CLEVELAND COLLEGE OF ART & DESIGN

THE NORTHERN SCHOOL OF ART

SINCE 1874

Report and Financial Statements for
Cleveland College of Art and Design

For the year ended 31st July 2017

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 2016/17:

Dr J R M Raby	**Principal and CEO; Accounting officer**
Mr S Slorach	**Vice Principal Resources**
Mr M Wheaton	**Head of HE Academic**
Mr J Waddington	**Head of FE Academic**
Mr P Chapman	**Head of Marketing and External Affairs**

Principal place of business

Cleveland College of Art and Design, 1 Church Street, Hartlepool, TS24 7DR

Board of Governors

A full list of Governors is given from pages 15 to 17 of these financial statements.

Mrs J White acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP, 1 St James' Gate, Newcastle upon Tyne, NE1 4AD

Internal auditors:

KPMG LLP, Quayside House, 110 Quayside, Newcastle, NE1 3DX

Bankers:

Barclays Bank plc, Teesdale Business Park, Sabatier Close, Stockton on Tees, TS17 6YJ

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

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

Mission

The Colleges mission statement for 2016/2017;

Exceptional Education for Creative Careers

Public Benefit

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

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

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

- High-quality teaching and learning
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Educational partners including schools, colleges and higher educational institutions
- Links with creative sector employers, industry and commerce; regionally and nationally
- Links with the Combined Authority

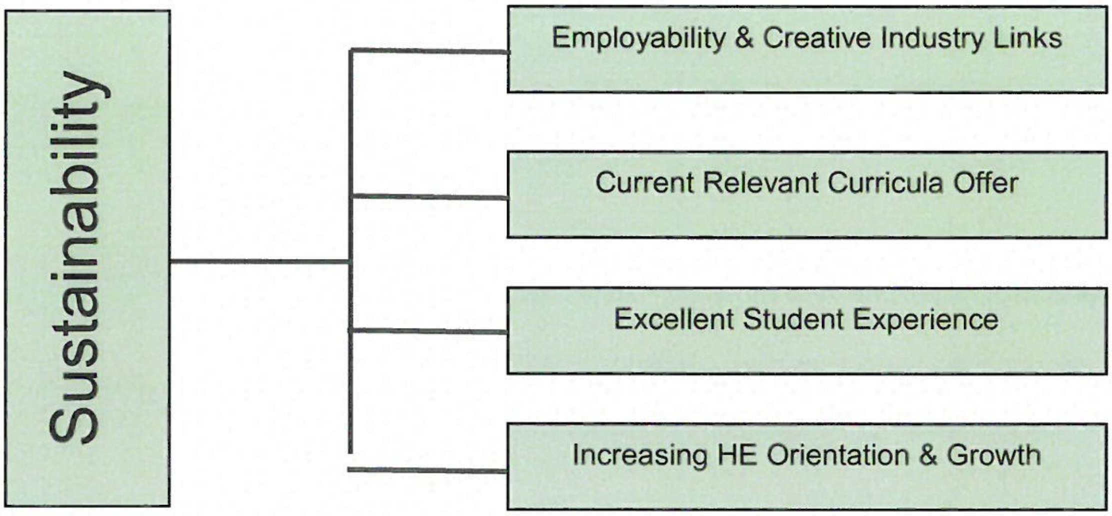
Implementation of strategic plan

In June 2016 the College adopted a strategic plan for the period August 2016 to July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's Vision Statement, Strategic Aims, Objectives and Priorities are:

VISION STATEMENT

To gain national recognition as a leading provider of Creative Education

Key Objectives



Core Values

- Creativity and Excellence
- Professional Practice, Employability and Enterprise
- Student Engagement, Collaboration and Community
- Concern for the Quality of Student Experience
- A Positive, Collegiate Approach
- Professionalism and Respect, with Review
- Always Seeking Improvement
- Equality and Diversity

Financial objectives

The College's financial objectives are:

- Achieve a financial health rating of no lower than 'satisfactory' during investment phase and returning to 'good' or better over the longer term
- To generate a positive cash balance
- Meet the obligations of financial covenants
- To generate sufficient levels of income to support continued investment in College resources

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

Performance indicators

Key performance Indicator	Measure/Target	Actual for 2016/17
sector EBITDA	433	474
Staff costs as % of income	63.4%	64.13%
Debt Servicing	=>100%	100%
Operational Gearing	=<5:1	4.5:1
Financial Health Score	Good	Good

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

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of (£570,000) (2015/16 – surplus of £93,000), with total comprehensive income of £1,862,000, (2015/16 - (£1,519,000)).

The College has accumulated reserves of £3,244,000 and cash and short term investment balances of £1,957,000. The College wishes to continue to accumulate reserves and cash balances in order to fund future investment and take advantage of opportunities as they arise.

Tangible fixed asset additions during the year amounted to £5,982,000. This was split between land and buildings in the course of construction of £5,854,000 and equipment purchased of £128,000. In the main, this related to the new build project at the Hartlepool Campus. The total build cost is projected to be £10.8 million and creates a new HE centre at the Colleges' Hartlepool Campus. The building was formally opened in November 2017 but came into use for the beginning of academic year 17/18. Phase 1 of the scheme is almost complete, with the demolition of the rear of Church Square due to complete at the end of November 2017, phase 2 of the scheme, the refurbishment of the remainder of Church Square, is scheduled to be complete by January 2018.

The College continues to reduce reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 36.6% (2015/16 38%) of the College's total income, whilst HE fees provide the largest income stream at 48.3% (2015/16 49%).

Treasury policies and objectives

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

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

At £30,000 net cash outflow from operating activities was not as strong as in previous years (2015/16 £1,248,000). This is due to the self financing of capital investments (excluding areas funded by grant or borrowings) along side increased costs, in order for the College to meet current demands and expectation and to prepare for the future.

During the year the College took out an unsecured loan of £1.5 million in order to help finance ongoing works at the Hartlepool Campus, which has been partially grant funded by Tees Valley Combined Authority (TVCA).

	2014/15	2015/16	2016/17	2017/18 (expected)	Total
TVCA	1,485,000	2,553,000	3,468,000	834,000	8,340,000
Spend	946,000	3,320,000	5,854,000	370,000	10,490,000

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Reserves Policy

The College is dependent on two key sources of funds, being ESFA funding for the FE operations and student fees for the HE operations. This means that if there were to be a significant fall in these funding sources it is likely that the College would have to restructure. The risk of both ESFA and student fees ceasing to be available is considered unlikely.

The College may operate at a deficit, drawing upon unrestricted funds, on condition that this is a temporary measure and that a credible plan is in place to recover the financial position of the College. This is subject to banking covenants not being breached where credit facilities are in place.

It is recommended that the College holds a minimum of £500k unrestricted reserves in order to carry out operations for a period of time which will assist in covering cash should a major income stream reduce.

The College currently holds unrestricted reserve balances of £1.5 million, which it is holding for liquidity, working capital and investment purposes in order to achieve the aims and objectives of the current strategic plan.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The College recognises that the financial health has dropped from 'outstanding' in 2015/16 to 'Good' in 2016/17. This was expected and due to the continued capital investment in to the Hartlepool Campus, in addition to the College preparing for additional programmes of study to commence in the academic year 2018/2019.

Student numbers

In 2016/17 the College has delivered FE activity that has produced £2,957,000 in FE funding (2015/16 – £3,151,000). The College had approximately 491 FE funded students and approximately 456 students were funded by HEFCE and student fees.

Student achievements

Students continue to prosper at the College. FE success rates rose again in 2016/17 from 2015/16 from 91.2 per cent to 92.5 per cent. This is mainly due to the focus on the student journey, ensuring the appropriateness of course at enrolment and continuing throughout the course of study to achievement. This continued upwards trend was also reflected in HE success which rose from 73 per cent in 2015/16 to 77.2 per cent and the College continues to work to improve in year retention.

Curriculum developments

Higher Education

The College continues to review the curriculum offer to ensure that courses have been designed to ensure students are able to move securely into the labour market.

Employability statistics have put the College not only top in the region but fifth in the UK overall rankings and joint number one in the country for art and design degrees. This follows results from the Higher Education Statistics Agency (HESA) national survey of recent graduates.

For the second year in a row the College has gained the top spot in the UK for art and design graduate employability. 96.6% of 2015 CCAD graduates are either in employment or doing further study, making the College number one in the UK for art and design. This follows last year's results which saw the College joint top with 96 percent.

Comparing its employability data from the annual Destinations of Leavers from Higher Education (DLHE) survey, the college's dedicated university level campus equals the top performing UK higher education institutions, and well above the national average of 93.9 percent.

The College has had four courses revalidated in 2016/2017 by Arts University Bournemouth and is aiming to have an additional three BA (Hons) and three FdA's validated in 2017/18. These new courses are developed in line with the College strategy of growing HE, whilst maintaining the College specialist nature.

Further Education

The College has a national reputation for excellence and outstanding performance. In the last two years the colleges success rates have improved significantly. This has been achieved by development of Programmes of Study focussed on offering an individual pathway designed to meet learners progression goals.

The need to develop a curriculum that meets the needs of local and national employers has resulted in further development of skills for progression, employability and work related experience. The Tees Valley Combined Authority priority around growth in the Creative and Digital sector is significant in our planning and the work of our Curriculum Development Group. Over 70% of learners at FE progress to higher education institutions around the country.

The HE experience remains a key focus in the FE curriculum due to the 'graduate' nature of employment in the sector. Therefore, Personal and Professional development on level 3 courses is a significant aspect of delivery, including an enriched experience via HE workshops, seminars and presentations by our HE staff.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 94 per cent of its invoices within 30 days and the College continues to improve payment performance. The College incurred no interest charges in respect of late payment for this period.

Future prospects

The College has been awarded Gold by the Teaching Excellence Framework in recognition of its outstanding quality of teaching at the university level campus in Hartlepool. The Teaching Excellence Framework (TEF) was introduced by the Government to recognise and reward high quality teaching in higher education (HE) and to encourage a stronger focus on the quality of teaching in HE, giving students the best possible information about where quality teaching is highest and where students have achieved the greatest results.
Following its decision to award Gold to Cleveland College of Art and Design, the TEF Panel highlighted in particular the college's evidence of:

- Outstanding employment outcomes linked to an effective strategic focus on exceptional education for creative careers
- Impact on student outcomes and satisfaction arising from the College's encouragement of staff to maintain their professional practice, and from close links to the creative industries
- A range of initiatives to engage the student voice, with excellent practice in responding to issues raised by students
- Investment in dedicated teaching, learning and working spaces for creative students, which enhance all aspects of the student experience
- Personalised learning, supported by a rigorous engagement with student progression, with particular emphasis on transition.
-

The College has been ranked the best in the North East for student satisfaction in the 2017 National Student Survey (NSS) when compared with institutions offering three-year BA (Hons) degrees.

The NSS is an annual national survey of final-year undergraduate students that runs across all publicly-funded higher education institutions in the UK, and the College was placed top of the north east league tables for the first time.

This year's survey gives fresh insights into student engagement, with new questions on the learning community, learning opportunities and the student voice. The survey was revised in consultation with UK universities and colleges and their students. It's new and updated questions gather evidence that has not previously been available nationally. 91% of students were overall satisfied with the College, exceeding the benchmark of 81% and the national average of 84%.

With regard to the above and the improved capacity provided by the new building on the Hartlepool Campus, the College seeks to significantly increase HE student numbers over the coming years. This will serve to support the fulfilment of the College's strategic aims in addition to reducing dependency on funding body income.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the two main college sites, one in Hartlepool and one in Middlesbrough,

The Hartlepool campus is continuing with an addition of a new £10.8 million building which is part of a larger investment project to address the College property strategy.

The College has reached practical completion on the new build project in Hartlepool, which includes 3,800m^2 of new build space, 750m^2 of refurbished space and demolition of almost 3,200m^2. The full project, which includes the addition of a new lecture theatre at Church Square, is scheduled to be completed in January 2018.

The demolition has created an acceleration of depreciation relating to the proportion of the inherited buildings to be demolished totalling £490k, offset by a corresponding transfer from the revaluation reserve to the income and expenditure reserve.

Financial

The College has £3.244 million of net assets (including £2.359 million pension liability) and long term debt of £3.297 million.

People

The College employs 204 people (152 expressed as full time equivalents), of whom 59 (52 expressed as full time equivalents) are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and maintaining external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. This included utilising the internal audit function to check existing and new controls and making recommendations for improvements.
Based on the strategic plan, the Audit Committee undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Audit Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

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

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 41.6% of the College's revenue was ultimately publicly funded (at both FE and HE levels) and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

Further Education Funding

- Cuts to career education, advice, information and guidance may lead to a reduction in student numbers due to young people not being well informed in their choices regarding their future.
- Further Education Area Reviews have been completed in the Tees Valley area, although it has been recommended that Cleveland College of Art and Design remains an independent institution, the impact of recommended mergers of other local colleges remains unknown.
- Regional devolution will have an impact on funding, the creation of Tees Valley Combined Authority will change the way the College receives FE funding, for the 2017/18 academic year, and following the area review, Government will work with the Tees Valley Combined Authority to vary the block grant allocations made to providers, within an agreed framework. From 2018/19, there will be full devolution of funding. The Tees Valley Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements.

Higher Education Funding

- Rising student expectations due to increasing fee levels, either in terms of academic quality, employability or facilities. In turn this creates a need to ensure investment in infrastructure, teaching and career support are maintained in a time when income is reducing, this risk of losing students due to lack of investment and of cost increases exceeding income increases means that the College has to build on it success to offset the risk of financial failure.
- Reducing government grants to fund HE institutions means the College becomes more dependent on the HE fee income to fund HE activities unless other income streams can be identified and developed.

This risk is mitigated in a number of ways:

- More than half of the College income is generated from fees and other streams, such as catering and printing.
- By ensuring the College is rigorous in delivering high quality education

- Maintaining high employability results
- Investing in the College resources to ensure industry level resources
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and the creative industry
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Cleveland College of Art and Design 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 maintaining the delivery of 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 FRS 102.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. This is largely the consequence of the large investment in the Hartlepool Campus and resource investments for new courses. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

5. Failure to achieve bank financial covenants

A breach in financial covenants may result in, at worst, the outstanding debt becoming immediately repayable, and at best, a renegotiated loan, probably on a higher rate. In order to mitigate the risk of a breach:

- Covenant calculations are included in monthly management account reports, which are reported periodically to Principalship, Corporation board and the bank.
- Covenant calculations form part of the budgeting procedure to ensure compliance.
- A review of management covenant calculations form part of the end of year external audit.
- The College has excellent communications with the banking relationship manager, which would enable discussions to take place early in the event of a possible breach.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Cleveland College of Art and Design has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local, national and international employers;
- Local authorities / combined authority;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE and HE institutions;
- Trade unions;
- Professional bodies.

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

Equality

Cleveland College of Art and Design is committed to the principles of equality and diversity and aims to ensure that all employees and college users are treated fairly and equally regardless of age, disability, gender orientation, marriage and civil partnership, pregnancy, maternity and paternity, race, religion or belief, sex, or sexual orientation.

All College users are expected to uphold this statement to ensure a welcoming and supportive environment for all throughout the complete learning or employment experience within the College.

Equality and Diversity Training is mandatory for all staff.

The College's Equality and Diversity Policy aims to prevent discriminatory practices and promote an inclusive culture where all staff and students have the opportunity to work and study in an accepting and welcoming environment that fosters their ability to reach their full potential. This policy is monitored on an annual basis and is published on the College's website and VLE.

The College publishes an Annual Equality and Diversity Report which includes analysis of all relevant data to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College believes that all forms of discriminatory behaviour are deemed unacceptable in any form, including bullying, harassment and victimisation. Any incidences of discriminatory behaviour will be not be tolerated and will be appropriately challenged in all cases.

Disability statement

Cleveland College of Art and Design is committed to the principles of equality and diversity and welcomes applications from students and staff with a disability or learning difficulty. The College aims to support all individual needs wherever possible to enable both staff and students to achieve their full potential.

In accordance with the duties laid out in the Equality Act 2010, the College will not discriminate against a disabled person throughout the whole learning or employment experience within the College and in the delivery of services in provides.

The College will endeavour to make all reasonable adjustments for a disabled person to access any service provided by the College. By doing so, the College will not treat a disabled person less favourably (for a reason related to his/her disability) than it treats other learners.

The College cannot, however, be expected to take action or make reasonable adjustments for a disabled person if that disability has not been disclosed. It is therefore vital that staff and students declare their disability to the College at the earliest opportunity through the mechanisms provided.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 15th December 2017 and signed on its behalf by:

Mr P Smith

Vice Chair of Governors

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Corporation

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance of Corporation Meetings to 31.07.17
Dr G D Robson	19 Dec 2008 Reappointed 03 Jul 2015	4 years		Independent	LGF Programme Board Search Committee	7/7 100%
Mr I Butchart	19 Dec 2008 Reappointed 31 Dec 2015	4 years		Independent	Audit	6/7 86%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance of Corporation Meetings to 31.07.17
Mr P Smith	19 Dec 2005 Reappointed 31 Dec 2015	4 years		Independent	Remuneration LGF Programme Board Search Committee	4/7 57%
Dr J R M Raby	01 May 2008	Whilst in post		Principal	HE Academic Board LGF Programme Board Search Committee	7/7 100%
Mrs S Fawcett	12 Jul 2011 Reappointed 03 Jul 2015	4 years		Independent	LGF Programme Board	7/7 100%
Mr I Swain	02 Oct 2009 Reappointed 30 Sept 2015	4 years		Independent	Audit Remuneration LGF Programme Board Search Committee	7/7 100%
Professor R Simmons	04 Jul 2014	4 years		Independent	Remuneration	4/7 57%
Professor J Rapley	13 Feb 2015	4 years		Independent	LGF Programme Board HE Academic Board	7/7 100%
Mrs D Ogden	01 May 2015	4 years		Independent	Audit	2/7 28%
Ms C Butler	01 Sept 2012 Reappointed 03 Jul 2015	4 years	March 2017	Support Staff		4/4 100%
Ms A Goodwill	01 Sept 2012 Reappointed 03 Jul 2015	4 years		Academic Staff		1/7 14%
Ms S Moore	01 Feb 2016	2 years	August 2017	Student Governor		0/7 0%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance of Corporation Meetings to 31.07.17
Mr M Hanzak	01 Feb 2016	2 years	August 2017	Student Governor		4/7 57%
Mr K Goldsborouh	11 Nov 2016	4 years		Independent		6/7 85%
Mr D Hughes	11 Nov 2016	4 years		Independent	Audit	5/7 71%
Mr T Bailey	09 Dec 2016	4 years		Independent		6/6 100%
Ms J Havakin	28 Apr 2017	3 years		Academic Staff		2/2 100%
Ms E Hardwick	28 Apr 2017	3 years		Academic Staff	HE Academic Board	2/2 100%

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are

- Search Committee
- Audit Committee
- Remuneration Committee
- LGF Project Board
- HE Academic Board

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.ccad.ac.uk or from the Clerk to the Corporation at:

Cleveland College of Art and Design, 1 Church Street, Hartlepool. TS24 7DR

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointments to the Corporation
Any new appointments, or reappointments, to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.
Members of the Corporation are appointed for a term of office not exceeding four years. Any reappointments are reviewed for individual contribution and with due regard for Nolan advice on length of service of governors.

Corporation performance
The Corporation carried out a self assessment of its own performance for the year ended 31st July 2017 and graded itself as "Good" on the Ofsted scale.

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

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

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

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

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

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

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

LGF Project Board
The LGF Project Board comprises four members of the Corporation (excluding the Accounting Officer and Chair) and meets regularly throughout a project, usually monthly. The LGF Project Board operates in accordance with written terms of reference approved by the Corporation.

The Project Board is responsible to the Corporation Board for the successful achievement of the project's deliverable benefit to the College. It will make such decisions to achieve this on behalf of the Corporation Board.

HE Academic Board (HEAB)
The HEAB comprises three members of the Corporation and meets twice per year and operates in accordance with written terms of reference approved by the Corporation.

The HEAC holds delegated responsibility for the oversight and evaluation of the student learning experience, including the quality management infrastructure and its alignment to the quality assurance framework of the degree-awarding body (Arts University Bournemouth).

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's 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. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.
The College is continuing in pursuing the objectives set out in the strategic plan, and continues to explore opportunities as they arise.

The £10.8 million new building in the Colleges' Hartlepool Campus has reached practical completion and will be ready for the new intake of HE students in 2017/18, with further investment and development of the Campus planned, it is anticipated this will be key in attracting new students.

The College continues to produce 'good' or better financial results and achieved banking covenants in the academic year 2016/2017.

The achievements of this year, mentioned above, of obtaining TEF Gold, the student success rates at both HE and FE and the commitment of the college to continue to produce 'work ready' graduates ensures that the College can maintain, if not increase, its position in the specialist Art and Design education sector.

Approved by order of the members of the Corporation on 15th December 2017 and signed on its behalf by:

Mr P Smith

Vice Chair of Governors

Dr J R M Raby

Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Mr P Smith

Vice Chair of Governors

15.12.17

Dr J R M Raby

Accounting Officer

15.12.17

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 15th December 2017 and signed on its behalf by:

Mr P Smith

Vice Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF CLEVELAND COLLEGE OF ART AND DESIGN

Opinion

We have audited the financial statements of Cleveland College of Art and Design (the "College") for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education 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.

1 Responsibilities of the Corporation of Cleveland College of Art and Design

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education and Skills Funding Agency and our engagement letter dated 20 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 20 July 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD
15th December 2017

Statement of Comprehensive Income and Expenditure

	Notes	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	3,563	3,541
Tuition fees and education contracts	3	4,200	4,141
Research grants and contracts	4	35	-
Other income	5	649	635
Investment income	6	2	4
Total income		**8,449**	**8,321**
EXPENDITURE			
Staff costs	7	5,277	5,113
Restructuring costs	7	141	36
Other operating expenses	8	2,555	2,472
Depreciation	10	407	423
Accelerated Depreciation	10	490	0
Interest and other finance costs	9	149	184
Total expenditure		**9,019**	**8,228**
(Deficit)/surplus before other gains and losses		**(570)**	**93**
(Deficit)/Surplus before tax		**(570)**	**93**
(Deficit)/surplus for the year		**(570)**	**93**
Remeasurement of net defined benefit pension liability	20	2,432	(1,612)
Total Comprehensive Income for the year		**1,862**	**(1,519)**
Represented by:			
Unrestricted comprehensive income for the year		1,862	(1,519)

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

College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2015	263	2,638	2,901
Surplus from the income and expenditure account	93	-	93
Other comprehensive income	(1,612)	-	(1,612)
Transfers between revaluation and income and expenditure reserves	102	(102)	-
	(1,417)	(102)	(1,519)
Balance at 31st July 2016	(1,154)	2,536	1,382
Deficit from the income and expenditure account	(570)	-	(570)
Other comprehensive income	2,432	-	2,432
Transfers between revaluation and income and expenditure reserves	330	(330)	-
	490	(490)	-
Total comprehensive income for the year	2,682	(82)	1,862
Balance at 31 July 2017	1,528	1,716	3,244

Balance sheets as at 31 July 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible Fixed assets	10	15,599	10,514
		15,599	**10,514**
Current assets			
Stocks		18	20
Debtors	11	135	104
Cash at bank and in hand	16	1,957	3,069
		2,110	3,193
Creditors – amounts falling due within one year	12	(1,029)	(1,466)
Net current assets		**1,081**	**1,727**
Total assets less current liabilities		**16,680**	**12,241**
Creditors – amounts falling due after more than one year	13	(10,980)	(6,325)
Provisions			
Other provisions	15	(97)	(102)
Defined benefit pension scheme	20	(2,359)	(4,432)
Total net assets		**3,244**	**1,382**
Unrestricted Reserves			
Income and expenditure account		1,528	(1,154)
Revaluation reserve		1,716	2,536
Total unrestricted reserves		**3,244**	**1,382**

The financial statements on pages 26 to 48 were approved and authorised for issue by the Corporation on 15th December 2017 and were signed on its behalf on that date by:

Mr P Smith

Vice Chair of Governors

Dr J R M Raby

Accounting Officer

Statement of Cash Flows

For the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(570)	93
Adjustment for non-cash items			
Depreciation		854	379
Decrease/(Increase) in stocks		2	(7)
Increase in debtors		(31)	(30)
(decrease)/Increase in creditors due within one year		(682)	506
(decrease)/Increase in provisions		(5)	2
Pensions costs less contributions payable		357	213
Adjustment for investing or financing activities			
Investment income		(2)	(4)
Interest payable		47	96
Net cash flow from operating activities		(30)	1,248
Cash flows from investing activities			
Investment income		2	4
Capital grants received		3,514	2,584
Payments made to acquire fixed assets		(6,051)	(3,172)
		(2,535)	(584)
Cash flows from financing activities			
Interest paid		(47)	(96)
New unsecured loans		1,500	
Repayments of amounts borrowed			(66)
		1,453	(162)
(decrease)/Increase in cash and cash equivalents in the year		**(1,112)**	**502**
Cash and cash equivalents at beginning of the year	20	3,069	2,567
Cash and cash equivalents at end of the year	20	1,957	3,069

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.

General Information

Cleveland College of Art and Design is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 2. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of accounting

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 2016 to 2017* 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.

The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Going concern

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

The College currently has £3.3 million of loans outstanding with lenders on terms negotiated in 2016. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Revenue grant funding

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

Capital grant funding- government grants

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Fee income

Income from tuition fees is stated gross of any expenditure and is recognised in the period for which it is received.

Investment income

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

Agency arrangements

The College acts as an agent in distributing Bursary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees. References between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Teesside Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts include in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing 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. Certain items of fixed assets that had been revalued to fair value prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 40 years.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

The College operates an additional building, not owned by the College, Lime Crescent Halls, is a student accommodation block of 25 beds. Although the College is responsible for the building, a management agreement has been reached with Thirteen Group. Thirteen Group manage the property and rental collection and pay any difference back to the College. Operating expenses are included in premises costs and rental income is included in miscellaneous income.

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, costs include professional fees and other directly attributable costs necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 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:

- technical equipment 5 years
- computer equipment 5 years
- furniture, fixtures and fittings 5 years

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

Borrowing costs

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

Stocks

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

Cash and cash equivalents

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

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

Financial Instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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 receives no similar exemption in respect of Value Added Tax, therefore the College can not recover input VAT it suffers on goods and services purchased. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2017	2016
	£'000	**£'000**
Recurrent grants		
Education and Skills Funding Agency - adult	139	126
Education and Skills Funding Agency – 16 -18	2,957	3,025
Higher Education Funding Council	424	346
Releases of government capital grants	43	44
Total	**3,563**	**3,541**

3 Tuition fees and education contracts

	2017	2016
	£'000	**£'000**
Adult education fees	25	34
Fees for FE loan supported courses	88	55
Fees for HE loan supported courses	4,087	4,052
Total tuition fees	4,200	4,141
Total	**4,200**	**4,141**

4 Research grants and contracts

	2017	2016
	£'000	**£'000**
Research grants and contracts	35	-
Total	**35**	**-**

5 Other income

	2017 £'000	2016 £'000
Catering and residences	218	231
Miscellaneous income	431	404
Total	**649**	**635**

6 Investment income

	2017 £'000	2016 £'000
Other interest receivable	2	4
Total	**2**	**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:

	2017 No.	2016 No.
Teaching staff	52	55
Non-teaching staff	100	102
	152	157

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	4,083	4,158
Social security costs	386	320
Other pension costs	808	635
Payroll sub total	**5,277**	**5,113**
	5,277	5,113
Restructuring costs	141	36
Total Staff costs	**5,418**	**5,149**

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 Principalship Team which comprises the Principal, Vice Principal – Resources plus three additional Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	**5**	**3**

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

	Key management personnel	
	2017 No.	**2016 No.**
£50,001 to £60,000 p.a.	3	-
£60,001 to £70,000 p.a.	-	2
£70,001 to £80,000 p.a.	1	-
£120,001 to £130,000 p.a.	1	1
	5	**3**

Key management personnel compensation is made up as follows:

	2017 £'000	**2016 £'000**
Salaries	355	260
Employers National Insurance	43	30
	398	**290**
Pension contributions	56	41
Total key management personnel compensation	454	331

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

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

	2017 £'000	**2016 £'000**
Salaries	122	122
	122	122
Pension contributions	20	20

8 Other operating expenses

	2017	2016
	£'000	£'000
Teaching costs	801	626
Non-teaching costs	1,147	1,155
Premises costs	607	691
Total	**2,555**	**2,472**

Other operating expenses include:	**2017**	**2016**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	16	16
Internal audit	13	15
Other services provided by the financial statements auditor – TPA Audit	1	1
Hire of assets under operating leases	32	48

9 Interest and other finance costs

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	47	96
	47	96
Net interest on defined pension liability (note 20)	102	88
Total	**149**	**184**

10 Tangible fixed assets

	Land and Freehold Buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	9,235	2,414	4,266	15,915
Additions	-	128	5,854	5,982
Disposals	-	(239)	-	(239)
At 31 July 2017	**9,235**	**2,303**	**10,120**	**21,658**
Depreciation				
At 1 August 2016	3,348	2,053	-	5,401
Charge for the year	217	190		407
Accelerated Depreciation	490	-	-	490
Elimination in respect of disposals	-	(239)	-	(239)
At 31 July 2017	**4,055**	**2,004**	**-**	**6,059**
Net book value at 31 July 2017	**5,180**	**299**	**10,120**	**15,599**
Net book value at 31 July 2016	5,887	361	4,266	10,514

Land and buildings were valued in 1996 at depreciated replacement cost at the time of incorporation. Inherited land and buildings at incorporation, currently held, total just over £4.6 million, the College has made additions totalling £4.6 million to date.

Assets in the course of construction is the new build at the College higher education campus in Hartlepool, although phase one had reached practical completion at year end the building had not yet been brought in to service, therefore no depreciation has been charged in year 2016/17. The building has since been brought in to use.

Accelerated depreciation has been charged in relation to the partial demolition of the College Church Square building. The building had been taken out of use and stripped of services ready for demolition. The rear of the building has since been demolished.

11 Debtors

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	2	8
Prepayments and accrued income	133	96
Total	**135**	**104**

12 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Bank loans and overdrafts	51	-
Trade payables	205	646
Other taxation and social security	176	163
Accruals and deferred income	197	328
Deferred income - government capital grants	229	33
Deferred income - government revenue grants	13	-
Amounts owed to the ESFA	115	183
Amounts owed to Other	43	113
Total	**1,029**	**1,466**

13 Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Bank loans	3,297	1,848
Deferred income - government capital grants	7,683	4,408
Other	-	69
Total	**10,980**	**6,325**

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	51	-
Between one and two years	108	-
Between two and five years	2,027	-
In five years or more	1,162	1,848
Total	**3,348**	**1,848**

The College has a £1.8 million unsecured loan with Barclays bank on a 5 year revolving basis with an overall interest rate of 2.49%, 16/17 is the second year of the term.

In the current year the College took out an additional unsecured loan of £1.5 million with Hartlepool Borough Council. This loan has an overall interest rate of 3.85% and is a capital repayment loan over 20 years.

15 Other Provisions

	Enhanced pensions £'000
At 1 August 2016	102
Expenditure in the period	(7)
Additions in period	2
At 31 July 2017	**97**

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 principal assumptions for this calculation are:

	2017	2016
Price inflation	3.50%	2.30%
Discount rate	1.70%	1.30%

16 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,069	(1,112)	-	1,957
Total	**3,069**	**(1,112)**	**-**	**1,957**

17 Capital and other commitments

	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	370	5,900

18 Lease obligations

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

	2017	2016
	£'000	£'000
Other		
Not later than one year	32	48
Later than one year and not later than five years	18	56
Total lease payments due	**50**	**104**

19 Events after the reporting period

1 Church Street was officially opened in November 2017, but has been used for delivery from September 2017. This is shown as an asset in the course of construction in these financial statements and has now been transferred to an operational asset.

The rear section of the Church Square building is written down to a net book value of zero in these financial statements. The demolition of this area is due to be completed by December 2017.

20 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 Teesside Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kier Pensions Unit. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year		2017 £000		2016 £000
Teachers' Pension Scheme: contributions paid		321		298
Local Government Pension Scheme:				
Contributions paid	225		205	
FRS 102 (28) charge	255		125	
Charge to the Statement of Comprehensive Income		480		330
Enhanced pension charge to Statement of Comprehensive Income		7		7
Total Pension Cost for Year within staff costs		**808**		**635**

Contributions amounting to £33,000 (2016 £25,000) 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' Pension Scheme Regulations 2014. 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.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.
The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:
- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

Valuation of the Teachers' Pension Scheme

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fees), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.
The pension costs paid to TPS in the year amounted to £321,000 (2016: £298,000)
The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered Teesside Local Authority. The total contributions made for the year ended 31 July 2017 were £323,000, of which employer's contributions totalled £225,000 and employees' contributions totalled £98,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.00%	3.30%
Future pensions increases	2.00%	1.80%
Discount rate for scheme liabilities	2.60%	2.40%
Inflation assumption (CPI)	2.00%	1.80%
Commutation of pensions to lump sums		

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

	At 31 July 2017	At 31 July 2016
	years	years
Retiring today		
Males	22.80	23.10
Females	24.90	25.60
Retiring in 20 years		
Males	25.00	25.30
Females	27.20	28.00

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 2017 £'000	Fair Value at 31 July 2016 £'000
Equity instruments	9,524	8,757
Government Bonds	-	155
Bonds	12	83
Property	771	794
Other	1,541	526
Cash	193	
Total fair value of plan assets	**12,040**	**10,315**
Actual return on plan assets	**1,708**	**890**

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

	2017 £'000	2016 £'000
Fair value of plan assets	**12,040**	**10,315**
Present value of plan liabilities	**(14,355)**	**(14,698)**
Present value of unfunded liabilities	**(46)**	**(51)**
Net pensions liability	**(2,361)**	**(4,434)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	480	330
Total	**480**	**330**
Amounts included in interest and other finance costs		
Net interest expense	102	88
	102	**88**

Movement in net defined benefit liability during year

	2017 £'000	2016 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(4,432)	(2,607)
Movement in year:		
Current service cost	(480)	(330)
Employer contributions	225	205
Net interest on the defined liability	(102)	(88)
Actuarial gain or loss	2,430	(1,612)
Net defined benefit (liability)/asset at 31 July	**(2,359)**	**(4,432)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	14,749	11,992
Current service cost	480	330
Interest cost	350	429
Contributions by Scheme participants	98	93
Actuarial (gains)/losses	(970)	2,163
Estimated benefits paid	(306)	(258)
Defined benefit obligations at end of period	**14,401**	**14,749**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	10,315	9,385
Interest income	248	339
Return on plan assets	1,460	551
Employer contributions	225	205
Contributions by Scheme participants	98	93
Estimated benefits paid	(306)	(258)
Fair value of plan assets at end of period	**12,040**	**10,315**

21 Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving 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 £5,000; 5 governors (2016: £5,000; 7 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 (2016: None).

22 Amounts disbursed as agent

Learner support funds

	2017	2016
	£'000	£'000
Funding body grants – Hardship support	16	27
Funding body grants – Bursary support	97	90
Other Funding body grants	25	21
	138	138
Disbursed to students	(71)	(60)
Administration costs	(2)	(5)
Balance unspent as at 31 July, included in creditors	65	73

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.

23 Financial Instruments

	2017	2016
	£'000	£'000
Financial Assets		
Trade receivables	2	8
Total financial assets	**2**	**8**
Financial Liabilities		
Trade payables	205	646
Other Creditors	158	296
Accruals	197	328
Long term loans	3,297	1,848
Total financial liabilities	**3,857**	**3,118**

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF CLEVELAND COLLEGE OF ART AND DESIGN AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 20 July 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Cleveland College of Art and Design during the period from 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of Cleveland College of Art and Design in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Cleveland College of Art and Design for regularity

The Corporation of Cleveland College of Art and Design is responsible, under the SFA financial memorandum and 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. The corporation of Cleveland College of Art and Design is also responsible for preparing the Corporation's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

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

RSM UK Audit LLP

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15 December 2017