CROYDON COLLEGE

Report and Financial Statements

for the year ended 31 July 2018

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2017/18:

Caireen Mitchell - Principal and CEO; Accounting Officer (from 16 April 2018)

Frances Wadsworth – Principal and CEO; Accounting Officer (to 1 April 2018)

Andrew Smith – Deputy CEO (to 31 July 2018)

Ann Monaghan – Vice Principal Curriculum & Quality

Ann Christine Harland – Vice Principal Finance and Resources (from 30 April 2018)

Keith Oxspring - Chief Operating Officer (to 29 April 2018)

Jo Bland – Director of Human Resources

Julie Percival – Assistant Principal Academic Support

Thomas Collins – Assistant Principal Employability & Apprenticeships (to 29 March 2018)

Board of Governors

A full list of Governors is given on page 19 of these financial statements.

Mr Evan Williams acted as Clerk to the Corporation to 22 January 2018 and was replaced by Mrs Fiona George from 24 April 2018.

Professional advisers

Financial statements auditors and reporting accountants:

BDO LLP
Two Snowhill
Birmingham B4 6GA

Internal auditors:
RSM Risk Assurance Services LLP
1 London Square
Cross Lane
Guildford GU1 2UN

Bankers:
Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors:
Winckworth Sherwood LLP
Minerva House
5 Montague Close
London SE1 9BB

Eversheds LLP
1 Wood Street
London EC2V 7WS

Gelbergs LLP
188 Upper Street
Islington
London N1 1RQ

Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES:
The members present their report and the audited financial statements for the year ended 31 July 2018.

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

The Corporation was incorporated as Croydon College.

Mission
The College's mission, as approved by the Corporation, is:

> *Inspiring our community through high quality education and training, maximising students' potential to be active citizens with rewarding lives and careers.*

Public Benefit
Croydon College is an exempt charity under the Part 3 of the Charities Act 2011 and from 9 November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England (previously Secretary of State for Business, Innovation & Skills). The members of the Governing Body, who are trustees of the charity, are disclosed on page 19.

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
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Details of the delivery of public benefit is detailed throughout the contents of the Members Report.

Implementation of strategic plan
In July 2017 the College adopted a strategic plan for the period 1 August 2017 to 31 July 2022. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are as follows:

Strategic driver 1 – Success through Learning

- Improving trends in success rates for all student groups: ethnicity, age, gender, disability, level and socio-economic disadvantage
- Positive improvements in achievements in maths and English
- Quality improvement processes embedded that focus on ensuring outstanding learning and outcomes
- High levels of progression to employment or further study/programmes
- Embedding employability, entrepreneurship and an enterprise culture in provision and services
- Relevant and stretching work experience and experience of work opportunities
- Volunteering and community engagement that impacts on students' life chances and employability
- Using stakeholder and student feedback to inform improvements in learning and planning
- An holistic approach to the learning experience and learner journey understood and owned by all.

Strategic driver 2 – Building a platform for future success

- Carefully considered and engineered partnerships to secure appropriate FE and HE provision for Croydon and its travel to study and travel to work area
- Growing high performance provision in partnerships, working to respective strengths and developing new markets and areas of expertise
- Raising the profile, engagement and influence of the College in the area with businesses, schools, community, Croydon Council, LEP's and other agencies
- Addressing the STEM agenda with key employers and Croydon Tech City and progressing the opportunity of developing an Institute of Technology
- Explore and progress strategic alignment with Croydon Council, University of Sussex and key employers to secure a new build, addressing the opportunity of a joint venture and expanded HE provision in the area
- Building flexible and adaptable learning programmes
- Increased and increasing apprenticeship opportunities and enrolments
- Effective and embedded employer engagement that informs decision making and organisational effectiveness

A curriculum offer scoped to need in terms of focus, delivery, mode and progression

Strategic driver 3 – Investing in Learning

- Through partnership working and alignment of strategic objectives explore holistic solutions and judicious deployment of resources to offer best Value for Money (VfM) provision for Croydon and our area
- Deploying resources effectively to make best VfM provision for students, learning and the student journey

- Ensuring robust and transparent financial management
- Seeking solutions through innovative technology for improved and flexible provision for students
- Ensuring effective governance, business planning and monitoring of targets
- Implementing affordable investment strategies for teaching, learning and assessment and quality improvement.

A series of performance indicators have been agreed to monitor the successful implementation of these strategic drivers and imperatives and the College is on target for achieving these objectives. The College's specific objectives for 2017/18 and achievement of those objectives are addressed below.

Strategic driver 1 – Success through learning

The college was inspected again in January 2018 as a short inspection and it was confirmed that Croydon College is still a "Good" college. This affirmed the college's own self-assessment of Good with key strengths being:

- **Strong and effective leadership at all levels. Highly capable managers have had a rapid and significantly positive impact on the culture of the college and on the quality of teaching and learning.** Teaching, learning and assessment are good and equip students with a range of skills preparing them well for their next steps.
- **Students benefit from a very good range of thoughtful and well targeted support,** which is reviewed regularly for impact and provides a safe, nurturing and positive atmosphere
- **No gaps in outcomes by socioeconomic indicators;** particularly pleasing given the volume of students and the trends of year on year sustained improvements. Significant improvements in outcomes for students with declared mental health needs
- **Year on year improvement in whole college education and training achievement rate.** There has been an improvement of 2% to headline rates on top of the previous improvement of 8.5% over the last three years Achievement rates for adults is +3 on national benchmark for the provider group. There are outstanding achievements in a number of areas with high volumes of student enrolments , namely Access, ESOL, Science and Hair & Beauty
- **Much improved – and now positive – English and maths progress measures,** particularly Level 1 Functional skills. This has been achieved through rigorous leadership and management at all levels, an improved focus on teaching and learning for each subject and regular training for both specialist and vocational staff on the best methods to develop students' maths and English skills. Teaching staff are becoming increasingly creative and experimental in their teaching of English skills across the curriculum specifically students' reading skills.

Strategic driver 2 – Building a platform for future success

The majority of the income for Apprenticeships in 2017/18 was carryover. The main cause of this was the implementation of the government's Apprenticeship Levy, which had a significant impact on the college not meeting its income targets for Apprenticeships in 2017/18. Since the introduction of the Apprenticeship Levy the number of apprentice starts has fallen sharply across the sector. To put this into context, 315,900 apprenticeship starts are reported to date between August 2017 and May 2018 for the 2017/18 academic year, compared to 457,200 and 420,800 starts reported in the equivalent period in 2016/17 and 2015/16 respectively.

The college was unsuccessful in gaining a direct Non Levy contract with the ESFA, which forced it to look for a subcontract arrangement with another college. New City College (NCC) offered Croydon

College a contract from 1 April 2017, with a 10% administration fee, which meant Croydon College, keeps only 90% of the funded rate.

In 2017/18 the college did not meet its Non Levy contracted income targets, although for 2018/19 Non Levy Apprenticeship enrolments are expected to exceed the current contract value and the college will need to seek a further contract with a provider in order to enrol new Non Levy starts.

The college still anticipates growth in Levy Apprenticeships provision for 2018/19, with improvements planned in our recruitment of apprentices from January 2019, due to the restructuring of the senior management and a focus on the Construction and Engineering, Professional Services, Digital, Health Care and Hospitality sectors within Croydon and Greater London. The college has been successful in gaining a Levy contract with the local NHS Trust.

The Senior Management and Apprenticeship team have also built close links with Croydon Works and Coast to Capital LEP, who are supporting the college to grow its apprenticeship provision along with a number of other organisations, including Croydon Council.

In 2017/18 HE provision has been stagnant, however with the contract awarded by a local NHS Trust we will be developing Degree Apprenticeship to increase the number of students coming into University Centre Croydon. Growth in the HE provision will predominantly come from Higher Apprenticeships and new HNC and Degrees in Construction and Engineering as we further align the curriculum over the coming years.

Strategic driver 3 – Investing in learning

The College, in line with the wider sector, continues to face a challenging financial environment. The ESFA income increased slightly from £12,566k in 2016/17 to £12,588k in 2017/18 and, as noted above income from Apprenticeships and HE declined. Given the anticipated continuation of the funding climate, the College once again sought new efficiencies and improved business processes during the year including:

- Improved business planning to seek efficiencies and respond to the changes in funding methodology
- Continued improvement in the quality of teaching areas within the College
- A review of all areas of cost to ensure value for money is being achieved
- Maintaining close monitoring of staff sickness and absence
- Further improvements to risk management procedures.

The College continues to invest in refurbishing teaching space wherever it is appropriate taking into account financial considerations and Value for Money.

The Barclay Road building was sold in July 2018 as surplus to requirement.

Financial objectives

The College's financial objectives are:

- to maintain a SFA financial health rating of *Good*
- to achieve an annual operating surplus (excluding FRS102(s28) pensions impact)
- to maintain a net current asset position
- to maintain liquidity at a minimum level of 45 days cash in hand
- to keep staff costs to an optimum level against income and activity
- to reduce partnership provision to less than 2% of income
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to fund continued capital investment

A series of annual performance indicators have been agreed to monitor the achievement of the financial objectives. For 2017/18 many of the objectives have been achieved.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The College is assessed by the Education and Skills Funding Agency and as at 31 July 2018 the anticipated rating is 'Satisfactory' which is considered to be an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £954k (2016/17 – deficit of £1,572k), with total comprehensive income of £6,614k (2016/17 – £2,461k). College owned land at Barclay Road, Croydon was sold during the year for £5.2m generating a profit on sale of £1.6m and the College's investment property at Selhurst increased by £1,328k. This resulted in an overall surplus before tax of £1,978k being achieved. The College has negative accumulated reserves of £9,806k and cash balances of £10,052k, of which £5.2m was received in July 2018 from Barclay Road sale. The College wishes to continue to accumulate cash balances whilst it considers its options in relation to its estate.

Tangible fixed asset additions during the year amounted to £696k. This can be broken down into building refurbishment of £141k and equipment purchased of £555k.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 74% (2016/17 – 71%) of the College's total income.

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 Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The College net cash flow inflows from operations was £188k (2016/17 £356k).

During the year, the College made contractual capital repayments of loans totalling £581k. A further £326k was incurred in interest charges. The College continued to enhance its infrastructure with investment of £483k on capital expenditure.

Overall, there was an inflow of cash of £4,094k (2016/17 £438k inflow).

Reserves Policy

The College has positive reserves of £10,012k (2017: £7,245k) before taking into account the pension deficit. After taking into account the pension deficit the College has negative reserves of £9,860k (2017: £16,419k).

Whilst the College is striving to address this and achieve an overall positive position in terms of reserves, it is mindful that this will be greatly influenced by the performance of the pension fund.

The College also recognises that whilst the level of reserves is important, it is the level of cash availability and the ability to generate cash that is the most crucial factor to maintain financial stability.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2017/18 the College has delivered activity that has produced £12,558k in funding body main allocation funding (2016/17 – £12,556k). The College had approximately 5,555 funded and 592 non-funded students (2016/17 – 4,220 funded and 530 unfunded).

Student Achievements

Achievement in classroom based learning for all ages increased from 82.1% in 2016/17 to 84.0% in 2017/18. 16-18 achievement also increased by 1.6% points to 77.6% and 19+ achievements increased to 89.3%, which is above the provider group achievement in 2016/17.

Student Performance: 2016/17 to 2017/18

Quality	16/17	17/18	16/17
Achievement Targets	Actual	Actual	Provider Group
Overall All	82.1%	84.0%	84.4%
Overall 16-18	76.0%	77.6%	81.5%
Overall 19+	86.7%	89.3%	87.9%
Apprenticeships	74.8%	59.6%	69.1%

There is year on year improvement for both English and maths outcomes with high numbers of students and all enrolled onto a higher level than their previous level of attainment. In 2017/18 achievements for functional skills English rose 9.3% from 64.8% to 74.1% and maths increased from 59.0% to 65.1%.

As part of the College's annual self-assessment areas of improvement identified are:

- **Outcomes require improvement to be good on 16-18 level 2 and level 3 courses;** a one year dip in level 3 achievement was caused by curriculum design and a move to final unseen exams.

- **Outcomes require improvement to be good on apprenticeship** programmes; insufficient initial assessment, poor recruitment practice and insufficient progress checking has led to a decline in achievement.

Curriculum developments

2017/18 was a year of consolidation with respect to curriculum development. In the 16-19 Study Programme more work placements were provided, particularly to level 3 students to enhance their studies and increase their understanding of the commercial world. This was supported by placements for curriculum managers with commercial organisations to enable them to establish a relationship and prepare for placement and project opportunities in 2017/2018. For the second consecutive year the College worked with the National Citizenship Service (NCS) to offer students the opportunity to take part in "The Challenge", an 11 day course for 16 and 17 year olds which comprises of a residential business start-up exercise and raising funds for a charity of choice. Around 100 Entry Level 3 and Level 1 students successfully took part and this enriched their learning and helped them gain the skills needed to be successful students on their current and future learning programmes.

Graduate trainees were recruited in English and maths, a dedicated area of the college was allocated to English and maths classes and a significant programme of staff development supported teaching staff to develop English and maths skills across students' wider curriculum. The results were very impressive in terms of functional skills achievement at all levels and in GCSE students achieved positive value added.

The College entered into a contractual agreement with the local authority to accept year 11 students in 2017/18. Most students in this cohort were new arrivals to the UK or to the Authority and many were looked after children. Three groups of students were recruited throughout the year and were quickly integrated into College life. Most students successfully graduated from the programme and will continue studying at the college in 2018/19 on the 16-19 Study Programme.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 80% 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

In September 2018 the College applied for a Restructuring Facility Grant to support the merger with Coulsdon College. We are currently awaiting ministerial and treasury approval.

Future prospects

A Strategic and Prospects Appraisal Review for Coulsdon College was undertaken in Autumn 2017, resulting in a recommendation that they seek a merger partner. Croydon College was successfully selected as the preferred partner in April and following application for Transition Grant and first stage due diligence has proceeded to apply for to the Restructuring Facility Grant in order to gain adequate funding to sustain the merged entity. The proposed Type B merger will require Coulsdon College to dissolve and Croydon College will take its assets and liabilities. Whilst awaiting the outcome of the funding request, Croydon College is supporting Coulsdon College.

The College will continue to make efficiency savings wherever possible with a view to maximising the contribution from its activities. The College would like to reduce dependency on the funding bodies and is continually seeking viable suitable opportunities to achieve this.

As at 31 July 2018 the College held cash and cash equivalents of £10,052k. Without Restructuring Facility Grant, it is envisaged that these will reduce by a small amount during the year due to loan repayments and modest capital investment. The College is confident that it has the means to meet its liabilities over the next 12 months and beyond.

RESOURCES:

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

Tangible resources include the main college site at College Road and a building let on a long lease to a third party.

Financial

The College has £17.6 million of net assets (including £19.8 million pension liability) (2017: £11.0m) and long term debt of £9.0 million (2017: £9.0m)

People
The College employs 242 people (expressed as full time equivalents) of whom 119 are teaching staff. The equivalent numbers in 2017 were 277 and 137 respectively.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and on an ongoing basis by the College management team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government funding
The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2017/18, 74% (2017: 71%) of the College's revenue was ultimately publicly funded and this level of requirement is expected to slowly decline until 2021 when demographic changes should have a positive impact. However, there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The impact of the new apprenticeship levy funding regime which has created uncertainty for employers
- The impact of the ESFA's changes to the non-levy contracting arrangements to 2020, which means that Croydon College no longer has a direct contract and has to act as a subcontractor in order to deliver to local SME's.
- The impact of the continuing demographic decline in 16-18 student numbers
- The College's ability to grow Adult Education Budget delivery following devolution in 2019

These issues are managed by the following actions:

- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies, including the GLA for the devolved AEB grant

2. Tuition fee policy

Ministers have confirmed that the FE fee assumption remains at 50%. In line with the majority of other colleges, Croydon 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
- HE fees are reviewed annually

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The College liaises with Croydon Council on a regular basis to ensure that contribution levels are at an appropriate level to provide members with the benefits to which they are entitled. There was a triennial actuarial valuation as at 31 March 2016 which resulted in a significant increase in contributions effective from 1 April 2017 being phased in over the next 3 years.

4. Risks that merger destabilises the College's finances

The College has requested a substantial grant to help it turn around the finances of Coulsdon College, which has Unsatisfactory Financial Health, over the next three year period. Should the grant funds requested not be forthcoming then the Board would have to consider its options very carefully.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local authorities
- Local Enterprise Partnerships (LEPs) – Coast to Capital, the London LEP

- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

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

Equal Opportunities
Croydon College is located in the heart of Croydon, a large London borough with a diverse population. Equality is integral to everything we do. We are committed to making Croydon College a place of opportunity where everyone can belong.

Croydon College welcomes and celebrates diversity. We are dedicated to promoting equality of opportunity and to eliminating unlawful discrimination. We are also committed to social cohesion and value the benefits that diversity brings to the College and the wider community. The College is committed to ensuring that learning and teaching are available and accessible to a broad and inclusive range of students (including prospective students).

We will therefore:

- undertake assessments of individual students' needs;
- ensure lessons are planned and delivered using differentiated teaching strategies in order to ensure that diverse students' needs are met; and
- identify equality gaps in achievement, retention and success data and take action to address them appropriately.

We regularly evaluate how well we're doing in implementing our equality strategy. One of the ways we do this is to measure ourselves against a wide range of indicators.

These include:

- students' participation in College life;
- whether members of our community have trust and confidence in each other and in our organisation (such as how we deal with safeguarding, discipline, bullying and harassment, complaints and grievances);
- analysis of data such as students' ethnic background, disability, need for learning support, gender;
- analysis of students' attendance and retention, improvement against learning objectives, success rates and progression to other education or employment; and
- views of students through student parliament and other representative groups.

The College's Equalities Statement is published on its website. The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

Job applicants with a disability who meet the essential criteria of a post are guaranteed an interview. 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 irrespective of an individuals protected characteristic.

All staff receive training on equality and diversity with training for new starters and refresher training carried out on an ongoing basis.

Disability statement

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

- As part of its accommodation strategy the College regularly updates its access audit. Experts in this field are used as and when required.
- The College uses external advisors as and when required to provide information, advice and guidance to enable the College to arrange appropriate support for students with disabilities.
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- There is an admissions policy for all students with an appeals process.
- The College uses specialist lecturers and support staff to support students with learning difficulties and/or disabilities and other support for learning. There is a 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 College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Information on access to counselling and welfare services is provided to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 5 December 2018 and signed on its behalf by:

Gordon Smith

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the AOC Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the AOC Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 December 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.

Public Value Statement:
Croydon College is ambitious for its community and seeks to provide outstanding education and training opportunities for all. We strive to raise aspirations and change the lives of the people living, working and learning around us. Our focus is on actively working in partnership to invest, grow and shape the services within our community, supporting economic growth through delivering skills for employment and enterprise.

The Corporation

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

Name	Date of appointment/ reappointment	Term of office	Date of resignation	Category to which appointed	Committees/ Working Groups served	Attendance (Board & committees)
Caroline Allen (Vice Chair)	9 Feb 2015	4 yrs	31 Jan 2018	Governor	Audit Committee Chair's Strategy Group	100%
Jean Cook	1 Sep 2015	4 yrs		Governor	Learning & Quality Chair's Strategy Group	100%
Clare Mackie	6 Jul 2015	4 yrs	31 Dec 2017	Governor	Learning & Quality	50%
Gordon Smith (Chair of Governors)	1 Sep 2015	4 yrs		Governor	Search Remuneration Finance & Resource Learning & Quality Chair's Strategy Group	79%
Frances Wadsworth	1 Jan 2011	n/a	13 Apr 2018	Principal	Finance & Resources Search & Governance Learning & Quality Chair's Strategy Group	71%
Caireen Mitchell	16 April 2018	n/a		Principal	Finance & Resources Search & Governance Learning & Quality Chair's Strategy Group	100%
Piers White	24 Mar 2014	4 yrs	31 Aug 2018	Governor	Finance & Resources Remuneration Search & Governance (Chair of all 3) Chair's Strategy Group	90%
Trevor Morgan	1 Sep 2013	4 yrs	3 Oct 2018	Governor	Finance & Resources Remuneration Search & Governance	11%
Craig O'Donnell	1 Sep 2013	4 yrs	31 Aug 2017	Governor	Audit Committee (Chair) Learning & Quality Chair's Strategy Group	0%
Jackie Wilding	26 Mar 2014	4 yrs	2 Aug 2018	Governor	Finance & Resources	100%
Christine Gasson	3 Oct 2017	4 yrs		Staff Governor	Learning & Quality	100%
Kim Meyler-Vincent	3 Oct 2017	4 yrs		Staff Governor	Audit	71%
Martin Corney	1 Jan 2016	4 yrs	13 Mar 2018	Governor	Finance & Resources Search Remuneration	67%
Suzanne Hughes	1 Feb 2017	4 yrs	31 Dec 2017	Governor	Learning & Quality	50%
Mark Wilson	5 July 2017	4 yrs		Governor	Audit Committee (Chair from 1 February 2018)	100%

Soaraia Barbosa	1 Aug 2016	1 yr	31 Aug 2017	FE Student Governor	Learning & Quality	0
Laura Cassaretto	1 Aug 2016	1 yr	31 Aug 2017	HE Student Governor	Learning & Quality	0
Charlene Roberts	1 Feb 2018	1 yr	31 Aug 2018	HE Student Governor	Learning & Quality	100%
Mingyuan Ma	3 Oct 2017	1 yr	6th July 2018	FE Student Governor	Learning & Quality	33%
Jeff Boothe	13 March 2018	4 yrs		Governor	Audit Committee	0%
Rosaleen Laird	13 March 2018	4 yrs		Governor	Finances & Resources (Chair) from 1 September 2018	60%
Varsha Mehta	11 July 2017	4 yrs		Governor	Finances & Resources	90%
Tom Hesmondhalgh	3 Oct 2017	4 yrs		Governor	Learning & Quality Audit	90%
Nigel Dias	13 Mar 2018	4 yrs		Governor	Learning & Quality	33%
Evan Williams acted as Clerk to the Corporation between 1 August 2017 and 22 January 2018. Fiona George acted as clerk to the corporation from 24 April 2018 onwards.						

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. In May 2018 a Project Governance Board was set up comprising governors from both Coulsdon College and Croydon College and a representative from the ESFA. With responsibility for oversight of the planned merger, this group reports into each Corporation meeting on a regular basis.

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and Resources, Remuneration, Search and Governance, Audit and Learning and Quality. Full minutes of meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation at:

Croydon College
College Road
Croydon
Surrey
CR9 1DX

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of 3 members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

The Corporation's membership policy is to have within its membership where possible the following:

1. A balance of gender and ethnic origin according to the local population
2. Some representation from the under 40 age group
3. Some representation from the disadvantaged community
4. Representation from business / service industry
5. A successful business person employing a significant number of staff
6. Representation from local community groups e.g. schools
7. Expertise in education, human resources, finance, law, business development, marketing and organisational development.

Corporation performance
Good governance principles require that FE Boards should self-assess their activities and performance at least every three years in terms of effectiveness, operational efficiency and compliance.

Croydon College Governors last completed the Governors Self-Assessment Questionnaire in 2017 following initial assessment the previous year. The responses to the self-assessment questionnaire, which asked Governors to reflect and indicate how well they felt the Board fulfilled key strategic requirements set under five criteria, were as follows for those that responded:

Governance self-assessment 2016/17					
	Grades awarded				
Questions	**Outstanding**	**Good**	**Requires improvement**	**Inadequate**	**Total number of responses**
	2017	2017	2017	2017	2017
1 Strategic leadership	5	7			12
2 Quality Improvement	3	9			12
3 Oversight of resources	3	8	1		12
4 Student Welfare	9	3			12
5 The Board's effectiveness as a team	7	5			12

The responses continue to form the basis of the Board Quality Improvement Plan, currently being used as a key driver in the Board Development programme.

During 2017/18 the Board activities have also comprised the following:

- The recruitment of a new Principal and CEO, Caireen Mitchell, following the retirement of Frances Wadsworth;
- Full skills audit of all Governors
- Additional Project Governance Board meetings alongside members of the Coulsdon College Board to oversee planning, due diligence and governance matters for the proposed merger with Coulsdon College
- Self-assessment by most committees of their effectiveness against the Terms of Reference
- Continued one to one meetings of members with the Chair to ensure their development as effective Governors through assessment of performance and contribution

Members were also pleased to note the observation from Ofsted in January 2018 that "Governors play a positive role in supporting leaders and managers ".

Remuneration Committee
Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised at least 3 members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

Audit Committee
The Audit Committee is comprised of 3 members of the Corporation (excluding the Accounting Officer and Chair) plus one co-opted member with specific skills in finance and audit. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Finance and Resources Committee
The Finance and Resources Committee has a membership of 5 governors, including the Accounting Officer and Chair of the Corporation. It meets six times a year with the remit of contributing to those aspects of the College Strategic Plan which affect the deployment of financial, human, property or other capital resources and to ensure that resources are used effectively and efficiently.

Internal Control

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

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

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide

reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Croydon College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

The Audit Committee was provided with regular reports on this assurance activity in the College.

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Going concern

The College has prepared a detailed budget for the year to 31 July 2019 and an indicative forecast for the year to 31 July 2020. This assumes that the funding levels advised by the ESFA will be made available to the College and that the majority of these funds will be utilised. A monthly cash flow forecast has been prepared for the financial year to 31 July 2019 and beyond through to 31 December 2019 which indicates that the College will have sufficient funds to meet its liabilities.

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

Approved by order of the members of the Corporation on 5 December 2018 and signed on its behalf by:

Caireen Mitchell	**Gordon Smith**
Accounting Officer	**Chair of Governors**

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The corporation has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with ESFA.

We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the college, or material non-compliance with the terms and conditions of funding, under the college's grant funding agreements and contracts with ESFA.

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

Caireen Mitchell	**Gordon Smith**
Accounting Officer	**Chair of Governors**
5 December 2018	**5 December 2018**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education,* ESFA's *College Accounts Direction* and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 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 Corporation is responsible for the maintenance and integrity of the College website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that 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 ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 5 December 2018 and signed on its behalf by:

Gordon Smith

Chair of Governors

Independent auditor's report to the Corporation of Croydon College

Opinion

We have audited the financial statements of Croydon College ("the College") for the year ended 31 July 2018 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

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 were:

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

Other information

The Members of the Corporation are responsible for the other information. Other information comprises the information included in the Members' 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 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 including the Members' Report, Statement of Corporate Governance and Internal Control and the Governing Body's statement on the College's regularity, propriety and propriety compliance with Funding body terms and conditions of funding and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.
We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation
As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on pages 26 to 27, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are 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 Members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation of Croydon College, as a body, in accordance with the Education Reform Act 1992. Our audit work has been undertaken so that we might state to the Corporation of Croydon College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation members as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham

Date: 17 December 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Reporting accountant's assurance report on regularity

To: The Corporation of Croydon College and the Department for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 10 May 2016 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 Croydon College during the period 1 August 2017 to 31 July 2018 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

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

Respective responsibilities of Croydon College and the reporting accountant

The corporation of Croydon 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. 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:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the College Corporation's completed Self-assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds and Governors' and Senior Management Team's expenses.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP

BDO LLP
Chartered Accountants
Birmingham

Date: 17 December 2018

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

Statement of Comprehensive Income

	Notes	Year Ended 31 July 2018	Year Ended 31 July 2017
		£'000	£'000
INCOME			
Funding body grants	2	13,569	13,791
Tuition fees and education contracts	3	3,870	4,721
Other income	4	784	750
Investment income	5	28	41
Total income		**18,251**	**19,304**
EXPENDITURE			
Staff costs	6	11,891	13,592
Other operating expenses	7	4,923	5,021
Depreciation	9	1,424	1,307
Interest and other finance costs	8	967	956
Total expenditure		19,205	20,876
Deficit before other gains		(954)	(1,572)
Profit on disposal of fixed assets		1,604	3,444
Increase in value of investment property	9	1,328	-
Surplus before tax		**1,978**	**1,872**
Taxation		-	-
Surplus for the year		**1,978**	**1,872**
Unrealised loss on revaluation of assets	9	-	**(1,500)**
Actuarial gain in respect of pension schemes	19	4,636	2,089
Total Comprehensive Income for the year		**6,614**	**2,461**

The notes on pages 37-54 form part of these financial statements.

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

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2016	(20,380)	28,876	8,496
Surplus from the statement of comprehensive income	1,872	-	1,872
Unrealised loss on revaluation of assets		(1,500)	(1,500)
Actuarial loss in respect of Pension Scheme	2,089	-	2,089
Balance at 31 July 2017	**(16,419)**	**27,376**	**10,957**
Surplus from the statement of comprehensive income	1,978	-	1,978
Actuarial gain in respect of pension scheme	4,636	-	4,636
Total comprehensive income for the year	**6,614**	**0.00**	**6,614**
Balance at 31 July 2018	**(9,806)**	**27,376**	**17,570**

Balance Sheet as at 31 July

	Notes	2018	2017
		£'000	£'000
Non current assets			
Tangible Fixed assets	9	65,840	68,736
		65,840	68,736
Current assets			
Trade and other receivables	10	1,014	742
Cash and cash equivalents		10,052	5,958
		11,066	6,700
Less: Creditors – amounts falling due within one year	11	(4,190)	(4,077)
Net current assets		**6,876**	**2,623**
Total assets less current liabilities		**72,716**	**71,359**
Creditors – amounts falling due after more than one year	12	(33,263)	(34,525)
Provisions			
Defined benefit pension liability	19	(19,818)	(23,664)
Other provisions	14	(2,065)	(2,213)
Total net assets		**17,570**	**10,957**
Unrestricted Reserves			
Income and expenditure account		(9,806)	(16,419)
Revaluation reserve		27,376	27,376
Total unrestricted reserves		**17,570**	**10,957**

The financial statements on pages 33-54 were approved and authorised for issue by the Corporation on 5 December 2018 and were signed on its behalf on that date by:

Gordon Smith:

Chair

5 December 2018

Caireen Mitchell

Accounting Officer

5 December 2018

Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		1,978	1,872
Adjustment for non-cash items			
Depreciation	9	1,424	1,307
Increase in value of investment property	9	(1,328)	—
Decrease in debtors	10	(272)	143
(Decrease)/increase in creditors due within one year	11	(206)	113
Decrease in creditors due after one year	12	(749)	(643)
(Decrease)/increase in provisions	14	(147)	3
Pensions costs less contributions payable	19	154	90
Adjustment for investing or financing activities			
Investment income	5	(28)	(41)
Interest payable	8	967	956
Surplus on sale of assets		(1,604)	(3,444)
Net cash flow from operating activities		**188**	**356**
Cash flows from investing activities			
Proceeds from sale of fixed assets		5,185	4,012
Capital Grant Received		83	—
Investment income	5	28	41
Payments made to acquire fixed assets		(483)	(848)
		4,812	3,205
Cash flows from financing activities			
Interest paid	8	(326)	(354)
Repayments of amounts borrowed		(581)	(2,769)
		(907)	(3,123)
Increase in cash and cash equivalents in the year		**4,094**	**438**
Cash and cash equivalents at beginning of the year		5,958	5,520
Cash and cash equivalents at end of the year		10,052	5,958
		(4,094)	(438)

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 2017 to 2018 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 historic cost convention as modified by the revaluation of certain fixed assets.

Going concern

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

The College currently has £9.1m of loans outstanding with Barclays Bank on terms negotiated in 2007 and 2010 with repayment due by 2030 and 2031. Neither of these loans is subject to a charge on the assets of the College. The College had closing cash balances of £10.05m as at 31 July 2018 and at present does not require, nor has in place, any overdraft facility. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue Grant Funding

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

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

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

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

Capital Grant Funding

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

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds . Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Other Income

Other income 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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. 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/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- 2% pa – 50 years

Freehold land is not depreciated as it is considered to have an infinite useful life. The values included in the balance sheet are based on a valuation as at 31 July 2015 with a policy to revalue in the future.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years. The buildings were revalued in 2013 and it has been decided not to adopt a policy of revaluations of these properties in the future. The investment property, which is leased on a long lease to the Brit School, is revalued regularly to ensure that its carrying value has not been impaired. This was undertaken in July 2018.

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.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

• Plant	10 years
• Motor vehicles	5 years
• Computer equipment	4 years
• Furniture, fixtures and fittings	5 years
• Other	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.

Other investments
Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits which have a maturity of less than three months and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities and equity

All loans, investments and short term deposits held by the Group 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 minimal amount 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 as a result of a past event
- it is probable that a transfer of economic benefit will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the the pensions liability at 31 July 2018. 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**	**2018**	**2017**
		£'000	£'000
	Recurrent grants		
	Education and Skills Funding Agency - adult	3,778	3,935
	Education and Skills Funding Agency - 16 -18	8,013	7,544
	Education and Skills Funding Agency - apprenticeships	769	1,087
	Education and Skills Funding Agency - prior year	(2)	-
	Higher Education Funding Council	204	489
	Specific grants		
	Transition grant	50	-
	Releases of government capital grants	757	736
	Total	**13,569**	**13,791**

3	**Tuition fees and education contracts**	**2018**	**2017**
		£'000	£'000
	Apprenticeship fees and contracts	16	243
	Fees for FE loan supported courses	1,350	1,181
	Fees for HE loan supported courses	2,116	2,811
	International students fees	23	32
	Total tuition fees	**3,504**	**4,267**
	Education contracts	366	454
	Total	**3,870**	**4,721**

4 Other income

	2018	2017
	£'000	£'000
Catering income	135	94
Rental income	284	331
Student Related Income	164	110
Bursary Administration Fees	43	33
Other income	158	182
Total	**784**	**750**

5 Investment income

	2018	2017
	£'000	£'000
Other interest receivable	28	41
Total	**28**	**41**

6 Staff costs

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

	2018	2017
	No.	No.
Teaching staff	119	137
Non-teaching staff	123	140
	242	**277**

Staff costs for the above persons	2018	2017
	£'000	£'000
Wages and salaries	8,359	9,174
Social security costs	782	871
Other pension costs	1,826	1,990
Payroll sub total	10,967	12,035
Contracted out staffing services	774	1,055
	11,741	**13,090**
Re-Organisation Costs	150	502
Total Staff costs	**11,891**	**13,592**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal & CEO, Deputy CEO, Chief Operating Officer, Vice and Assistant Principals as noted on Page 2. There were no payments to key management personnel for loss of office.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	6

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

	Key management Personnel		Other staff	
	2018	**2017**	**2018**	**2017**
	No.	No.	No.	No.
£20,001 to £30,000 p.a.	1		-	-
£30,001 to £40,000 p.a.	1	-	-	-
£40,001 to £50,000 p.a.	1	-	-	-
£50,001 to £60,000 p.a.	1	-	4	-
£60,001 to £70,000 p.a.	1	1	2	5
£70,001 to £80,000 p.a.	1	-	-	-
£80,001 to £90,000 p.a	1	2	-	-
£90,001 to £100,000 p.a	-	1	-	-
£120001 to £130,000 p.a.	1	1	-	-
£130,001 to £140,000 p.a.	1	-	-	-
£170,001 to £180,000 p.a.	-	1	-	-
	9	6	6	5

Key management personnel emoluments are made up as follows:

	2018	**2017**
	£'000	£'000
Salaries	590	648
Employers National Insurance	74	67
Benefits in kind	7	5
	671	720
Pension contributions	94	86
Total emoluments of key management personnel	**765**	**806**

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer). This position was held by Frances Wadsworth to 1 April 2018 and by Caireen Mitchell from 15 April 2018.

	2018	2018	2017
	£'000	£'000	£'000
	F Wadsworth	C Mitchell	
Salaries	121	41	175
Benefits in kind	5	0	4
	126	41	179
Pension contributions	19	7	29
Total emoluments	**146**	**48**	**208**

There was no compensation for loss of office paid in the year.

7 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	1,629	1,709
Non-teaching costs	1,932	2,240
Premises costs	1,362	1,072
Total	**4,923**	**5,021**

Other operating expenses include:

Auditors' remuneration:		
Financial statements audit	29	27
Internal audit	23	25
Payments to Sub Contractors	1,093	1,082
Hire of assets under operating leases	50	40

8 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	326	354
Pension finance costs (note 19)	641	602
Total	**967**	**956**

9 Tangible Fixed Assets

	Investments	Land	Building	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	4,402	22,496	45,448	10,325	82,671
Additions	-	-	89	608	696
Transfer of equipment	-	-	52	(52)	-
Profit on Revaluation	1,328	-	-	-	1,328
Loss on Revaluation	-	-	-	-	-
Disposals	-	(3,500)	-	-	(3,500)
At 31 July 2018	**5,730**	**18,996**	**45,589**	**10,880**	**81,196**
Depreciation					
At 1 August 2018	-	-	(4,218)	(9,714)	(13,932)
Charge for the year	-	-	(1,083)	(341)	(1,424)
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2018	-	-	**(5,301)**	**(10,055)**	**(15,356)**
Net book value at 31 July 2018	**5,730**	**18,996**	**40,288**	**825**	**65,840**
Net book value at 31 July 2017	4,402	22,496	41,231	605	68,734

Buildings were revalued by GVA Grimley Ltd, international property consultants as at 31 July 2013 and the College has taken the decision not to revalue these in future. Land was revalued by GVA Grimley Ltd in July 2015 and will be revalued on an ongoing basis. Land at Barclay Road was valued at £3,500,000 in last year's financial statements, this valuation and was based on potential sales proceeds at the time. The college considers that there has been no material change in land values for other locations and hence no adjustments have been made to the 31 July 2015 valuations.

The part of the Selhurst site which remains in the Corporation's ownership as an investment property was revalued in July 2018 at the increased value of £1,327,620. The rest of the estate is valued at either depreciated replacement cost, or where considered surplus to requirements, at open market value. If inherited buildings had not been re-valued, they would have been included at the following amounts: Cost £Nil, aggregate depreciation based on cost £Nil, net book value based on cost £Nil.

Land and buildings with a net book value of £65,839,968 have been partly financed by exchequer funds, through the receipt of capital grant. Should these assets be sold, the College may be liable, under the terms of the Financial memorandum with the funding bodies to surrender the proceeds.

10 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	382	354
Other Debtors	18	15
Prepayments and accrued income	530	360
Amounts owed by the Education and Skills Funding Agency	83	11
Total	**1,014**	**741**

11 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	596	581
Trade payables	646	551
Payments received in advance	422	257
Other creditors	278	197
Other taxation and social security	214	225
Accruals and deferred income	879	743
Holiday pay	309	299
Deferred income - government capital grants	749	757
Amounts owed to the Education and Skills Funding Agency	99	469
Total	**4,190**	**4,078**

12 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans	8,454	9,049
Deferred income - government capital grants	24,810	25,476
Total	**33,263**	**34,525**

13 Maturity of debt

Bank loans are repayable as follows:	2018	2017
	£'000	£'000
In one year or less	596	581
Between one and two years	610	596
Between two and five years	1,936	1,882
In five years or more	5,907	6,572
Total	**9,049**	**9,630**

Bank borrowing consists of a £7,000,000 unsecured loan at 5.68% repayable by instalments falling due between 28 August 2007 and 28 November 2030, plus an additional £8,000,000 loan at a variable interest rate repayable by instalments falling due between 31 October 2013 and 30 September 2031.

14 Provisions

	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	23,664	2,111	101	25,876
Expenditure in the period	790	(146)	90	734
Transferred from SOCI	(4,636)	(91)	-	(4,727)
At 31 July 2018	**19,818**	**1,874**	**191**	**21,883**

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.

Other provisions mainly relate to a potential obligation to pay additional Teachers Pension contributions.

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.

	2018	**2017**
Price inflation	2.3%	2.3%
Discount rate	1.3%	1.3%

15 Capital and other commitments

	2018	**2017**
	£'000	£'000
Commitments contracted as at 31 July	269	132

16 Lease obligations

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

	2018	**2017**
	£'000	£'000
Amounts payable as Lessee		
Other:	-	-
Not later than one year	50	40
Later than one year and not later than five years	67	139
Later than five years	-	-
Total	**117**	**179**

Amounts receivable as Lessor

At 31 July the College had minimum lease payments due under non-cancellable operating leases as follows:		
Land and Buildings:		
Not later than one year	256	256
Later than one year and not later than five years	1,025	1,025
Later than five years	3,375	3,632
Total	**4,656**	**4,913**

17 Contingent liabilities

There were no contingent liabilities as at 31 July 2018 (2017 – Nil).

18 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 Croydon Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Croydon. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2018**		**2017**
		£'000		£'000
Teachers' Pension Scheme: contributions paid		686		785
Local Government Pension Scheme:				
Contributions paid	1,076		931	
FRS 102 (28) charge	154		90	
Charge to the Statement of Comprehensive Income		1,230		1,021
Enhanced pension charge to Statement of Comprehensive Income		(90)		184
Total Pension Cost for Year within staff costs		**1,826**		**1,990**

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.

There were outstanding contributions due to TPA of £90,881 (2017 nil) and LGPS of £115,556 (2017: £100,292) at 31 July 2018. These amounts are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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.

Under the definitions set out in FRS102 (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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return. The latest actuarial review of the TPS was carried out as at 31 March 2012. 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 at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

On 6th September 2018, Her Majesties Treasury (HMT) published draft Directions for the Teachers' Pension Scheme. A link to further updates:
https://www.teacherspensions.co.uk/news/employers/2018/09/valuation-of-the-scheme.aspx

The pension costs paid to TPS in the year amounted to £686,000 (2017: £785,000).

Local Government Pension Scheme
The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Croydon Local Authority. The total contributions made for the year ended 31 July 2018 were £700k, of which employer's contributions totalled £503k and employees' contributions totalled £197k. An additional annual premium of £573k is also made. The agreed employer contribution rates for future years are 17.3% and the contribution rates for employees range from 5.5% to 7.5% depending on salary.

On 26 October 2018, the High Court handed down its judgment in the case involving the Lloyds Banking Group's defined benefit pension schemes and the rights of members to equality of treatment in relation to pension benefits. The Court's ruling has made it clear that schemes should be amended to equalise benefits for men and women in respect of guaranteed minimum pension benefits. The extent to which the judgement crystallises additional liabilities of the Croydon Pension Scheme is under consideration and any adjustment that may result is expected to be recognised in the 2018/19 financial year. At present, we are unable to quantify the potential financial effect of this.

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 2018	**At 31 July 2017**
Rate of increase in salaries	2.9%	3.0%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.5%	2.5%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash for post 2008 service.

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 2018 years	At 31 July 2017 years
Retiring today		
Males	22.3	22.3
Females	24.4	24.4
Retiring in 20 years		
Males	24.0	24.0
Females	26.2	26.2

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

	Long-term rate of return expected at 31 July	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July	Fair Value at 31 July 2017
	2017	£'000	2016	£'000
Equity instruments	2.7%	25,818	2.4%	22,853
Debt instruments	2.7%	5,818	2.4%	5,631
Property	2.7%	4,364	2.4%	3,643
Cash	2.7%	364	2.4%	994
Total fair value of plan assets		**36,364**		**33,121**
Weighted average expected long term rate of return	2.8%		2.7%	
Actual return on plan assets		2,362		2,733

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

	2018	**2017**
	£'000	£'000
Fair value of plan assets	36,363	33,121
Present value of plan liabilities	(56,081)	(56,682)
Present value of unfunded liabilities	(100)	(103)
Net pensions liability (Note 14)	**(19,818)**	**(23,664)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,233	1,033
Past service cost	15	19
Total	**1,248**	**1,052**
Amounts included in investment income		
Net interest cost	641	602
	641	**602**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	2,362	2,733
Experience losses arising on defined benefit obligations	(1)	1,581
Changes in assumptions underlying the present value of plan	2,275	(2,225)
Amount recognised in Other Comprehensive Income	**4,636**	**2,089**

Movement in net defined benefit (liability)/asset during year

	2018	2017
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(23,664)	(25,061)
Movement in year:		
Current service cost	(1,233)	(1,033)
Employer contributions	1,099	962
Past service cost	(15)	(19)
Net interest on the defined liability	(641)	(602)
Actuarial gain or loss	4,636	2,089
Net defined benefit liability at 31 July	**(19,818)**	**(23,664)**

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	56,785	54,915
Current service cost	1,233	1,033
Interest cost	1,534	1,316
Contributions by Scheme participants	199	207
Experience gains and losses on defined benefit obligations	(1,311)	(1,349)
Changes in financial assumptions	(2,274)	644
Past Service cost	15	19
Defined benefit obligations at end of period	**56,181**	**56,785**

Changes in fair value of plan assets

Fair value of plan assets at start of period	33,121	29,854
Interest on plan assets	893	714
Return on plan assets	2,362	2,733
Employer contributions	1,099	962
Contributions by Scheme participants	199	207
Estimated benefits paid	(1,311)	(1,349)
Fair value of plan assets at end of period	**36,363**	**33,121**

19 Related party transactions

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

Ms Clare Mackie was a Croydon College Governor during the year and is Deputy Vice Chancellor of the University of Sussex. The University of Sussex certifies degree qualifications delivered by Croydon College for which a sum of £ 177,602 was paid during the year to July 2018.

The total expenses paid on behalf of the Governors during the year was £779 - 2 Governors (2016: £572 - 1 Governor)

20 Amounts disbursed as agent	**2018**	**2017**
	£'000	£'000
Balance brought forward	405	483
EFA Funding body grants – bursary support	329	334
EFA Free school meals	110	88
SFA Funding body grants – discretionary learner support	282	322
SFA 24+ loan bursaries	158	142
Other Funding body grants	-	4
Interest earned	-	-
	1,284	1,373
Disbursed to students	(1,081)	(935)
Administration costs	(43)	(33)
Released to income	-	-
Balance unspent as at 31 July, included in creditors	**160**	**405**

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.