EAST KENT COLLEGE

Report and Financial Statements
for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2016/17:

Graham Razey, Principal and CEO; Accounting officer
Anne Leese, Deputy Principal
Paul Sayers, Executive Director - Merger and Strategic Partnerships
Chris Legg, Executive Director - Finance and Commercial Developments
Lauren Anning, Executive Director - Corporate Services

Board of Governors

A full list of Governors is given on pages 11 to 13 of these financial statements.

Ms T Ashman acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:
Wilkins Kennedy
35 Station Road
Ashford
Kent
TN23 1PP

Bankers:

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

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

Solicitors:

Cripps LLP
Wallside House
12 Mount Ephraim Rd
Tunbridge Wells
TN1 1EG

Gillian Howard Associates
C/o Howard & Howard Solicitors
43 Wimpole Street
London
W1M 7AF

Eversheds
1 Wood St
London
EC2V 7WS

PDT Solicitors
36-48 Queen St
Horsham
RH13 5AA

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

Introduction – Financial Statements

The past year has seen East Kent College focussing on building the foundations for a strong future, with plans for merger with Canterbury College in full flow. The College has worked hard to set the scene for a successful merger following the successful partnership with Canterbury College and the conclusion of the Government's Area Review process.

The College was inspected by Government regulator Ofsted in January 2017. Following the inspection, Ofsted rated the College as 'Outstanding' in five of the nine areas, leading to an overall 'Good' grading. Significant successes included a 'Good' grading for the College's Technical School provision – its first inspection – and also the 'Outstanding' gradings for apprenticeship delivery and high needs provision. A further key achievement was the 'Outstanding' grading received for Leadership and Governance.

The College also had cause to celebrate following The Yarrow Hotel's first year of operation which saw the unique training and commercial proposition launch successfully. The hotel was a greater success than anticipated in its first year, turning over £1 million worth of business. Its reputation is growing, following a string of positive reviews in local, regional and national media titles as well as a host of competition successes.

Alongside the Yarrow, the College also opened a community tea room at Radnor Park, Folkestone. The project – which was born of a strategic partnership with Shepway District Council – saw the College's construction students help regenerate the Grade II Listed former park gatehouse. The College now delivers a community tea room from the building, with supported learning students gaining valuable experience to develop their skills.

The College has also worked hard to ensure it is meeting the needs of local employers, developing a wide range of courses to ensure its curriculum provision is synchronised with the South East Local Enterprise Partnership's key skills gaps.

The College broke ground on its key capital scheme in Folkestone. The new construction extension – largely funded by the South East Local Enterprise Partnership – is set to deliver the next generation of construction professionals, meeting one of Kent's most critical skills gaps.

Mission

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

Public Benefit

East Kent College is an exempt charity under 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 exempt charity are disclosed on pages 11-13.

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

Implementation of strategic plan

Throughout the past academic year, the College has continued to work to deliver on the goals and objectives set out in its strategic plan for 2015-2019. The five strategic goals are:

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

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

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

Financial Objectives

The College's financial objectives are:

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

The performance indicators confirm that these objectives have been monitored throughout the year by the Governors and the College's Executive Management Team. The College exceeded its budgeted EBITDA outcome of £1,835,000 for the year, met the current ratio objective for the year ended 31 July 2017, with a current ratio of 0.56:1 and met the target staff costs as a percentage of income (64.4%).

Performance Indicators

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

Ofsted's review of leadership at the College in January 2017 was particularly complimentary about these:

"The innovative and highly effective 'college performance indicators' (CPIs) dashboard gives leaders and governors a very clear and reliable picture of performance. Senior staff and governors use the CPIs well to gain a view of comparative performance across the year and for the previous three years. When required, improvement action is rapid and generally highly effective."

Ofsted Result

The College was last inspected by Ofsted in January 2017 against the Common Inspection Framework and the grades awarded were:

Aspect	Grade
Overall effectiveness	Good
Leadership & Management	Outstanding
Teaching Learning & Assessment	Good
Personal Development, Behaviour and Welfare of Students	Outstanding
Outcomes for learners	Good
16-19 Study Programmes	Good
Adult provision	Outstanding
High Needs	Outstanding
Apprenticeships	Outstanding
Technical School	Good

The College's nursery based at our Broadstairs campus was inspected in May 2016 and was graded "good".

Key findings by Ofsted included:

"Outstanding leadership strategies meet the economic and social needs of students across the region and in local communities, have improved the standing and reputation of the college following the acquisition of Dover and Folkestone campuses, and recognise and meet employers' skills needs."

"The provision for work experience is outstanding and is highly rated by employers and other stakeholders. An exceptionally high number of students take part in purposeful and challenging work experience."

"Almost all students enjoy very good levels of progression with the vast majority progressing successfully to further education, training or employment because of successful completion of their qualifications and excellent support and preparation for their next steps."

"Students benefit from good teaching, learning and assessment and are highly motivated to succeed in well-planned and equipped learning environments that enhance their learning and inspire them."

"Apprentices across all subject areas make outstanding progress in developing good job skills and knowledge."

"Leaders and managers work very closely with local authorities, special schools and other agencies to maintain outstanding provision for students with high needs."

"As a result of exceptionally effective and productive community engagement and partnership working, adult students from significantly disadvantaged backgrounds develop skills, enabling them to progress into sustainable employment or further learning."

"14- to 16-year-old full-time students gain good levels of confidence and a renewed positive attitude to learning through the effective development of their personal, social and work-related skills."

"In a small minority of lessons, across all provision types, work set is too easy and students do not make the progress they should. In addition, a small minority of students in all provision types are unaware of the progress they are making and unsure of the steps they need to take in order to achieve."

"Despite significant increases in achievement, the proportion of students achieving GCSEs at grades A* to C and levels 1 and 2 functional skills in English and mathematics is too low."

Employer Engagement

The College has continued to develop partnerships with employers across East Kent and to grow its outstanding apprenticeship provision. The College has also been particularly successful in developing its community-based adult provision to best meet employer need and has been very successful in working with Weatherspoons and Café Rouge.

Business Training provides support to the curriculum delivery teams offering a full recruitment and selection service ensuring that suitable apprentices are placed with appropriate employers on industry-relevant apprenticeship frameworks. The curriculum delivery teams are responsible for the monitoring, assessment and successful outcome of the Apprenticeships.

Significant work in conjunction with Canterbury College has been undertaken to raise awareness, in the respective business communities, of the new apprenticeship levy; what it is and what employers will need to do. This campaign proved particularly successful with 17 employers signing levy contracts with the Colleges by the start of the 2017-18 academic year.

FINANCIAL POSITION

Financial Results

The College reports an operating deficit of £1,186,000 after pensions adjustments (£1,653,000) have been taken into the Statement of Comprehensive Income. At 31 July 2017, the College had accumulated income and expenditure reserves before pension reserve of £24,094,000 and a cash at bank balance of £1,741,000. The impact of the pension deficit on the Local Government Pension Scheme has been incorporated into the balance sheet and is reflected as a reduction in reserves of £13,422,000. This is an improvement on the previous year-end position, with an actuarial gain of £4,326,000.

Tangible fixed asset additions during the year amounted to £1,378,000. This was mostly in relation to the only major capital project during the year; an extension to the Folkestone Construction Centre costing £1,350,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17, there was a decrease in the reliance on SFA and EFA income to 76.0% (2015/16: 81.9%).

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flow and liquidity

The net cash inflow for the year is £1,544,000 (2015/16: net cash outflow of £589,000). This is predominantly made up of an operating cash inflow of £1,745,000 (2015/16: £3,645,000), capital expenditure of £1,378,000 (2015/16: £3,666,000) and capital grant receipts of £1,161,000 (2015/16: £nil).

The size of the College's total borrowing and its approach to interest rate cover have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. The College has seen a similar level of trade payables at the 2016/17 year-end (£1,522,000), as at the 2015/16 year-end (£1,422,000). This relatively high level of trade payables is as a result of substantial capital projects on-going at the respective year-ends.

Reserves Policy

The College continues to be reliant on its core government grant funding, with 76.0% of its income coming from government sources in 2016/17. These income sources have seen annual real-terms funding reductions in recent years, therefore it is especially important to ensure there are sufficient reserves to ensure the on-going solvency of the College.
The College already has substantial positive unrestricted reserves of £14,410,000, so the current three-year financial plan focuses on following a strategy of increasing the College's underlying cash holdings, whilst continuing to invest in improvements to the College estate and technology. The current cash balance of

£1.7million is forecasted to decrease to a balance of £0.4million by July 2018, through a mixture of cash inflow from operating activities of £1.5m, reduction in capital trade payables in relation to the Folkestone Construction project of £0.9m, new capital expenditure of £1.3million, loan repayments of £0.4million and other balance sheet movements of £0.2million.

Taxation

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £18,313,000 in funding body main allocation funding (2015/16 - £17,209,000). The College had approximately 5,700 funded and 2,700 non-funded students.

Student achievements

The College achieved an overall achievement rate of 82.1% for 2016/17, against an 83.6% national average for all Colleges. The overall achievement rate for 16-18 year olds was 78.4%, whilst the overall achievement rate for adults was 86.3%.

Curriculum developments

The College had 1,739 students on 16 to 19 study programmes across 14 subject areas, with the largest number of students on vocational courses in childcare; health and social care; construction; hair and beauty; and hospitality. Over two thirds of students study at levels 1 and 2, which is distinct to the majority of other general FE Colleges.

Ofsted found during its visit in January 2017 - "Students benefit from high-quality work experience. Innovative use is made of commercial and community work experience opportunities and skills competitions to extend students' experiences and develop strong skills to prepare them for work. Students also develop good personal, social and work-related skills through a good range of enrichment activities, particularly through community days."

The College continued to develop commercial enterprise to provide highly relevant and stretching work experience. Of most note was the opening of the Yarrow Hotel, a 28 room hotel where all students on a catering/hospitality study programme at Broadstairs benefitted from high-level work experience. A unique development for further education.

The College's community based adult provision for the long term unemployed developed further employability programmes aligned to meet specific local needs. New courses were developed in partnership with Café Rouge and Wetherspoons.

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

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College does not have the ability to accurately monitor this KPI, but it does estimate that it pays the vast majority of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period and future prospects

Future prospects

The College has recently completed the Kent Area Based Review and is now working towards a merger with Canterbury College. Subject to the lengthy merger process, including an in-depth financial due diligence on both organisations, the merger is intended to be in place within the first few months of 2018.

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

Going Concern

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

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

RESOURCES

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

Tangible

Tangible resources include the main College sites, currently stated at a net book value of £50.1 million; equipment, plant and machinery with a net book value of £4.5 million; and assets under construction with a net book value of £1.6 million.

Financial

The College has £14.4 million of net assets (after deducting a £13.4 million pension liability) and long-term debt of £5.4million.

People

The College employs 492 people (expressed as full-time equivalents), of whom 316 are teaching staff.

Reputation

East Kent College continues to work to serve its communities, bolstering its reputation and developing greater standing within the Dover, Shepway and Thanet areas. As an organisation committed to fostering links throughout our areas, the College has seen its reputation as a first class provider of education grow significantly. We are now well known for our educational provision, as well as our distinctive programme of social action. On a national level, the College has contributed to campaigns to promote social action for the wider further education sector, giving advice on best practice and playing a significant part in the national Department for Education policy changes promoting social action as an addition to work experience.

The College continues to develop strong relationships with its district council partners, working with them on a range of exciting projects. One of these was the Radnor Park tea rooms, which were opened in October 2016 as part of a major partnership project with Shepway District Council. The tea rooms have become firmly established in the local community, building links with local stakeholders and serving to enhance our reputation. The College has also continued to develop its media profile, with significant positive editorial coverage by local and regional publications throughout the year.

Property

During 2016/17, the College saw some changes to its estate namely:

1. The investment of £1.35 million capital funds (grant-funded by the SELEP) to extend the existing Folkestone Construction Training Centre.
2. The creation of a new nursery at the Folkestone Campus (£110,000).
3. Other minor projects including upgrading IT, alarm systems and engineering.

STAFF AND STUDENT INVOLVEMENT

During 2016/17, the College had a paid position of Student Union President with Vice Presidents based at every campus. Unfortunately the president post was not filled with the emphasis moving to campus based representation.

The College continued to implement a series of "progress weeks" during which students participated in a social action programme including; working in the community, volunteering and charity events.

"Students from all study programmes participate in an impressive range of social action programmes such as helping to renovate local buildings; fabricate new equipment and build fire trays and rocket launchers to be used by the local training fire department; and repair flat roofs and assist with preventing further flood damage to the building of a local day centre. Working alongside professionals not only helps students to practise their vocational and team-working skills but also to take pride in enhancing the lives of others in the heart of their communities." Ofsted January 2017

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

The College also undertook an annual staff survey during 2016/17, which showed a marginal decline in levels of staff satisfaction but remained in the top 10% of comparator colleges.

During 2016/17 the College implemented a full staff consultation process in connection with the merger between East Kent College and Canterbury College. A further consultation process is to be undertaken in 2017/18 given the delayed date of merger.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The current risks include:

1. Government funding

The College has a dependency on government funding of 76.0%. This is in line with the benchmarked average for general further education colleges (76% as per the SFA Finance record 2014/15 for all General FE Colleges). The College has been following the strategy below to diversify its income:

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

2. Tuition fee policy

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

This risk is mitigated in a number of ways:

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

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS102.

4. Student experience

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

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

STAKEHOLDER RELATIONSHIPS

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

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

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

Equal Opportunities

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

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

DISABILITY STATEMENT

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Governing Body on 13 December 2017 and signed on their behalf by:

B. Aitken

Beverley Aitken

Chair of Governors

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges; and
- having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the Code. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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

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

The Governing Body

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

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Corporation Attendance*	*Meeting Attendance*
Beverley Aitken	30.09.98 30.09.02 30.09.06 30.09.09 30.09.13 30.09.16	4 years 4 years 3 years 4 years 3 years 15 months		Independent member	Chair of Governing Body from 10.07.14 to 08.02.17 and from 27.09.17 Vice-Chair of Governing Body from 08.02.17 to 27.09.17 Chair of Remuneration and Search & Governance	100%	100%

Name	***Date of appointment / re-appointment***	***Term of office***	***Date of resignation***	***Status of appointment***	***Committees served***	***Corporation Attendance***	***Meeting Attendance***
Patrick Hollis	30.09.05 30.09.09 01.09.12 06.07.16	4 years 3 years 3 years 2 years		Independent member	Vice Chair of Governing Body from 10.07.14 to 08.02.17 and from 27.09.17 Chair of Governing Body from 08.02.17 to 27.09.17 Member of Remuneration and Search & Governance	100%	100%
Tim Kent	01.10.09 01.10.11 01.10.15	2 years 4 years 4 years		Independent member	Chair of Audit Committee Member of Remuneration and Search & Governance	70%	75%
Dr Sarah Kemp	01.09.10 31.08.14	4 years 4 years		Independent member	Member of Corporation	100%	N/A
Stephanie Martin	01.09.10 31.08.14	4 years 4 years		Independent member	Member of Corporation	80%	N/A
Charles Buchanan	01.12.12 06.07.16	4 years 4 years		Independent member	Member of Audit Committee and Corporation	90%	100%
Jonathan Clarke	18.12.13	4 years		Independent member	Member of Corporation, Remuneration and Search & Governance	90%	95%
Rupert Bristow	01.08.14	4 years	31.07.16	Independent member	Member of Corporation	N/A	N/A
Patrick Finucane	23.09.14	3 years	31.03.17	Independent member	Vice-Chair of Audit Committee and Member of Corporation	57%	100%
Tom Price	23.09.14	4 years 3 months		Independent member	Member of: Audit Committee and Corporation	90%	100%

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Corporation Attendance*	*Meeting Attendance*
Gail Clarke	10.10.14	4 years		Independent member	Member of Audit Committee and Corporation	70%	100%
Miranda Chapman	01.07.15	4 years		Independent member	Member of Corporation	80%	N/A
Jill Leigh	14.12.16	1 year		Independent member	Member of Corporation	29%	N/A
Graham Razey	19.04.10			Principal	Member of Corporation, Remuneration and Search & Governance Committee	100%	100%
Joanne Timms	01.09.15	2 years 3 months		Staff Governor	Member of Corporation	80%	N/A
Joanna Brown	01.09.15	2 years 3 months		Staff Governor	Member of Corporation	90%	N/A
Charmaine Jacobs	01.08.15	1 year	31.07.16	Student Governor	Member of Corporation	N/A	N/A
Tracey Pearcy	01.09.16	15 months		Co-Opted Member	Co-Opted member of the Audit Committee	N/A	33%

SENIOR OFFICERS ATTENDING

	Date of appointment / re-appointment	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Attendance*
Anne Leese	01.01.07	N/A		Deputy Principal	Corporation	90%
Chris Legg	01.05.12	N/A		Executive Director - Finance and Commercial Development	Audit, Corporation	100%
Paul Sayers	01.05.14	N/A		Executive Director - Merger and Strategic Partnerships	Audit, Corporation	100%

	Date of appointment / re-appointment	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Attendance*
Lauren Anning	01.08.16	N/A		Executive Director - Corporate Services	Corporation	100%
Lut Stewart	01.08.16	N/A	30.06.17	Executive Director – Student Experience	Corporation	90%
Mark Hill	01.11.16	N/A	31.03.17	Executive Director – East Kent Colleges Partnership	Corporation	80%
Tara Ashman	Clerk appointed 03.02.14					100%

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Governing Body meets at least six times per academic year.

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

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

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

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

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

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

APPOINTMENTS TO THE GOVERNING BODY

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

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

CORPORATION PERFORMANCE

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

The Board reviewed its performance for 2016/17 at the December meeting as part of the annual self-assessment review taking into consideration its self-assessment. The Board considers its individual performance over the year at the strategic events and through Governor self-evaluation and 1 to 1 meetings with the Chair. Further assurance is gained from both external parties (Ofsted visits) and the College Performance Indicators (CPIs), which are reported on a monthly basis. These indicators cover all aspects of the College's operations including teaching and learning, student outcomes, satisfaction and leadership and management. The CPIs form a sound basis from which managers and Governors can judge performance and progress. The annual and three-year targets are based on the most accurate comparative data from within and outside the sector (where appropriate) and targets are set to be both challenging but achievable.

REMUNERATION COMMITTEE

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

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

AUDIT COMMITTEE

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

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

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

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

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

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to 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 being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Kent College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

The College has an internal audit service, supplemented by additional work provided by other industry practitioners, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The scope of this work is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Governing Body with a report on internal audit activities and will include the independent opinions on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

GOING CONCERN

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future.

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

Approved by order of the members of the Governing Body on 13 December 2017 and signed on their behalf by:

B. Aitken

Beverley Aitken
Chair of Governors

Graham Razey
Accounting Officer

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

The Governing Body has considered its responsibility to notify the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the College's Financial Memorandum. As part of its consideration the Governing Body has had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Governing Body that, after due enquiry, and to the best of its knowledge, the Governing Body is 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 and, if any instances are identified after the date of this statement, these will be notified to the ESFA.

B. Aitken

Beverley Aitken
Chair of Governors
13th December 2017

Graham Razey
Accounting Officer
13th December 2017

Statement of Responsibilities of the Members of the Governing Body

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Governing Body, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2016 to 2017 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Governing Body is required to:

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

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

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

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

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

Approved by order of the members of the Governing Body on 13 December 2017 and signed on their behalf by:

B. Aitken

Beverley Aitken
Chair of Governors

Independent auditor's report to the Governing Body of East Kent College

Opinion

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

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

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has 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 Governing Body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Governing Body

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

In preparing the financial statements, the Governing Body 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 Governing Body either intends to liquidate the college or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2017

Reporting Accountant's Assurance Report on Regularity

To: The Governing Body of East Kent College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 6 June 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by East Kent College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of East Kent College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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

Buzzacott LLP

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

19 December 2017

Statement of Comprehensive Income

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
INCOME			
Funding body grants	2	19,847	18,670
Tuition fees and education contracts	3	3,159	2,966
Other grants and contracts	4	381	543
Other income	5	2,140	1,654
Investment income	6	3	3
Total income		**25,530**	**23,836**
EXPENDITURE			
Staff costs	7	16,720	15,221
Fundamental restructuring costs	7	103	123
Other operating expenses	8	6,741	6,238
Depreciation	10	2,510	2,427
Interest and other finance costs	9	642	614
Total expenditure		**26,716**	**24,623**
Deficit before other gains and losses		**(1,186)**	**(787)**
Actuarial gain/(loss) in respect of pension schemes		4,326	(4,320)
Total Comprehensive Income for the year		**3,140**	**(5,107)**
Represented by:			
Unrestricted Comprehensive Income		**3,140**	**(5,107)**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2015	12,237	4,140	16,377
Deficit from the income and expenditure account	(787)	-	(787)
Other comprehensive income – Actuarial loss in respect of pension schemes	(4,320)	-	(4,320)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive income for the year	(4,906)	(201)	(5,107)
Balance at 31 July 2016	7,331	3,939	11,270
Deficit from the income and expenditure account	(1,186)	-	(1,186)
Other comprehensive income – actuarial gain in respect of pension schemes	4,326	-	4,326
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive income for the year	3,341	(201)	3,140
Balance at 31 July 2017	**10,672**	**3,738**	**14,410**

Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
Non current assets			
Tangible fixed assets	10	56,225	57,357
		56,225	**57,357**
Current assets			
Stocks		39	33
Trade and other receivables	11	1,034	1,210
Cash and cash equivalents	16	1,741	197
		2,814	**1,440**
Creditors – amounts falling due within one year	12	(5,014)	(6,563)
Net current liabilities		**(2,200)**	**(5,123)**
Total assets less current liabilities		**54,025**	**52,234**
Creditors – amounts falling due after more than one year	13	(25,988)	(24,634)
Provisions			
Defined benefit obligations	15	(13,422)	(16,095)
Other provisions	15	(205)	(235)
Total net assets		**14,410**	**11,270**
Unrestricted Reserves			
Income and expenditure account		10,672	7,331
Revaluation reserve		3,738	3,939
Total unrestricted reserves		**14,410**	**11,270**

The financial statements on pages 24 to 43 were approved and authorised for issue by the Corporation on 13 December 2017 and were signed on its behalf on that date by:

B. Aitken

Beverley Aitken
Chair of Governors

Graham Razey
Accounting Officer

Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(1,186)	(787)
Adjustment for non-cash items			
Depreciation	10	2,510	2,427
Increase in stocks		(6)	(8)
Decrease in trade and other receivables	11	176	4,212
Decrease in creditors due within one year	12	(1,560)	(2,518)
Decrease in creditors due after one year	13	(46)	(889)
Decrease in provisions	15	(30)	(15)
Pensions costs less contributions payable	19	1,653	1,023
Adjustment for investing or financing activities			
Investment income	6	(3)	(3)
Interest payable	9	237	203
Net cash flow from operating activities		**1,745**	**3,645**
Cash flows from investing activities			
Investment income	6	3	3
Payments made to acquire fixed assets	10	(1,378)	(3,666)
		(1,375)	(3,663)
Cash flows from financing activities			
Interest paid	9	(237)	(203)
New loan	14	1,750	-
Repayments of amounts borrowed	14	(339)	(368)
		1,174	(571)
Increase / (decrease) in cash and cash equivalents in the year		**1,544**	**(589)**
Cash and cash equivalents at 1 August 2016	16	197	786
Cash and cash equivalents at 31 July 2017	16	1,741	197

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 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.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition to the 2015 FE HE SORP on 1 August 2014 for certain non-current assets.

Going concern

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

The College currently has £5.8 million of loans outstanding with bankers on terms negotiated in 2013/14 and in 2016/17. The terms of the existing fixed-rate agreements are for 14 years. Included within the £5.8 million of loans outstanding is £1.75 million of borrowings, which were acquired during the year. This improved the solvency ratios, without significant reductions in either the profitability or gearing ratios, leading to "Good" financial health, as determined by the ESFA financial health measurements.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the income stream involved. Any under or over achievement for the Adult 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.

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

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

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

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

Accounting for post-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.

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

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

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

Short term employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation based on depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

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

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

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

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

Assets under construction

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

Equipment

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

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

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

Borrowing costs

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

Leased assets

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies, where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. These amounts and subsequent disbursements to students are excluded from the Income and Expenditure Account of the College and are shown separately in Note 21, except for the 5 per cent of the total grant received which is available to the College to cover administration costs relating to those funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	5,664	5,163
Education and Skills Funding Agency – 16 -18	12,649	12,046
Specific grants		
Skills Funding Agency	373	417
Releases of government capital grants	1,161	1,044
Total	**19,847**	**18,670**

3 Tuition fees and education contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Adult education fees	489	836
Apprenticeship fees and contracts	54	73
Fees for FE loan supported courses	578	-
Fees for HE loan supported courses	380	391
Total tuition fees	1,501	1,300
Education contracts	1,658	1,666
Total	**3,159**	**2,966**

4 Other grants and contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other grants and contracts	381	543
Total	**381**	**543**

5 Other income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Catering and residences	510	465
Other income generating activities	1,630	1,187
Non-government capital grants	-	2
Total	**2,140**	**1,654**

6 Investment income

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Other interest receivable	3	3
Total	**3**	**3**

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	2016
	No.	No.
Teaching staff	316	306
Non-teaching staff	176	160
	492	**466**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	12,518	12,106
Social security costs	1,052	876
Other pension costs (note 19)	2,911	2,130
Payroll sub total	**16,481**	**15,112**
Contracted out staffing services	239	109
	16,720	**15,221**
Fundamental restructuring costs - contractual	103	123
Total Staff costs	**16,823**	**15,344**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy Principal, Executive Director of Finance & Commercial Development, Executive Director of Corporate Services & Strategic Partnerships and the Clerk to the Governing Body.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	**8**	**5**

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		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£30,001 to £40,000 p.a.	3	1	N/A	N/A
£40,001 to £50,000 p.a.	1	-	N/A	N/A
£50,001 to £60,000 p.a.	-	-	N/A	N/A
£60,001 to £70,000 p.a.	-	-	4	2
£80,001 to £90,000 p.a.	-	2	-	-
£100,001 to £110,000 p.a.	2	-	-	-
£110,001 to £120,000 p.a.	-	1	-	-
£120,001 to £130,000 p.a.	1	-	-	-
£140,001 to £150,000 p.a.	-	1	-	-
£160,001 to £170,000 p.a.	1	-	-	-
	8	**5**	**4**	**2**

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries	627	445
Employers National Insurance	79	53
Benefits in kind	4	4
	710	**502**
Pension contributions	95	66
Total key management personnel emoluments	**805**	**568**

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 pay at full cost, however, it should be noted that 50% of the cost of East Kent senior staff has been charged to Canterbury College as part of the partnership agreement.
The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2017	2016
	£'000	£'000
Salaries	165	145
Benefits in kind	1	1
	166	146
Pension contributions	27	24

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

8 Other operating expenses

	2017 £'000	2016 £'000
Teaching costs	1,165	1,824
Non-teaching costs	3,429	2,265
Premises costs	2,147	2,149
Total	**6,741**	**6,238**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit*	27	28
Internal audit**	20	11
Hire of assets under operating leases	382	246

9 Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	237	203
Net interest on defined pension liability (note 19)	405	411
Total	**642**	**614**

10 Tangible fixed assets

	Land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2016	61,193	10,692	211	72,096
Transfers	114		(114)	-
Reduction in fixed asset accrued costs	(362)	-	-	(362)
Additions	46	167	1,527	1,740
At 31 July 2017	**60,991**	**10,859**	**1,624**	**73,474**
Depreciation				
At 1 August 2016	9,305	5,434	-	14,739
Charge for the year	1,563	947	-	2,510
At 31 July 2017	**10,868**	**6,381**	**-**	**17,249**
Net book value at 31 July 2017	**50,123**	**4,478**	**1,624**	**56,225**
Net book value at 31 July 2016	51,888	5,258	211	57,357

Land and buildings were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Fixed assets transferred from K College on 1 August 2014 were valued by a firm of independent chartered surveyors at 22 April 2013. The Governing Body is of the view that no material change in the value of the fixed assets has since occurred.

11 Trade and other receivables

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	374	165
Prepayments and accrued income	563	947
Amounts owed by the ESFA	97	98
Total	**1,034**	**1,210**

12 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Bank loans and overdrafts (note 14)	383	371
Trade payables	1,522	1,422
Other taxation and social security	263	290
Accruals and deferred income	1,102	2,528
Employee holiday pay	131	122
Deferred income - government capital grants	1,301	1,038
Amounts owed to the ESFA	312	792
Total	**5,014**	**6,563**

13 Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Bank loans (note 14)	5,434	4,034
Deferred income - government capital grants	20,554	20,600
Total	**25,988**	**24,634**

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	2017	2016
	£'000	£'000
In one year or less	383	371
Between one and two years	391	326
Between two and five years	2,810	536
In five years or more	2,233	3,173
Total	**5,817**	**4,406**

Bank loans and overdrafts at variable interest rates of between 2.15% and 4.23% repayable by instalments falling due between 1 August 2017 and 31 August 2028 and are unsecured.

15 Provisions

	Defined benefit obligations£'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2016	16,095	229	6	16,330
Expenditure in the period	(2,673)	(30)	-	(2,703)
At 31 July 2017	**13,422**	**199**	**6**	**13,627**

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

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

The principal assumptions for this calculation are:

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

16 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	197	1,544	-	1,741
Total	**197**	**1,544**	**-**	**1,741**

17 Capital and other commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	179	119

18 Lease obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	159	183
Later than one year and not later than five years	201	361
Later than five years	-	12
	360	556
Other		
Not later than one year	18	53
Later than one year and not later than five years	-	18
Later than five years	-	-
	18	71
Total lease payments due	**378**	**627**

19 Defined benefit obligations

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

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		742		723
Local Government Pension Scheme:				
Contributions paid	951		810	
FRS 102 (28) charge	1,218		597	
Charge to the Statement of Comprehensive Income		2,169		1,407
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**2,911**		**2,130**

Contributions amounting to £101,864 (2016: £89,171) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £741,788 (2016: £723,603).

FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Kent County Council. The total contributions made for the year ended 31 July 2017 were £1,339,862 of which employer's contributions totalled £951,424 and employees' contributions totalled £388,438. The agreed contribution rates for future years are 15.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.7%	2.2%
Future pensions increases	2.7%	2.2%
Discount rate for scheme liabilities	2.7%	2.6%
Inflation assumption (CPI)	2.7%	2.2%
Commutation of pensions to lump sums	50%	50%

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	23.0	22.9
Females	25.1	25.3
Retiring in 20 years		
Males	25.2	25.2
Females	27.4	27.7

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

	Fair Value at 31 July 2017 £'000	Fair Value at 31 July 2016 £'000
Equity instruments	23,974	19,508
Gilts	237	259
Bonds	3,279	3,078
Property	4,180	4,041
Cash	1,080	690
Absolute return fund	1,305	1,253
Total fair value of plan assets	**34,055**	**28,829**
Actual return on plan assets	**4,936**	**1,012**

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	34,055	28,829
Present value of plan liabilities	(47,460)	(44,905)
Present value of unfunded liabilities	(17)	(19)
Net pensions liability (Note 15)	**(13,422)**	**(16,095)**

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	2,198	1,431
Past service cost	4	-
Total	**2,202**	**1,431**

Amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	4,177	1,012
Experience gains / (losses) arising on defined benefit obligations	3,632	(1)
Changes in assumptions underlying the present value of plan liabilities	(3,483)	(5,331)
Amount recognised in Other Comprehensive Income	**4,326**	**(4,320)**

Movement in net defined liability during year

	2017	2016
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(16,095)	(10,752)
Movement in year:		
Current service cost	(2,198)	(1,431)
Employer contributions	969	817
Administration expenses	(17)	(18)
Unfunded pension payments	2	2
Past service cost	(4)	-
Net interest on the defined liability	(405)	(393)
Actuarial gain / (loss)	4,326	(4,320)
Net defined benefit liability at 31 July	**(13,422)**	**(16,095)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2017	2016
	£'000	£'000
Defined benefit obligations at start of period	44,924	37,245
Current service cost	2,198	1,431
Interest cost	1,164	1,406
Contributions by Scheme participants	386	326
Experience gains and losses on defined benefit obligations	(3,632)	1
Changes in financial assumptions	3,071	5,331
Estimated benefits paid	(636)	(814)
Past service cost	4	-
Unfunded pension payments	(2)	(2)
Defined benefit obligations at end of period	**47,477**	**44,924**

Changes in fair value of plan assets

	2017	2016
	£'000	£'000
Fair value of plan assets at start of period	28,829	26,493
Interest on plan assets	759	1,013
Return on plan assets	4,177	1,012
Other actuarial loss	(412)	-
Employer contributions	971	819
Administration expenses	(17)	(18)
Contributions by scheme participants	386	326
Estimated benefits paid	(638)	(816)
Fair value of plan assets at end of period	**34,055**	**28,829**

20 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 £1,224; 4 Governors (2016: £1,774; 4 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 during the year (2016: None).

East Kent College are sharing their Executive Team and Heads of Corporate Services on a 50/50 basis with Canterbury College as part of a partnership agreement for 2016/17.

21 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants – 16-19 Bursary Support and Vulnerable Bursary	435	420
Funding body grants – Advanced Learner Loans Bursary	104	631
	539	1,051
Disbursed to students	(518)	(1,005)
Administration costs	(21)	(46)
Balance unspent as at 31 July	-	-

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

22 Post Balance Sheet Events

The College has recently completed the Kent Area Based Review and is now working towards a merger with Canterbury College. Subject to the lengthy merger process, including an in-depth financial due diligence on both organisations, the merger is intended to be in place within the first few months of 2018.