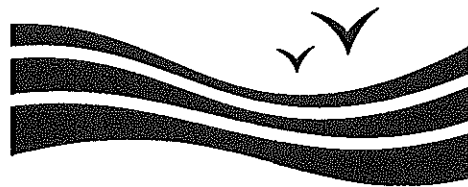




**REPORT AND FINANCIAL  
STATEMENTS OF TRURO AND  
PENWITH COLLEGE**

**FOR YEAR ENDED  
31 JULY 2017**



**PENWITH  
COLLEGE**



## Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

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

David Walrond BA (Hons), MA, MBA – Principal and CEO; Accounting officer

Mark Arnold BSc (Hons) – Director of Quality

Jane Cashmore BA (Hons), MA, MBA – Director of Operations

Sue Dickinson BA (Hons), FCA – Director of Finance

Cheryl Mewton B.Ed (Hons) – Director of Studies

Andy Stittle B.Sc(Hons), CMath, FIMA - Director of Teaching and Learning

Martin Tucker B.Ed (Hons) – Director of Penwith College

Mark Wardle LLB (Hons) – Director of Curriculum

### Board of Governors

A full list of Governors is given on pages 11-12 of these financial statements.

### Professional Advisers:

Financial Statement & Regularity Auditors:	Bishop Fleming LLP	Chy Nyverow Newham Road Truro
Internal Auditors:	TIAA Ltd	53-55 Gosport Business Centre, Aerodrome Road, Gosport
Bankers:	HSBC	17 Boscawen Street Truro
Solicitors:	Michelmores	Woodwater House Pyne's Hill Exeter
	Stephens Scown	3 Cross Lane St Austell
	Ramsay Paterson	Lynwood Newland Garden Sherborne



# TRURO AND PENWITH COLLEGE

## REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

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## REPORT OF THE GOVERNING BODY

### NATURE, OBJECTIVES AND STRATEGIES

The Members of Truro and Penwith College Corporation are pleased to present their report and audited financial statements covering the year ended 31 July 2017.

#### Legal Status

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

#### Mission

"The purpose of the College is to provide the best possible learning experience, leading to the highest possible level of achievement by our students."

#### Public Benefit

Truro and Penwith College Corporation is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11 to 12.

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
- Links with the Local Enterprise Partnership (LEP).

#### Implementation of Strategic Plan

In September 2016 the College adopted a Strategic Plan for the 3 year period 2016/17 to 2018/19. This Strategic Plan includes property and financial plans. The Corporation has monitored the performance of the College against its Strategic Plan which is reviewed and updated each year.

The College's key continuing strategic objectives are:

- To increase 16-18 FE enrolments
- To sustain and develop HE provision
- To sustain and develop full and part-time opportunities for adults
- To meet the needs of local employers and further develop demand-led employer provision
- To sustain and continue to develop the College's physical resources
- To maintain a secure financial position

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Attainment of Objectives – 2016/17

The College was very successful in 2016/17 in meeting the objectives for the year:

- The total number of FT 16-18 students was maintained.
- In common with many other FE providers, we saw our HE enrolments fall. However the College has continued to grow the number of students following Higher Education at Level 6.
- The range of work undertaken to meet the needs of local employers and their employees has grown; for example we continued to develop the range of Apprenticeship programmes and have offered training through ESF projects.
- Investment has continued in the College's capital development. In particular in 2016/17 the College has invested in the development of a third campus in Bodmin in partnership with Callywith College Trust.
- Excellent levels of achievement were maintained (see further details below).
- The College's financial position remains secure (see further details below).
- Changes to the adult funding formula have inevitably resulted in reduced numbers of learners aged over 19, but despite the existing financial climate the College has continued to recruit successfully in this area of its provision.
- Enrolments by students funded by the Government's Advanced Learning Loans programme were lower than expected.

## CURRENT PERFORMANCE

### Student Achievements 2016/17

Students who completed courses during 2016/17 maintained the excellent levels of achievement for which the College has now gained a national reputation. Not only were pass rates (% of those that completed who achieved) and success rates (% of those who started the course who achieved) generally above sector and national averages but crucially, value added performance (measure of progress made from GCSE) and percentage of high grades were as well. Many of the results at Penwith compared favourably with parallel provision at Truro. The small minority of programmes that do have lower than average retention rates or success rates become the focus of action-planning in the self-assessment process.

### GCE A Level

- At GCE Advanced level, students achieved a 99.3% pass rate at grades A – E which is above the national pass rate this year for all institutions of 97.9%.
- 100% pass rate was recorded in 39 subjects out of a total of 47 subjects taken.
- Success rate for over 2,500 starts was at 96% despite the introduction of linear programmes in 15 core subjects.
- 61% of completers achieved high grades (A\*-B) (well above the national average of 53%), with 103 students achieving three or more grade As or A\*s.
- The value added Advanced Level Performance system (ALPs) score at Advanced Level was 2 (Outstanding) putting the college in the top 10% of providers.
- AS performance: Success rates on 4,600 starts was maintained at 81%.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### International Baccalaureate (IB)

The average points achieved by candidates was 37, the highest achieved by the College. 29% of the cohort gained over 40 points, up 5%, putting them in the top 4% of IB students worldwide. The IB success rate was 87%.

### Vocational Courses

Achievement levels on vocational programmes remain high. Nearly 900 students were successful in their L3 Extended Diplomas (18 unit awards, equivalent to three A Levels). On the BTEC courses 400 of these students gained at least three Distinction grades, the equivalent of three grade A's at A level, which equates to 62% of completers (up from 55% in 2015/16). This is against the national average of 38% for this measure. Of these, 230 students achieved the highest possible grade of Triple Distinction Star. The college value added ALPS score for Extended Diploma courses was 4 (Good). Progress made on the 90 credit qualification (the first year of the Extended Diploma) indicates that this will be maintained in 2017/18 as 11 of 12 courses were grade 4 or better. Outcomes on the University of Arts for London Extended Diploma courses, taken by over 230 Art, Photography, media and games development students were also strong with over 100 achieving the highest Distinction grade (44% of completers compared to 23% nationally).

### Access to Higher Education Courses

Access courses provide mature students (over 19 year olds) with a one year route leading towards a range of related Higher Education courses. The College offers a number of courses covering Nursing and Human Sciences, Humanities, Science, Psychology, Sport Science and Journalism. 101 students gained their Access certificates. Nearly all successful students progressed into Higher Education. Given that many of these have family commitments in Cornwall, many have taken the opportunity, offered by the growth of Higher Education provision in the County, to progress onto courses provided by the Combined Universities in Cornwall.

### Higher Education

Higher Education awards gained varied from Honours and Foundation degrees to Higher National Diplomas, PGCE and Certificate in Education and Short Course Certificates. There was a total of 376 awards gained: 139 Honours and 179 Foundation Degrees, 24 PGCE/Certificate in Education, 27 H.N.D.s and 7 H.N.C.s. Of these, 27 students achieved Distinctions on their Foundation Degrees (15%, unchanged on 2015/16) and 39 students achieved First Class Honours degrees (28%, up 2%).

### Reputation

The College has an excellent reputation locally and nationally. The latest Ofsted Inspection outcome graded the College as Outstanding and it achieved a Gold TEF Award for its HE provision last year. The quality of the College provision has resulted in it becoming both a Teaching School and Maths Hub. These initiatives result in the college working cross phase with many schools in Cornwall and further afield in the South West of England. Maintaining a quality brand is essential for the College's success in attracting students and fostering external relationships.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### FINANCIAL POSITION

#### Financial Objectives

The overall objective for the College is to remain financially sound in order to be able to deliver its strategic planned objectives. Specifically these objectives will be achieved by:

- achieving an annual EBITDA surplus of 4% of turnover
- maintaining at least 35 cash days in hand
- sustaining a current ratio of 2.0
- limiting borrowing as a percentage of net assets to 20%
- pursuing alternative sources of funding
- funding continued capital investment through established reserves and borrowing

A series of performance indicators have been agreed against which to monitor the successful implementation of the policies and to maintain the College's Financial Health Grade Outstanding status as assessed by the Education and Skills Funding Agency (ESFA).

#### Performance Indicators

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

#### Financial Results

The College generated an underlying operating surplus in the year of £790,000 (2015/16 – surplus of £53,000) before other gains and losses. A number of adjustments arising from the implementation of FRS102, including changes in the value of the Local Government Pension Fund under defined benefit obligations, together with gains and losses on both the value of non-current financial investments and disposals of fixed assets, impact upon the operating surplus and give rise to total comprehensive income as set out on page 25 of the Financial Statements. The table below sets out these adjustments and reconciles total comprehensive income to the operating surplus.

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
<b>Total Comprehensive Income and Expenditure</b>	<b>4,455</b>	<b>(6,133)</b>
Actuarial (Gain)/Loss in respect of Pension Schemes	(4,348)	5,608
<b>Surplus/(Deficit) before tax</b>	<b>107</b>	<b>(525)</b>
(Gain)/Loss on Investments	(502)	(327)
(Gain)/Loss on Disposal of Assets	(220)	209
<b>Surplus/(Deficit) before other losses and gains</b>	<b>(615)</b>	<b>(643)</b>
FRS 102 adjustments to Staff Costs in respect of Pension Schemes	916	566
FRS 102 adjustments to Interest Payable in respect of Pension Schemes	397	355
FRS102 release of Non Government Grants	-	(75)
Gain/(Loss) on Disposal of Investments	33	(209)
Transfers from Revaluation Reserve	59	59
<b>Underlying Operating Surplus</b>	<b>790</b>	<b>53</b>



## **REPORT OF THE GOVERNING BODY (CONTINUED)**

The College has accumulated reserves of £54,230,000 and cash and investment balances of £26,807,000. The College recognises the importance of reserves in maintaining financial stability, supporting core activities and enabling investment. The College will use its cash balances to fund future capital projects and to continue to invest in its existing campuses.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. For 2016/17 the various funding streams from the ESFA totalled £26,718,000, which represented 62.5% of the College's total income.

Governors acknowledge the efforts of the Key Management personnel and the staff in ensuring that the College has continued to operate extremely cost-effectively in the current climate of financial pressures faced by the sector.

### **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. The College does not currently borrow money, but should the need arise, short term borrowing for temporary revenue purposes would be authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### **Cash Flows**

Operating cash inflow was £23.4 million (2015/16 £4.1 million) for the year. This included the receipt of grants from the ESFA totalling £21.2m in respect of the development of the third campus at Bodmin in partnership with Callywith College Trust. The underlying operating cash inflow which excludes this amount was £2.2m, which remained strong in the current climate of reduced public funding.

### **Accommodation and Resources**

Tangible fixed asset additions amounted to £19,212,000. This related to equipment purchases of £577,000, building developments on the existing campuses at Truro and Penwith College of £468,000, and the acquisition of land and development to create a third campus at Bodmin in partnership with Callywith College Trust at £18,167,000. The DFE is funding the construction of Callywith College through Truro and Penwith College. On completion, Truro and Penwith College will issue a 125 year lease to Callywith College Trust, and the buildings and accompanying capital grant will be transferred to the balance sheet of Callywith College Trust.

### **Subsidiary Companies**

The College does not have any subsidiary companies other than Truro and Penwith College Trust Fund (see note 23 to the Financial Statements).

## **FUTURE DEVELOPMENT**

### **Curriculum Developments**

The range of both Full Time and Part Time Further Education courses will continue to evolve at both the Truro and Penwith sites, particularly as a result of significant changes in national curriculum policy. The College works in partnership with local schools, the Local Authority and the Local Enterprise Partnership to ensure local needs are met and to provide opportunities for progression onto Higher Education and employment and for the development of skills in the workplace.

## REPORT OF THE GOVERNING BODY (CONTINUED)

We have a wide-ranging programme at Advanced Level which has been subject to significant external change in both specifications and assessment. We currently offer 42 A Level or A/S Level subjects and 21 Extended Diploma courses. The International Baccalaureate has over 100 students currently following the programme. The College has expanded its curriculum offer into several areas of vocational learning such as professional cookery, construction and automotive engineering which have all proved to be extremely popular both as full-time courses and apprenticeships. Partnerships with employers such as Rick Stein's and St Austell Brewery enrich the student experience.

To ensure all students are able to achieve GCSE grade C in English and/or Maths, the College introduced new 'Progression' pathways to enable students to progress from Level 1 through to Level 6. Courses on offer include Progression 1 Exploring the Care sectors and Progression 2 ICT and include Enterprise learning to provide learners with the skills needed to progress into employment.

Additionally we continue to offer vocational options to 14-16 year olds in local schools through the Young College initiative. Our successful engagement with employers continues to expand provision in related programmes with significant growth in apprenticeships in a broad range of sectors including catering and engineering.

We offer all students the opportunity to join an academy to enhance their learning experience. The Academic Academy gives additional support and academic 'stretch' to gifted and talented students and over 100 students regularly attended during 2016/17. The College's Medics' Academy supports 60 aspiring Medics through the application process. We have fifteen sporting academies including Rugby, Football, Hockey, Netball, Basketball, Cricket, Swimming, Surfing, Badminton, Tennis, Elite and Golf with over 600 students participating. The Music Academy has proved to be very popular giving over 30 talented musicians wider performance and development opportunities. Further academy programmes include Art, Enterprise, STEM and Computing.

Our commitment to all learners in the local community is reflected in the opportunities offered through open learning, including programmes designed to increase adult basic skills, and in programmes run in Foundation Studies, which include provision for a range of students with various learning needs. The aim of our curriculum offer remains the same: to provide as much flexibility and as broad a choice for students as possible. The College has produced detailed publicity material to explain the many possibilities.

## EXTERNAL JUDGEMENTS OF QUALITY

The most recent Ofsted inspection report was published in April 2016 and awarded Grade 1, Outstanding, for Overall Effectiveness. The College became the first in the country to achieve an Outstanding grade under the new Common Inspection Framework and the only college in the last five years to retain an outstanding status. All the key inspection categories: Effectiveness of Leadership and Management; Quality of Teaching, Learning and Assessment; Personal development, Behaviour and Welfare and Outcomes for Learners were graded as 1, Outstanding. In addition 16-19 Study Programmes and Provision for Learners with High Needs were also judged to be Outstanding.

The College's Higher Education provision was successfully externally assessed by HEFCE through its Annual Provider Review in 2016/17 and also gained the Teaching Excellence Framework Gold Award.

The College has Investors in Diversity and Investor in Careers status and also *matrix* accreditation for advice and guidance across the whole of its provision.

In November 2016 the College received the AOC Beacon Award for Leadership and Governance.

## REPORT OF THE GOVERNING BODY (CONTINUED)

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

Outlined below is a summary of the principal risk factors that affect the College.

1. Government Funding

The College is aware of several factors which may impact on future funding, including apprenticeship reforms and the devolution of the Adult Education Budget. The College is working with key stakeholders to ensure it develops a future offer that meets the needs of local employers and students.

2. Reduced enrolment

The success of the College has led to high levels of enrolment across most areas of activity - 16 to 18 provision and programmes for adults at both FE and HE level. A variety of issues have been identified that could affect the enrolments across all ages and mitigating actions have been put in place to address these where possible. Ensuring an on-going focus upon the quality of provision remains a key priority for the College.

3. Failure to constrain expenditure

Government funding through the Education and Skills Funding Agency (ESFA) is reducing in the light of public sector cuts. The College has an extremely strong financial base from which to address this problem. Careful budget planning and in year monitoring, along with ongoing reviews to identify efficiencies, helps to mitigate this risk.

4. Maintain adequate funding of pension liabilities

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

5. Area Review

The recommendations from the Devon, Cornwall and Somerset Area Review will be implemented in the next 12 – 24 months. The outcome of these may have a further impact on Truro and Penwith College.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### STAKEHOLDER RELATIONSHIPS

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

- Students
- Staff
- Parents
- Cornwall SCITT – Note 24 to the Financial Statements
- Truro and Penwith Academy Trust – Note 25 to the Financial Statements
- Callywith College Trust – Note 26 to the Financial Statements
- Local schools
- Education sector funding bodies
- The FE Commissioner
- Local employers
- Local Unitary Authority
- Government Offices
- Cornwall & Isles of Scilly Local Enterprise Partnership
- The local community
- Other FE institutions
- Universities
- Trade unions
- Professional bodies

### EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Truro and Penwith College aims to be recognised as a leader of equality and diversity in its work and as an example of good practice. This resulted in the College being awarded Investors in Diversity accreditation in 2013 by the National Centre for Diversity and gaining reaccreditation during 2015 and again in 2017. The College's Equality, Diversity and Inclusion Policy (formerly the Single Equality Scheme) sets out the framework within which the College promotes equality for and prevent discrimination against our students, staff, governors and visitors. We respect and wish to celebrate the diversity of our students and staff and we recognise the social and intellectual benefits of a diverse student population. As a College we will seek to eliminate direct discrimination, indirect discrimination, victimisation and harassment. Success of the College's Equality, Diversity and Inclusion Policy requires ownership by Governors, Senior Management, all staff, all students and the college community. The key principles are:

- (a) Discrimination, harassment and victimisation, direct or indirect, is unjust. It is the right of all individuals to expect fair treatment.
- (b) All members of the College - governor, employee, student or visitor - will be valued equally and treated considerately.
- (c) The promotion of excellent practice in equality and diversity will be central to all aspects of College life: learning, teaching, employment, environment, student services.
- (d) All students are entitled to an inclusive learning environment and the provision of an accessible curriculum.
- (e) Staff and students are entitled to dignity and respect in the workplace and learning environment.
- (f) The commitment and involvement of staff and students is essential to the implementation of our Policy.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Disability Statement

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

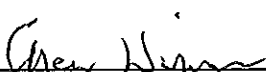
- (a) The vast majority of the College's buildings have been constructed since 1993 and all have included the installation of lifts and ramps to allow access to people with a disability.
- (b) There is a list of specialist equipment such as portable computers, which the College can make available for use by students.
- (c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- (d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- (e) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- (f) Counselling and welfare services are described in the College charter and the student handbook.

### 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 13 December 2017 and signed on its behalf by:

Signature

  
Ellen Winsor, Chair

Date:

13/12/2017

## 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.

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 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 Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

MEMBERS WHO SERVED ON THE CORPORATION DURING THE YEAR COMMENCING 1 AUGUST 2016 AND UP TO THE DATE OF SIGNATURE OF THIS REPORT ARE LISTED BELOW

Name	Date of First Appointment	Date of Latest Appointment	Term of Office	Date of Resignation	Status	Committees Served	Corporation Meetings Attended in 2016/17	Total Meetings Attended in 2016/17
Mr R Allen	5 Oct 2016		07 Jul 2017		Student Member	Teaching, Learning & Assessment	4/4	6/8
Mrs K Ashworth	1 Aug 2013	1 Aug 2017	31 Jul 2021		External Member	Employment & Business Policy; Investment Panel	4/4	7/8
Mrs L Batchelor	1 Oct 2012	1 Aug 2016	31 Jul 2020		External Member	Employment & Business Policy; Audit; Teaching, Learning & Assessment; Remuneration	4/4	15/15
Prof D Bristow	1 Aug 2011	1 Aug 2015	31 Jul 2019	31 Jul 2017	External Member	Teaching, Learning & Assessment	3/4	4/8
Mr P Callen	1 Nov 2016		31 Jul 2020		External Member	Finance & General Purposes	2/3	7/8
Mr D Collins	1 Aug 2017		31 Jul 2021		External Member	Finance & General Purposes	n/a	n/a
Mr R Crossland (Vice-Chair of Corporation)	17 Sep 2003	1 Aug 2017	31 Jul 2021		External Member	Teaching, Learning & Assessment; Remuneration; Employment & Business Policy (Chair); Search & Governance; Chairs' Standing Committee	4/4	11/15
Mr W Elliott	14 Nov 2014	9 Dec 2015	31 Jul 2019		External Member	Employment & Business Policy	4/4	6/7
Mr S Jose	29 Sept 2010	1 Oct 2014	30 Sep 2018		Staff Member	Teaching, Learning & Assessment	3/4	6/8
Dr J Lander	1 Jan 2008	1 Aug 2015	31 Jul 2019		External Member	Finance & General Purposes (Chair); Investment Panel (Chair)	4/4	17/17
Mr T Moser	27 Sept 2017		6 Jul 2018		Student Member	Teaching, Learning & Assessment	n/a	n/a
Ms A Penhaligon	5 Oct 2016		07 Jul 2017		Student Member	Teaching, Learning & Assessment	2/4	2/8
Mrs S Sanderson	1 Aug 2014		31 Jul 2018		External Member	Audit; Teaching, Learning & Assessment	4/4	8/11

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)**

**MEMBERS WHO SERVED ON THE CORPORATION DURING THE YEAR COMMENCING 1 AUGUST 2016 AND UP TO THE DATE OF SIGNATURE OF THIS REPORT (CONTINUED)**

Name	Date of First Appointment	Date of Latest Appointment	Term of Office	Date of Resignation	Status	Committees Served	Corporation Meetings Attended in 2016/17	Total Meetings Attended in 2016/17
Dr E Sheridan *	1 Jan 2007	1 Jan 2015	31 Jul 2018		External Member	Teaching, Learning & Assessment (Chair); Remuneration; Search & Governance; Chairs' Standing Committee	3/3	9/9
Ms D Skinnard	14 Mar 2006	1 Aug 2016	31 Jul 2020		External Member	Employment & Business Policy; Audit Committee	4/4	8/10
Mr J Trenchard	11 Oct 2017		6 Jul 2018		Student Member	Teaching, Learning & Assessment	n/a	n/a
Mr D Walrond	23 Aug 2010		ongoing		Principal	Finance & General Purposes; Search & Governance; Employment & Business Policy; Chairs' Standing Committee; Teaching, Learning & Assessment; Investment Panel	4/4	22/23
Mr K Wilson	1 Apr 2008	1 Aug 2015	31 Jul 2019		External Member	Audit (Chair); Search & Governance; Chairs' Standing Committee	4/4	10/10
Mrs E Winser (Chair of Corporation)	14 Mar 2001	1 Aug 2016	31 Jul 2019		External Member	Finance & General Purposes; Search & Governance (Chair); Teaching, Learning & Assessment; Chairs' Standing Committee; Investment Panel	3/4	16/20
Mrs J Woodhouse	9 Dec 2015		31 Jul 2019		External Member	Teaching, Learning & Assessment	1/4	1/8
Mr A Young	1 Aug 2016		31 Jul 2020		External Member	Finance & General Purposes; Investment Panel	4/4	11/12
Mrs A Winter is Clerk to the Corporation								27/27

\* Sabbatical from 29 June – 11 November 2016



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation consists of eighteen members (with the flexibility to vary the membership from a minimum of fifteen to a maximum of twenty-five governors) and includes the Accounting Officer, a staff member, two students and at least eleven external members. The Search and Governance Committee has established clear rules for the appointment and re-appointment of governors and is responsible for monitoring the membership of the governing body and its committees; for recruiting, selecting and recommending the appointment and re-appointment of members; and for the succession planning of governors and the Chair of the Corporation as well as the Chairs of the committees.

The Committee meets once each term and regularly reviews the overall profile of the governing body, length of service of governors and the skills and experience offered. The Committee is committed to increasing the diversity of the Corporation to broaden the perspective of the boardroom and to include representation from across the local community. The Committee recognises the value of refreshing the membership and actively plans for succession to ensure an appropriate turnover to bring in new ideas whilst ensuring continuity and maintaining the necessary range of skills and experience to operate effectively.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with the 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 quarterly.

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 General Purposes, Teaching Learning and Assessment, Employment Policy, Remuneration, Audit, and Search and Governance. There is also a Chairs' Standing Committee. Full minutes of all meetings, except those deemed confidential by the Corporation, are available from the Clerk to the Corporation at: Truro and Penwith College, College Road, Truro, TR1 3XX. They are also available on the College website at [www.truro-penwith.ac.uk](http://www.truro-penwith.ac.uk).

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.

The 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 and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

### Appointments to the Corporation

All new appointments to the Corporation are a matter for approval of the Corporation as a whole. The Corporation has a nominations committee (Search and Governance Committee) which is comprised of the Chair and Vice-Chair of the Corporation, the Chairs of the respective Standing Committees and the Accounting Officer, and is responsible for considering nominations and making recommendation to the Corporation. The Corporation is responsible for ensuring that appropriate training and development is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Records of Governors' attendance are maintained and are monitored by the Search & Governance Committee.

The Corporation carries out a self-assessment of its performance bi-annually. The latest self-assessment concluded its performance was "outstanding" on the Ofsted scale.

### Remuneration Committee

Throughout the year ended 31 July 2017, the College's Remuneration Committee comprised four members, being the Chairs of the Teaching Learning and Assessment, Employment Policy, Finance and General Purposes Committees and one other governor. The Committee's responsibilities are to make recommendations to the Chair of the Board on the remuneration and benefits, and other conditions of service, of the Accounting Officer and other Key management personnel, and to determine the remuneration of the Clerk.

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

### Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and the Chair), who may not be members of the Finance and General Purposes Committee simultaneously, and up to two non-corporation members, one of whom is a co-opted audit specialist. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and external 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 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 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 and external auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

### Internal Control

#### *Scope of Responsibility*

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

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

He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

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

#### *Capacity to handle risk*

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

#### *The risk and control framework*

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

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

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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

### ***Review of effectiveness***

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

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance. 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 its 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 Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its June meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and the Audit Committee.

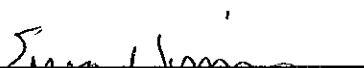
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources,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

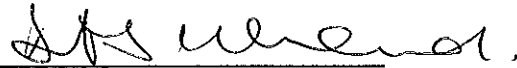
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. In reaching its conclusion the Corporation reviewed the resources available to itself in the next three to five years.

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

Signature   
Ellen Winsor, Chair

  
David Walrond, Accounting Officer

Date 13/12/2017

Date 13/12/2017

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

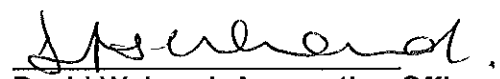
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Financial Memorandum in place between the College and the Education and Skills Funding Agency. As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

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

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

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

Signature   
Ellen Winser, Chair

  
David Walrond, Accounting Officer

Date 13/12/2017

Date 13/12/2017

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum agreed between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2016 to 2017 issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

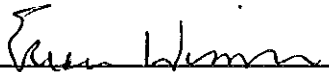
The Corporation is also required to prepare an Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the 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 income and expenditure 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Education and Skills Funding agency are not put at risk.

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

  
\_\_\_\_\_  
Ellen Winser, Chair

Date: 13/12/2017

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TRURO AND PENWITH COLLEGE

We have audited the financial statements of Truro and Penwith College (the 'Corporation') for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP) and the College Accounts Direction for 2016 to 2017.

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Corporation's affairs as at 31 July 2017, and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 2015 FE HE SORP and the College Accounts Direction for 2016 to 2017.

### 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 Corporation 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) and the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Corporation'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.



## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TRURO AND PENWITH COLLEGE (CONTD)**

### **Other Information**

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

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

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

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

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

### **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, 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 Corporation is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Corporation 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.

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TRURO AND  
PENWITH COLLEGE (CONTD)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.



Alison Oliver FCA (Senior Statutory Auditor)  
For and on behalf of  
**BISHOP FLEMING LLP**  
Chartered Accountants  
Statutory Auditors  
Chy Nyverow  
Newham Road  
Truro  
Cornwall  
TR1 2DP

Date: 14-12-2017

## **REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF TRURO AND PENWITH COLLEGE ('THE CORPORATION') AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")**

In accordance with the terms of our engagement letter dated 2 October 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Truro and Penwith College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of Truro and Penwith College and the Reporting Accountant**

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

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

### **Approach**

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF TRURO AND PENWITH COLLEGE ('THE CORPORATION') AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT") (CONTD)

The work undertaken to draw to our conclusion includes:

- a review of the internal controls policies and procedures that have been implemented and an assessment of their design and effectiveness to understand how the corporation complied with the framework of authorities,
- a review of the reports commissioned by the governors to assess the internal controls throughout the year, and
- detailed testing based on our assessment of the risk of material irregularity, impropriety and non-compliance.

This work was integrated with our audit on the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

**Conclusion**

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



Date: 14-12-2017

**BISHOP FLEMING LLP**  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS  
Chy Nyverow  
Newham Road  
Truro  
TR1 2DP

**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**  
**For the year ended 31 July 2017**

	Notes	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 Restated £'000
<b>Income</b>			
Funding Body Grants	2	27,809	26,619
Tuition fees and education contracts	3	9,080	9,485
Other grants and contracts	4	1,253	929
Other income	5	3,450	3,810
Investment income	6	420	475
<b>Total income</b>		<b>42,012</b>	<b>41,318</b>
<b>Expenditure</b>			
Staff costs	7	29,392	28,396
Other operating expenses	8	9,636	9,804
Depreciation	10	3,202	3,406
Interest payable	9	397	355
<b>Total expenditure</b>		<b>42,627</b>	<b>41,961</b>
(Deficit) before other losses and gains		(615)	(643)
Gain/(Loss) on disposal of assets		220	(209)
Gain on investments		502	327
<b>Surplus/(Deficit) before tax</b>		<b>107</b>	<b>(525)</b>
Taxation		-	-
Actuarial Gain/(Loss) in respect of Pension Schemes	19	4,348	(5,608)
<b>Total Comprehensive Income for the year</b>		<b>4,455</b>	<b>(6,133)</b>
<b>Represented by:</b>			
Restricted comprehensive income		0	75
Unrestricted comprehensive income		4,455	(6,208)
		<b>4,455</b>	<b>(6,133)</b>

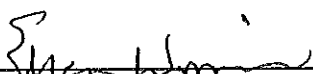
**STATEMENT OF CHANGES IN RESERVES**  
**For the year ended 31 July 2017**

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
<b>Restated Balance 1 August 2015</b>	<b>53,641</b>	<b>2,142</b>	<b>125</b>	<b>55,908</b>
Surplus/(deficit) from the income and expenditure account (restated)	(525)	-	-	(525)
Other comprehensive income (restated)	(5,608)	-	-	(5,608)
Transfers between revaluation and income and expenditure reserves	59	(59)	-	-
Transfers between income and expenditure and restricted reserves	(75)	-	75	-
<b>Balance at 31 July 2016</b>	<b>47,492</b>	<b>2,083</b>	<b>200</b>	<b>49,775</b>
Surplus/(deficit) from the income and expenditure account	107	-	-	107
Other comprehensive income	4,348	-	-	4,348
Transfers between revaluation and income and expenditure reserves	59	(59)	-	-
Transfers between income and expenditure and restricted reserves	-	-	-	-
<b>Balance at 31 July 2017</b>	<b>52,006</b>	<b>2,024</b>	<b>200</b>	<b>54,230</b>

**BALANCE SHEET**  
As at 31 July 2017

	Notes	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
<b>Non current assets</b>			
Tangible assets	10	102,614	86,752
Financial assets	11	9,379	6,593
		<u>111,993</u>	<u>93,345</u>
<b>Current assets</b>			
Stock		76	75
Trade and other receivables	12	1,053	529
Investments	13	14,250	10,750
Cash and cash equivalents	17	3,178	4,065
		<u>18,557</u>	<u>15,419</u>
<b>Less: Creditors - amounts falling due within one year</b>	14	<u>(6,274)</u>	<u>(7,134)</u>
<b>Net current assets</b>		<u>12,283</u>	<u>8,285</u>
<b>Total assets less current liabilities</b>		124,276	101,630
<b>Creditors: amounts falling due after more than one year</b>	15	(56,965)	(35,739)
<b>Provisions</b>			
Defined benefit obligations	16	(13,081)	(16,116)
Other provisions		-	-
<b>Total net assets</b>		<u>54,230</u>	<u>49,775</u>
<b>Restricted reserves</b>			
Non-Government Capital Grants		200	200
<b>Total Restricted Reserves</b>		<u>200</u>	<u>200</u>
<b>Unrestricted Reserves</b>			
Income and expenditure account		52,006	47,492
Revaluation reserve		2,024	2,083
<b>Total unrestricted reserves</b>		<u>54,030</u>	<u>49,575</u>
<b>Total reserves</b>		<u>54,230</u>	<u>49,775</u>

The financial statements on pages 25-47 were approved by the Corporation on 13 December 2017 and were signed on its behalf by:

  
Ellen Winser, Chair

  
David Walrond, Accounting Officer

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 July 2017**

		Yr ended 31 Jul 17	Yr ended 31 Jul 16 Restated
	Notes	£'000	£'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		107	(525)
<b>Adjustment for non-cash items</b>			
Depreciation		3,202	3,406
(Increase)/decrease in stocks		(1)	5
(Increase)/decrease in debtors		(524)	688
Increase/(decrease) in creditors due within one year		(860)	1,276
Increase/(decrease) in creditors due after one year		21,226	(1,087)
Increase/(decrease) in provisions		-	-
(Gain)/Loss on investments		(502)	(327)
Pensions costs less contributions payable		1,313	921
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(420)	(475)
Interest payable		-	-
Taxation paid		-	-
Loss on sale of fixed assets		(187)	209
<b>Net cash flow from operating activities</b>		<b>23,354</b>	<b>4,091</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		335	-
Disposal of non-current asset investments		640	7,027
Investment income		420	475
Withdrawal of deposits		-	-
New deposits		(3,500)	(1,750)
Payments made to acquire non-current investments		(2,924)	(2,591)
Payments made to acquire fixed assets		(19,212)	(8,490)
		<b>(24,241)</b>	<b>(5,329)</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	-
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>(887)</b>	<b>(1,238)</b>
Cash and cash equivalents at beginning of the year	17	4,065	5,303
Cash and cash equivalents at end of the year	17	<u>3,178</u>	<u>4,065</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

#### **Basis of Preparation**

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

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

#### **Basis of Accounting**

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

#### **Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the report of the governing body. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College has significant reserves and no borrowings and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Basis of Consolidation**

The financial statements include the activities of the College only, as the College does not have any subsidiaries. All financial statements are made up to 31 July.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

The College is the responsible body for the Cornwall Secondary School Initial Teacher Training programme (Cornwall SCITT). Cornwall SCITT is managed independently from the College and its results have not been consolidated into the group accounts, although details of its results are published in note 24.

#### **Recognition of Income**

##### ***Revenue Grant Funding***

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

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. 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 model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

### ***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 disbursement 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 this transaction.

### ***Maintenance of Premises***

The College has a ten-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

### ***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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### ***Cornwall Local Government Pension Scheme (LGPS)***

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

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

### **Short term Employment benefits**

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

### **Enhanced Pensions**

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

### **Non-current Assets - Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value 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.

#### **a. Land and Buildings**

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Other land and buildings are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the institution of 50 years.

Improvements to buildings are depreciated over their expected useful economic life to the institution of 10 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

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

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

Subsequent expenditure on existing fixed assets:

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

### b. Equipment

All furniture and equipment costing more than £100 per item, and when grouped totals more than £1,000, is capitalised. All purchases below this level are written off to the income and expenditure account in the year of acquisition. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Computer equipment	3 years
Motor vehicles and general equipment	5 years
Furniture	8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### Leased Assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### 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. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

### Cash and Cash Equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

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

### **Financial Liabilities and Equity**

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

All loans, investments and short term deposits held by the 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 Group 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.

### **Stocks**

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

### **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 around 1% of 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

### Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 22, except for 5% of the grant received, which is available to the College to cover administration costs relating to the grant.

### 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. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Funding Body Grants

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
<b>Recurrent Grants</b>		
Education and Skills Funding Agency - adult	982	1,322
Education and Skills Funding Agency - 16-18	24,121	22,512
Education and Skills Funding Agency - apprenticeships	1,578	1,441
Higher Education Funding Council	37	200
<b>Specific Grants</b>		
Releases of Government Capital Grants	1,091	1,144
<b>Total</b>	<b>27,809</b>	<b>26,619</b>

3. Tuition fees and Education Contracts

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Adult education fees	893	1,045
Apprenticeship fees and contracts	87	115
Fees for FE loan supported courses	582	684
Fees for HE loan supported courses	5,282	5,626
International students fees	28	33
<b>Total tuition fees</b>	<b>6,872</b>	<b>7,503</b>
Education contracts	2,208	1,982
<b>Total</b>	<b>9,080</b>	<b>9,485</b>

4. Other Grants and Contracts

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
European Commission income	468	436
Other grants and contracts	785	493
<b>Total</b>	<b>1,253</b>	<b>929</b>

5. Other Income

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Catering and residences	894	1,026
Other income generating activities	352	424
Non-government capital grants	-	75
Miscellaneous Income	2,204	2,285
<b>Total</b>	<b>3,450</b>	<b>3,810</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### 6. Investment Income

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Other investment income	252	314
Other interest receivable	168	161
<b>Total</b>	<b>420</b>	<b>475</b>

### 7. Staff Costs

The average monthly number of persons (including Key management personnel) employed by the College during the period, expressed as full-time equivalents, was:

	Yr ended 31 Jul 17	Yr ended 31 Jul 16
Teaching staff	422	428
Non teaching staff	451	428
	<b>873</b>	<b>856</b>

Staff costs for the above persons:	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Wages and salaries	22,975	23,050
Social Security costs	1,926	1,563
Restructuring costs	116	65
Other pension costs (including FRS 102 adjustment of £916,000 – 2016 £566,000)	4,375	3,718
<b>Total</b>	<b>29,392</b>	<b>28,396</b>

### Key Management Personnel

Key management personnel are defined as the Principal and holders of the other senior posts whom the governing body have selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff.

Key management personnel for the College are the Accounting Officer, the Director of Finance, the Director of Studies, the Director of Curriculum, the Director of Teaching and Learning, the Director of Quality, the Director of Operations and the Director of Penwith College.



**NOTES TO THE FINANCIAL STATEMENTS (CONTD)**

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

	<b>Numbers 2017</b>	<b>Numbers 2016</b>
£50,001 - £60,000	1	-
£70,001 - £80,000	-	1
£80,001 - £90,000	4	3
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£150,001 - £160,000	1	1
	<b>8</b>	<b>7</b>

	<b>Yr ended 31 Jul 17 £'000</b>	<b>Yr ended 31 Jul 16 £'000</b>
Key management personnel emoluments are made up as follows:		
Salaries – gross of salary sacrifice and waived emoluments	743	676
Benefits in kind	-	-
Social security Costs	94	80
Pension contributions	124	111
<b>Total emoluments</b>	<b>961</b>	<b>867</b>

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 senior post holder) of:

	<b>Yr ended 31 Jul 17 £'000</b>	<b>Yr ended 31 Jul 16 £'000</b>
Salary	155	155
Benefits in kind	-	-
	<b>155</b>	<b>155</b>
Pension contributions	26	25

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD)

8. Other Operating Expenses

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Teaching costs	3,662	3,716
Non teaching costs	3,389	3,735
Premises Costs	2,585	2,353
<b>Total</b>	<b>9,636</b>	<b>9,804</b>

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Other operating expenses include:		
Auditors' remuneration		
- internal audit	7	7
- financial statements audit	20	20
- other services provided by the external auditors	1	1

9. Interest Payable

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000 Restated
Pension finance costs (note 19)	397	355
<b>Total</b>	<b>397</b>	<b>355</b>

10. Tangible Fixed Assets

	Land and Buildings Freehold £'000	Equipment £'000	Assets in the course of construction £'000	TOTAL £'000
<b>Cost or valuation</b>				
At 1 August 2016	101,694	13,934	6,332	121,960
Additions	468	577	18,167	19,212
Disposals	(330)	(14)	-	(344)
<b>At 31 July 2017</b>	<b>101,832</b>	<b>14,497</b>	<b>24,499</b>	<b>140,828</b>
<b>Depreciation</b>				
At 1 August 2016	22,916	12,292	-	35,208
Charge for year	2,384	818	-	3,202
Elimination in respect of disposals	(182)	(14)	-	(196)
<b>At 31 July 2017</b>	<b>25,118</b>	<b>13,096</b>	<b>-</b>	<b>38,214</b>
<b>Net book value at 31 July 2017</b>	<b>76,714</b>	<b>1,401</b>	<b>24,499</b>	<b>102,614</b>
<b>Net book value at 31 July 2016</b>	<b>78,778</b>	<b>1,642</b>	<b>6,332</b>	<b>86,752</b>

Inherited land and buildings were valued for the purpose of the 1995 financial statements at depreciated replacement cost by the Chief Land Agent and Valuer of the County Council. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis. The value of these assets is not considered to have changed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£'000s
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	-
	-

### 11. Non-Current Investments

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Financial Assets	<b>9,379</b>	<b>6,593</b>

Fluctuations in the fair value of investments are recognised as a charge to equity through the fair value reserve.

### 12. Debtors

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Amounts falling due within one year:		
Trade receivables	797	429
Prepayments and accrued income	256	100
<b>Total</b>	<b>1,053</b>	<b>529</b>

### 13. Current Investments

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Monies invested short term on the money market	<b>14,250</b>	<b>10,750</b>

### 14. Creditors: Amounts falling due within one year

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Trade Creditors	544	1,668
Taxation and pension contributions	1,029	966
Accruals	2,075	2,270
Payments received in advance	666	654
Deferred income – government capital grants	1,057	1,079
Deferred income – government revenue grants	0	0
Amounts owed to Funding Bodies	903	497
<b>Total</b>	<b>6,274</b>	<b>7,134</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### 15. Creditors: Amounts falling due after more than one year

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Deferred Capital Grant	56,677	35,440
Other Deferred Income	288	299
<b>Total</b>	<b>56,965</b>	<b>35,739</b>

### 16. Provisions for Liabilities and Charges

	Defined Benefit Obligations £'000	Other Provisions £'000	Total £'000
At 1 August 2016	16,116	-	16,116
Expenditure in the period	(3,035)	-	(3,035)
<b>At 31 July 2017</b>	<b>13,081</b>	<b>-</b>	<b>13,081</b>

### 17. Cash and Cash Equivalents

	1 Aug 16 Restated £'000	Cash Flow £'000s	31 Jul 17 £'000
Cash in hand at Bank	4,065	(887)	3,178
<b>Total</b>	<b>4,065</b>	<b>(887)</b>	<b>3,178</b>

### 18. Capital and Other Commitments

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Commitments contracted for but not provided at 31 July:	5,111	3,442
Authorised but not contracted for at 31 July:	2,014	2,665
	<b>7,125</b>	<b>6,107</b>

### 19. Defined Benefit Obligations

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

Total pension cost for the year	Year ended 31 Jul 17 £'000	Year ended 31 Jul 16 £'000
Teachers Pension Scheme:		
Contributions paid	1,991	1,926
Local Government Pension Scheme:		
Contributions payable	1,468	1,226
FRS 102 (28) charge	916	566
Charge to the Income and Expenditure Account (staff costs)	2,384	1,792
<b>Total pension cost for year</b>	<b>4,375</b>	<b>3,718</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and the LGPS was 31 March 2013.

Contributions amounting to £524,000 (2016: £471,000) were payable to the above schemes at 31 July 2017 and are included within creditors.

### Teachers' Pension Scheme

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

### The Teachers' Pension Budgeting and Valuation Account

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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

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

### Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,991,000 (2016: £1,926,000)

### FRS 102 (28)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

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

### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Cornwall Pension Fund.

The total contribution made for the year ended 31 July 2017 was £1,872,000 of which employers' contributions totalled £1,443,000 and employees' contributions totalled £429,000. Employer's contribution rates were 17.9%, increasing to 18.4% in April 2017 for the College as the employer with variable rates for employees (5.5% to 12.5%) depending on salary.

### Principal Financial Assumptions:

The following information is based on a full actuarial valuation of the Fund at 31 March 2013, updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.6%	3.9%
Rate of increase for pensions in payment	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%

### Mortality

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

	At 31 July 2017	At 31 July 2016
<i>Retiring today</i>		
Males	22.1	22.2
Females	24.5	24.4
<i>Retiring in 20 years</i>		
Males	24.0	24.4
Females	26.4	26.8

### Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2017	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	12%	5,241
0.5% increase in the Salary increase Rate	2%	693
0.5% increase in the Pension Increase Rate	10%	4,485

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### Commutation

An allowance is included for future retirements to elect to take 40% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 70% of the maximum tax-free cash for post-April 2008 service.

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 31 July 2017 % per annum	Value at 31 July 2017 £'000	Long-term rate of return expected 31 July 2016 % per annum	Value at 31 July 2016 £'000	Long-term rate of return expected 31 July 2015 % per annum	Value at 31 July 2015 £'000
Equities	2.7%	14,879	2.4%	14,357	3.6%	11,762
Bonds	2.7%	13,613	2.4%	11,772	3.6%	13,402
Property	2.7%	2,216	2.4%	2,010	3.6%	1,641
Cash	2.7%	950	2.4%	574	3.6%	547
<b>Total Market Value of Assets</b>		<b>31,658</b>		<b>28,713</b>		<b>27,352</b>
Present value of scheme liabilities		(44,739)		(44,829)		(36,939)
<b>Surplus/(deficit) in the scheme</b>		<b>(13,081)</b>		<b>(16,116)</b>		<b>(9,587)</b>

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

	Year ended 31 Jul 17 £'000	Year ended 31 Jul 16 £'000
Fair value of plan assets	31,658	28,713
Present value of plan liabilities	(44,739)	(44,829)
<b>Net pensions (liability) (Note 16)</b>	<b>(13,081)</b>	<b>(16,116)</b>

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

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Amounts included in staff costs		
Current service cost	2,359	1,797
Past service cost	-	3
<b>Total</b>	<b>2,359</b>	<b>1,800</b>

Amount recognised in Other Comprehensive income

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Return on pension plan assets	1,136	(708)
Experience gains arising on defined benefit obligations	3,233	325
Change in assumptions underlying the present value of plan liabilities	(21)	(5,225)
<b>Amount recognised in Other Comprehensive Income</b>	<b>4,348</b>	<b>(5,608)</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### Movement in net defined benefit liability during year

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Net defined (liability) in scheme at 1 August	(16,116)	(9,587)
Movement in year:		
Current service cost	(2,359)	(1,797)
Employer contributions	1,443	1,234
Past service cost	-	(3)
Net interest on the defined (liability)/asset	(397)	(355)
Actuarial gain or loss	4348	(5,608)
<b>(Deficit) in scheme at 31 July</b>	<b>(13,081)</b>	<b>(16,116)</b>

### Changes in the present value of defined benefit obligations

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
<b>Defined benefit obligations at start of period</b>	<b>44,829</b>	<b>36,939</b>
Current service cost	2,359	1,797
Interest cost	1,099	1,359
Contributions by scheme participants	429	386
Experience gains and losses on defined benefit obligations	(3,233)	(325)
Changes in financial assumptions	21	5,225
Estimated benefits paid	(765)	(555)
Past Service cost	-	3
<b>Defined benefit obligations at end of period</b>	<b>44,739</b>	<b>44,829</b>

### Changes in fair value of plan assets

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
<b>Fair value of plan assets at start of period</b>	<b>28,713</b>	<b>27,352</b>
Interest on plan assets	702	1,004
Return on plan assets	1,136	(708)
Employer contributions	1,443	1,234
Contributions by Scheme participants	429	386
Estimated benefits paid	(765)	(555)
<b>Fair value of plan assets at end of period</b>	<b>31,658</b>	<b>28,713</b>

## 20. Prior Year Adjustment

The LGPS loss on assets of £708,000 has been reclassified from interest payable to actuarial loss in respect of pension schemes.

## 21. Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. See notes 23 - 26 for details of related party transactions and balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

### 22. Amounts Disbursed as Agent

#### Learner Support Funds

	Yr ended 31 Jul 17 £'000	Yr ended 31 Jul 16 £'000
Funding body grants – discretionary learner support	1,160	1,084
Funding body grants – residential bursaries	10	14
Other Funding bodies grants	-	-
Interest earned	1	1
	<hr/> 1,171	<hr/> 1,099
Disbursed to students	(1,473)	(1,521)
Administration costs	(14)	(12)
	<hr/> (316)	<hr/> (434)

Funding body grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

### 23. Truro and Penwith College Trust Fund

A separate charity, registered with the Charities Commission, raises money to help students of Truro and Penwith College by providing support towards the cost of educational trips, equipment and living costs.

The charity has 3 trustees: the Accounting Officer, the Chair of Governors and one other Governor.

The charity produces separate accounts, which show that at 31 July 2017 it has unrestricted reserves of £105,932 and restricted reserves of £16,248 with expenditure totalling £31,415 for the period. During the period the College received some donations on behalf of the Trust Fund and also made some payments on behalf of the Trust Fund, resulting in a balance of £200 owing by the College at 31 July 2017. Consolidated accounts have not been prepared on the grounds of materiality.

### 24. Cornwall SCITT

The College is the responsible body for the Cornwall Secondary School Initial Teacher Training programme (Cornwall SCITT). Separate bank accounts are maintained and financial statements submitted to the National College for Teaching & Leadership in the format prescribed by them. Cornwall SCITT is a consortium of 17 schools, one special school, and Truro and Penwith College offering training for the 11-16 age range with post 16 enhancements. Cornwall SCITT is managed independently from the College and its results have not been consolidated.

During 2016/17 the College recharged staff and other costs incurred on behalf of Cornwall SCITT totalling £486,285.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD)

The summarised results of Cornwall SCITT for the year ended 31 July 2017 are:

	Year ended 31 Jul 17 £'000	Year ended 31 Jul 16 £'000
Total Income including student bursaries	1,599	1,088
Total Expenditure including student bursaries	1,533	1,054
<b>Surplus</b>	<b>66</b>	<b>34</b>
Cash Deposits	597	482
Debtors	4	3
Current Liabilities	(164)	(115)
<b>Net Assets</b>	<b>436</b>	<b>370</b>
Funded by:		
General Reserve	436	370
	<b>436</b>	<b>370</b>

### 25. Truro and Penwith Academy Trust

The College has been instrumental in setting up Truro and Penwith Academy Trust, a multi academy trust which sponsors and supports primary and secondary schools in Cornwall. Truro and Penwith Academy Trust is a company limited by guarantee and has been established as an independent entity. The Trust has entered into a funding agreement with the Education Funding Agency and is required to submit financial statements to the EFA in the format prescribed by them. The terms of the funding agreement ensure that the College does not exercise control over the Trust and therefore its results have not been consolidated. The Trust will publish its annual accounts on its website during January 2018 (<http://tpact.org>).

The support provided to the Trust by the College is at arm's length and in accordance with the College's financial procedures. During 2016/17 the College recharged staff and other costs incurred on behalf of the Trust totalling £227,869. At the year-end £203 was due to the College from the Trust.

### 26. Callywith College Trust

The College has been instrumental in setting up Callywith College Trust, a tertiary college in the east of the county which opened its doors to students for the first time in September 2017. Callywith College Trust is a company limited by guarantee and has been established as an independent entity. The Trust entered into a funding agreement with the Education Funding Agency in 2017 and will be required to submit financial statements to the EFA in the format prescribed by them. The terms of the funding agreement ensure that the College does not exercise control over the Trust and therefore its results have not been consolidated. The Trust will publish its annual accounts on its website during January 2018 (<http://www.callywith.ac.uk>).

The support provided to the Trust by the College is at arm's length and in accordance with the College's financial procedures. During 2016/17 the College recharged staff and other costs incurred on behalf of the Trust totalling £0. At the year-end £149,460 was due to the College from the Trust.