governors 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 Governor 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 Governing Body on 14 December 2016 and signed on their behalf by:

Beverley Aitken

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- 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. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2016. 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.

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 Governing Body

The composition of the Governing Body is set out in the table below. It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	[illegible]	[illegible]
Beverley Aitken	30.09.98 30.09.02 30.09.06 30.09.09 30.09.13	4 years 4 years 3 years 4 years 3 years		Independent member	Chair of Governing Body from 10.07.14 Chair of: Remuneration and Search & Governance	100%	100%

Name	Date of appointment *I* re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	C: C2I f e- Oc:r;	g, C2I t:: :!E c:r;
Patrick Hollis	30.09.05 30.09.09 01.09.12 06.07.16	4 years 3 years 3 years 2 years		Independent member	Vice Chair Governing Body from 10.07.14 Member of: Remuneration and Search & Governance	89%	100%
Tim Kent	01.10.09 01.10.11 01.10.15	2 years 4 years 4 years		Independent member	Chair Audit Committee Member of: Remuneration and Search & Governance	67%	85.7%
Dr Sarah Kemp	01.09.10 31.08.14	4 years		Independent member	Member of: Corporation	100%	N/A
Hilary Askew	01.09.12	4 years	31.08.2016	Independent member	Member of: Corporation	78%	N/A
Stephanie Martin	01.09.10 31.08.14	4 years		Independent member	Member of: Corporation	86%	N/A
Charles Buchanan	01.12.12 06.07.16	4 years 4 years		Independent member	Member of: Audit Committee and Corporation	78%	100%
Liz Langton-Way	01.09.11	4 years	31.08.2015	Independent member	Member of: Business Committee	NIA	N/A
Jonathan Clarke	18.12.13	4 years		Independent member	Member of: Corporation, Remuneration and Search & Governance	100%	94.4%
Rupert Bristow	01.08.14	4 years		Independent member	Member of: Corporation	78%	N/A
Patrick Finucane	23.09.14	3 years		Independent member	Vice-Chair of Audit Committee and Member of: Corporation	78%	100%
Tom Price	23.09.14	4 years		Independent member	Member of: Audit Committee and Corporation	100%	100%
Caroline Hallett	23.09.14	4 years	10.03.2016	Independent member	Member of: Corporation	40%	N/A

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees setved*	[illegible]	[illegible]
Gail Clarke	10.10.14	4 years		Independent member	Member of: Audit Committee and Corporation	56%	90%
Miranda Chapman	01.07.15	4 years		Independent member	Member of: Corporation	89%	N/A
Graham Razey	19.04.10			Principal	Member of: Corporation, Remuneration and Search & Governance Committee	100%	100%
Lewis Waitt	01.09.13	2 years	31.08.2015	Staff Governor	Member of: Business Committee	N/A	N/A
Pauline Solley	01.09.11 01.09.13	2 years 2 years	 31.08.2015	Staff Governor	Member of: Education Committee	N/A	N/A
Joanne Timms	01.09.15	2 years		Staff Governor	Member of: Corporation	100%	N/A
Joanna Brown	01.09.15	2 years		Staff Governor	Member of: Corporation	100%	N/A
Charmaine Jacobs	01.08.15	1 year		Student Governor	Member of: Corporation	44%	N/A

SENIOR OFFICERS ATTENDING

	Date of appointment / re-appointment	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees setved*	*Attendance*
Anne Leese	01.01.07	N/A		Deputy Principal	Corporation	100%
Chris Legg	01.05.12	N/A		Executive Director of Finance and Commercial Development	Audit, Corporation	100%
Paul Sayers	01.05.14	N/A		Executive Director of Corporate Services and Strategic Partnerships	Audit, Corporation	100%
Tara Ashman	Clerk appointed 03.02.14					100%

The Governing Body 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 Governing Body meets at least six times per academic year.

The Governing Body conducts its business through a Carver model structure and additional agreed committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Audit, Remuneration, and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body at tara.ashman@eastkent.ac.uk or write to The Clerk, East Kent College, Ramsgate Road, Broadstairs, Kent. CT10 1PN.

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

There is a clear division of responsibility in that the role of the Chair of the Governing Body and Principal of the College are separate.

APPOINTMENTS TO THE GOVERNING BODY

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a Search Committee which is comprised of five members; the Chair of the Governing Body, the three Committee Chairs and the Principal. This Committee is responsible for the selection and nomination of any new members for the Governing Body's consideration, and ensuring that appropriate training is provided in accordance with a continuing review of the skills profile of the Governing Body.

Members of the Governing Body are appointed for a term of office not exceeding four years.

CORPORATION PERFORMANCE

Governance at the College is strong. The Governing Body plays a key role in challenging the senior management to ensure that the College aims are achieved. Through the Carver model, the Governors are particularly focused on a holistic approach to Governance and timely and accurate reporting ensures that Governors can challenge effectively. Through this model, the Board has been able to take considerable assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

The Board reviewed its performance for 2015/16 at the December meeting as part of the annual self-assessment review taking into consideration its self-assessment. The Board considers its individual performance over the year at the strategic events and through Governor Self-evaluation and 1 to 1 meetings with the Chair. Further assurance is gained from both external parties (Ofsted and FE Commissioner visits) and the College Performance Indicators, which are reported monthly. These indicators cover all aspects of the College's operations including teaching and learning, student outcomes, satisfaction and leadership and management. The CPIs form a sound basis from which managers and Governors can judge performance and progress. The annual and three year targets are based on the most accurate comparative data from within and outside the sector (where appropriate) and targets are set to be both challenging but achievable.

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2016, the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises the Chair and four other members of the Governing Body (excluding the Principal). The Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets three times per year and provides a forum for reporting by the College's financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Governing Body took the decision to manage the internal audit under the freedom and flexibilities of the Joint Audit Code of Practice to procure a wider range of internal audit services, focused on added-value improvement reviews linked to key risks and new developments. The Audit Committee have responsibility for reviewing these reports.

The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

INTERNAL CONTROL

Scope of responsibility

The Governing Body 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 Governing Body 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 the College and the Skills Funding Agency and the College and the Education Funding Agency. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to h1anage 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 being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in

East Kent College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body 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 ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is reviewed regularly by the Governing Body.

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 by use of College Performance Indicators;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, supplemented by additional work provided by other industry practitioners, which operates in accordance with the requirements of the funding body's Joint Audit Code of Practice. The scope of this work 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 Governing Body on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Governing Body with a report on internal audit activities and will include the independent opinions on the adequacy and effectiveness of the College's system 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; and
- comments made by the College's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the results of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal audit and other independent advisers and approves plans to address weaknesses and ensure continuous improvement of the control systems.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive 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 Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Principa,l the Governing Body 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 safeguarding of the assets".

GOING CONCERN

After making appropriate enqu1nes, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 14 December 2016 and signed on their behalf by:

Beverley Aitken
Chair

Graham Razey
Accounting Officer

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

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

We confirm, on behalf of the Governing Body that to the best of its knowledge the Governing Body believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's Financial Memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to-date and, if any instances are identified after the date of these statements, these will be notified to the Skills Funding Agency.

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Beverley Aitken
Chair

14 December 2016

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Graham Razey
Accounting Officer

14 December 2016

Statement of Responsibilities of the Members of the Governing Body

The members of the Governing Body are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Governing Body of the College, the Governing Body, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education and with the Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, 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 Governing Body is required to:

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

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

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

Approved by order of the members of the Governing Body on 14 December 2016 and signed on their behalf by:

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Beverley Aitken
Chair

Independent Auditor's Report to the Governing Body of East Kent College

We have audited the College's financial statements for the year ended 31 July 2016 set out on pages 25 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Governing Body, as a body, 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body of East Kent College and Auditor

As explained more fully in the Statement of the Governing Body's responsibilities set out on page 20, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us, in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we considerthe implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

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Buzzacott LLP
Chartered Accountants and Registered Auditors
130 Wood Street
London EC2V 6DL

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Reporting Accountant's Assurance Report on Regularity

To: The Governing Body of East Kent College and Secretary of State for Education acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 28 April 2016 and further to the requirements of the financial memorandum with the 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 East Kent College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of East Kent College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament of that the financial transactions do not conform to the authorities that govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- 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 2015 to 31July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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Buzzacott LLP
Chartered Accountants and Registered Auditors
130 Wood Street
London
EC2V6DL

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Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
			Restated
		£'000	£'000
INCOME			
Funding body grants	2	18,670	20,457
Tuition fees and education contracts	3	2,966	2,895
Other grants and contracts	4	543	376
Other income	5	1,654	1,001
Investment income	6	3	4
Total income		**23,836**	**24,733**
EXPENDITURE			
Staff costs	7	15,221	14,781
Fundamental restructuring costs	7	123	111
Other operating expenses	8	6,238	8,141
Depreciation	10	2,427	2,010
Interest and other finance costs	9	614	566
Total expenditure		**24,623**	**25,609**
Deficit before other gains and losses		**(787)**	**(876)**
Deficit before tax		**(787)**	**(876)**
Deficit for the year		**(787)**	**(876)**
Actuarial loss in respect of pensions schemes	19	(4,320)	(4,151)
Total Comprehensive Income for the year		**(5,107)**	**(5,027)**
Represented by:			
Restricted Comprehensive Income			
Unrestricted Comprehensive Income		**(5,107)**	**(5,027)**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated Balance at 1 August 2014	(610)	4,341	3,731
Deficit from the income and expenditure account	(876)		(876)
Other comprehensive income	(4,151)	-	(4,151)
Transfers between revaluation and income and expenditure reserves	201	(201)	
Total Comprehensive Income for the year	(4,826)	(201)	(5,027)
Tangible fixed assets transfer from K College	17,673	-	17,673
	12,847	(201)	12,646
Balance at 31 July 2015	12,237	4,140	16,377
Deficit from the income and expenditure account	(787)		(787)
Other comprehensive income	(4,320)	-	(4,320)
Transfers between revaluation and income and expenditure reserves	201	(201)	
Total comprehensive income for the year	(4,906)	(201)	(5,107)
Balance at 31 July 2016	**7,331**	**3,939**	**11,270**

Balance sheet as at 31 July 2016

	Notes	2016 £'000	Restated 2015 £'000
Non-Current assets			
Tangible fixed assets	10	57,357	56,118
		57,357	**56,118**
Current assets			
Stocks		33	25
Trade and other receivables	11	1,210	5,422
Cash and cash equivalents	16	197	786
		1,440	**6,233**
Less: Creditors - amounts falling due within one year	12	(6,563)	{9,078)
Net current liabilities		**(5,123)**	**(2,845)**
Total assets less current liabilities		**52,234**	**53,273**
Creditors - amounts falling due after more than one year	13	(24,634)	(25,894)
Provisions			
Defined benefit obligations	19	(16,095)	(10,752)
Other provisions	15	(235)	(250)
Total net assets		**11,270**	**16,377**
Unrestricted Reserves			
Income and expenditure account		7,331	12,237
Revaluation reserve		3,939	4,140
Total unrestricted reserves		**11,270**	**16,377**

The financial statements on pages 25 to 44 were approved and authorised for issue by the Corporationon 14 December 2016 and were signed on its behalf on that date by:

Beverley Aitken
Chair

Graham Razey
Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
Deficit for the year		(787)	(876)
Adjustment for non-cash items			
Depreciation	10	2,427	2,010
Increase in stocks		(8)	(4)
Decrease/(increase) in debtors		4,212	(4,836)
(Decrease)/increase in creditors due within one year	12	(2,518)	16,405
Decrease in creditors due after more than one year	13	(889)	(1,100)
(Decrease)/increase in provisions	15	(15)	511
Pensions costs less contributions payable	19	1,023	296
Adjustment for investing or financing activities			
Investment income	6	(3)	(4)
Interest payable	9	203	192
Net cash inflow from operating activities		**3,645**	**12,594**
Cash flows from investing activities			
Investment income	6	3	4
Payments made to acquire fixed assets	10	(3,666)	(15,992)
		(3,663)	(15,988)
Cash flows from financing activities			
Interest paid	9	(203)	(192)
Repaymen ts of amounts borrowed	14	(368)	(336)
		(571)	(528)
Decrease in cash and cash equivalents in the year		**(589)**	**(3,922)**
Cash and cash equivalents at beginning of the year	16	786	4,708
Cash and cash equivalents at end of the year	16	197	786

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first-time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 22.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost - at 1 August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value.
- Lease incentives - the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £4.4m of loans outstanding with bankers on terms negotiated in 2013/14. The terms of the existing agreement are for 25 years. In order to improve the net current liabilities position, the College is acquiring a further £1.75million of borrowings. This improves the solvency ratios, without significant reductions in either the profitability or gearing ratios, leading to "Good" financial health, as determined by the SFA financial health measurements by 2018.

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

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Grants (including research 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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance-related conditions being met.

Income from tuition fees is recognised in the period in 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 on a receivable basis.

Accounting for post-employmentbenefits

Post-employmentbenefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 based on valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs, as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation based on 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 on an annual basis.

Building improvements made since 1994 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 60 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, 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.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- General Equipment 7 years
- IT Equipment 3-5 years

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation because of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the SFA or EFA and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 21, except for the 5 per cent of the total grant received which is available to the College to cover administration costs relating to those funds.

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore; a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016 . Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Recurrent grants		
Skills Funding Agency	5,163	5,534
Education Funding Agency	12,046	11,682
Specific grants		
Skills Funding Agency	417	2,585
Releases of government capital grants	1,044	656
Total	**18,670**	**20,457**

3 Tuition fees and education contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Adult education fees	836	817
Apprenticeship fees and contracts	73	4C
Fees for HE loan supported courses	391	38E
Total tuition fees	**1,300**	**1,245**
Education contracts	1,666	1,650
Total	**2,966**	**2,895**

4 Other grants and contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other grants and contracts	**543**	**376**

5 Other income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Catering and residences	465	456
Other income generating activities	1,187	543
Non-government capital grants	2	2
Total	**1,654**	**1,001**

6 Investment income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Interest receivable	3	4
Total	**3**	**4**

7 Staff costs

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

	2016 No.	2015 No.
Teaching staff	306	324
Non -teaching staff	160	152
	466	**476**

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	12,106	11,465
Social security costs	876	829
Other pension costs	2,130	1,814
Payroll sub total	**15,112**	**14,108**
Contracted out staffing services	109	673
	15,221	**14,781**
Contractual restructuring costs	123	111
Total Staff costs	**15,344**	**14,892**

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 Executive Team which comprises the Principal, Deputy Principal, Executive Director of Finance & Commercial Development, Executive Director of Corporate Services & Strategic Partnerships and the Clerk to the Governing Body.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	5	3

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

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£20 ,000 to £30 ,000 p.a		1		
£30,001 to £40,000 p.a				
£60,000 to £70,000 p.a		-	2	2
£70,001 to £80,000 p.a				2
£80,001 to £90,000 p.a.	2			
£110,000 to £120,000 p.a.	1	1		
£140,000 to £150,000 p.a.	1	1		
	5	3	2	4

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	445	281
Employers National Insurance	53	33
Benefits in kind	4	1
	502	315
Pension contributions	66	49
Total key management personnel emoluments	568	364

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	145	144
Benefits in kind	1	1
	146	145
Pension contributions	24	20

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

8 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	1,824	3,874
Non-teaching costs	2,265	2,035
Premises costs	2,149	2,232
Total	**6,238**	**8,141**

Other operating expenses include:

	2016 £'000	2015 £'000
Auditors' remuneration:		
Financial statements audit	28	20
Internal audit	11	10
Other services provided by the internal auditors		7
Hire of assets under operating leases	246	268

9 Interest and other finance costs

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	203	192
Pension finance costs (note 19)	411	374
Total	**614**	**566**

10 Tangible fixed assets

	Freehold £'000	Equipment £'000	Assets in the course of construction £'000s	Total £'000
Cost or valuation				
At 1 August 2015	47,255	10,404	10,771	68,430
Transfers	10,753		(10,764)	(11)
Additions	3,185	288	204	3,677
At 31 July 2016	**61,193**	**10,692**	**211**	**72,096**
Depreciation				
At 1 August 2015	7,890	4,422		12,312
Charge for the year	1,415	1,012		2,427
At 31 July 2016	**9,305**	**5,434**		**14,739**
Net book value at 31 July 2016	**51,888**	**5,258**	**211**	**57,357**
Net book value at 31 July 2015	39,365	5,982	10,771	56,118

Land and buildings were valued in 1994 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. Fixed assets transferred from K College on 1 August 2014 were valued by a firm of independent chartered surveyors at 22 April 2013. The Governing Body is of the view that no material change in the value of the fixed assets has since occurred.

11 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	165	116
Prepayments and accrued income	947	5,187
Amounts owed by the Skills Funding Agency	98	119
Total	**1,210**	**5,422**

12 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loans and overdrafts	371	369
Trade payables	1,422	4,956
Other taxation and social security	290	255
Accruals and deferred income	2,528	1,763
Employee Holiday Pay	122	27
Deferred income - government capital grants	1,038	1,046
Amounts owed to the Skills Funding Agency	792	662
Total	**6,563**	**9,078**

13 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans	4,034	4,405
Deferred income - government capital grants	20,600	21,489
Total	**24,634**	**25,894**

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	2016	2015
	£'000	£'000
In one year or less	371	369
Between one and two years	326	414
Between two and five years	536	626
In five years or more	3,173	3,365
Total	**4,406**	**4,774**

Bank loans and overdrafts at variable interest rates of between 1.25% and 5.25% repayable by instalments falling due between 1 August 2016 and 31 July 2038 and are unsecured.

15 Provisions

	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	10,752	244	6	11,002
Expenditure in the period	-	(15)		(15)
Additions in period	5,343	-		5,343
At 31 July 2016	**16,095**	**229**	**6**	**16,330**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 19.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The orincioal assumotions for this calculation are:

	2016	2015
Price inflation	1.30%	1.70%
Discount rate	2.30%	3.50%

16 Cash and cash equivalents

	At1 August 2015	Cash flows	At 31 July 2016
	£'000	£'000	£'000
Cash and cash equivalents	786	(589)	197
Total	**786**	**(589)**	**197**

17 Capital and other commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	119	1,664

18 Lease obligations

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

	2016	2015
Future minimum lease payments due	£'000	£'000
Land and buildings		
Not later than one year	183	198
Later than one year and not later than five years	361	523
Later than *five* years	12	33
	556	754

	2016	2015
	£'000	£'000
Other		
Not later than one year	53	53
Later than one year and not later than five years	18	71
	71	124

19 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans; the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		2016		2015
		£000		£000
Teachers' Pension Scheme: contributions paid		723		691
Local Government Pension Scheme:				
Contributions paid	810		717	
FRS 102 (28) charge	597		406	
Charge to the Statement of Comprehensive Income		1,407		1,123
Total Pension Cost for Year within staff costs		**2,130**		**1,814**

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 £89,171 (2015 £88,225) were payable to the scheme at 31st 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. These 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.

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 (Valuations 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 for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuati-on 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 from 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.

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

The pension costs paid to TPS in the year amounted to £723,603 (2015: £691,000).

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 plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Kent County Council. The total contributions made for the year ended 31 July 2016 were £1,139,613, of which employer's contributions totalled £809,841 and employees' contributions totalled £329,772. The agreed contribution rates for future years are 15.6% 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 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	2.2%	4.4%
Future pensions increases	2.2%	2.6%
Discount rate for scheme liabilities	2.6%	3.8%
Inflation assumption (CPI)	2.2%	2.7%

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 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.90	22.80
Females	25.30	25.20
Retiring in 20 years		
Males	25.20	25.10
Females	27.70	27.60

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

	Fair Value at 31 July 2016	Fair Value at 31 July 2015
	£'000	£'000
Equity instruments	19,508	18,105
Gilts	259	277
Bonds	3,078	2,947
Property	4,041	3,291
Cash	690	724
Target Return Portfolio	1,253	1,149
Total fair value of plan assets	**28,829**	**26,493**
Actual return on plan assets	**1,012**	**1,155**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	28,829	26,493
Present value of plan liabilities	(44,905)	(37,226)
Present value of unfunded liabilities	(19)	(19)
Net pensions liability (Note 15)	**(16,095)**	**(10,752)**

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current seNice cost	1,431	1,098
Amounts included in interest and other finance costs	411	374
Total	1,842	1,472

Amount recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on pension plan assets	1,012	1,155
Experience losses arising on defined benefit obligations	(1)	
Settlement loss in respect of pension scheme deficit transferred from K College		(2,405)
Changes in assumptions underlying the present value of plan liabilities	(5,331)	(2,901)
Amount recognised in Other Comprehensive Income	**(4,320)**	**{4,151)**

Movement in net defined benefit liability during year

	2016 £'000	2015 £'000
Net defined benefit liability in scheme at 1 August	(10,752)	(5,842)
Movement in year:		
Current service cost	(1,431)	(1,098)
Employer contributions	799	700
Unfunded pension payments	2	2
Net interest on the defined liability	(393)	(363)
Settlement loss in respect of pension scheme deficit on transfer of K College		(2,405)
Actuarial loss	(4,320)	(1,746)
Net defined benefit liability at 31 July	**(16,095)**	**(10,752)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2016 £'000	2015 £'000
Defined benefit obligations at start of period	37,245	21,532
Current service cost	1,431	1,098
Interest cost	1,406	1,399
Contributions by Scheme participants	326	294
Experience gains and losses on defined benefit obligations	1	
Changes in financial assumptions	5,331	2,901
Estimated benefits paid	(814)	(655)
Unfunded Pension Payments	(2)	(2)
Curtailments and settlements		10,678
Defined benefit obligations at end of period	**44,924**	**37,245**

Changes in fair value of plan assets

	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	26,493	15,690
Interest on plan assets	1,013	1,036
Return on plan assets	1,012	1,155
Employer contributions	819	713
Administration Expenses	(18)	(11)
Contributions by Scheme participants	326	294
Estimated benefits paid	(816)	(657)
Settlement prices received		8,273
Fair value of plan assets at end of period	**28,829**	**26,493**

20 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,774 to 4 governors (2015: £785 to 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: None).

21 Amounts disbursed as agent

Learner support funds

	2016	2015
	£'000	£'000
Funding body grants - bursary support	420	615
Funding body grants - discretionary learner support	631	699
	1,051	1,314
Disbursed to students	(1,005)	(1,049)
Administration costs	(46)	(54)
Balance unspent as at 31 July, included in creditors		211

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.

22 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GMP were for the year ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 **FE** HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 August 2014	31 July 2015
		£'000	£'000
Financial Position			
Total reserves under previous SORP		3,731	16,404
Employee leave accrual	(a)		(27)
Total effect of transition to FRS 102 and 2015 FE HE SORP		3,731	(27)
Total reserves under 2015 FE HE SORP		3,731	16,377

	Year ended 31July 2015 £'000
Financial performance	
Deficit for the year after tax under previous SORP	(385)
Employee leave accrual	(27)
Changes to measurement of net finance cost on defined benefit plans	(464)
Pensions provision - actuarial loss	(4,151)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(4,642)
Totalcomprehensive income for the year under 2015 FE HE SORP	(5,027)

a) Recognition of short-term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 4 days unused leave for teaching staff and 4 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £27,000 was recognised at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £95,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income anq Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the increase in the deficit for the year has been mirrored by a reduction in the actuariallosses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other ComprehensiveIncome.

23 Post balance sheetevents

The Governing Bodies of East Kent College and Canterbury College have given their approvals in-principle for merger, intended, at the time of writing, to be completed for 1st August 2017.