NATIONAL
COLLEGE
CREATIVE
INDUSTRIES

Report and Financial Statements
for the period ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Jane Button, Principal and CEO; Accounting officer

Felix Adenaike; Interim Vice Principal Finance

Chidi Okolo; Interim Vice Principal Curriculum

Board of Governors

A full list of Governors is given on page 17 of these financial statements.

Mr Keith Arrowsmith acted as Clerk up to 11 September 2017.

Ms Melissa Drayson acts as Clerk from 11 September 2017.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB

Bankers:

Barclays Bank, Southwark 2, Leicestershire, LE87 2BB

Solicitors:

Counterculture Partnership LLP, Unit 115 Ducie House, Ducie Street, Manchester, M1 2JW

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The governors present their report and the audited financial statements for the period ended 31 July 2017.

Legal status

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

The Corporation was incorporated as National College for the Creative and Cultural Industries on 1 September 2016.

Mission

In September 2016, the Governing Body of the College adopted the following mission statement:

'We will be the UK's definitive creative learning environment delivering the best industry-focused skills training for the creative and cultural sector'

Public Benefit

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

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

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

- High-quality teaching and learning
- Widening participation and tackling social exclusion
- Employment opportunities for students
- Strong student support systems
- Excellent links with employers, industry and commerce.

The delivery of public benefit is covered in more detail throughout this report.

Implementation of strategic plan

In September 2016, the College adopted a strategic plan for the period 2016 to 2021. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans and will review and update them each year. The financial plan has been reviewed and updated in October 2017 whilst the property plan is currently being updated to ensure that it fully supports the curriculum delivery model. The updated financial plan is detailed in the College's Eight-year Financial Plan. The College's continuing strategic objectives are to:

- Deliver employer-led, work-focused training to over 1,000 people a year, creating the next generation of skilled workers in areas of specific need;
- Lead national and international initiatives to take new standards of technical and professional training to where the needs are in the global marketplace;
- Diversify the workplace, working with employers to provide opportunities for over 20,000 young people a year to increase their awareness of careers in the industry, and providing the appropriate level of support for students from under-represented backgrounds;
- Establish and sustain an agile curriculum development process that responds to the needs and anticipated future needs of employers;
- Be a high-performing, sustainable organisation delivering outstanding outcomes responsive to employer needs.

The College aims to achieve these targets by 2022 when it reaches a steady state of operation and has developed annual milestones for monitoring progress towards achieving the targets. The College's key performance targets for 2016/17 and achievement of those targets are summarised below.

Curriculum objectives

The digital and creative sector is estimated to have contributed £134 billion in gross value added (GVA) to the UK economy in 2014. Within this total, digital sectors contributed £76 billion and creative sectors contributed £58 billion. In addition, the sector is estimated to have directly accounted for 8.7% of total UK GVA in same year, up from 7.5% in 2002. There is evidence to support a shortage of 6,000 'offstage and backstage' workers in music, performing art and the broader entertainment industries.

As part of the government's plan to deliver the skilled workforce of the future and abolish long-term youth unemployment, the College aims to deliver high-level technical training to thousands of learners across England by providing an employer-led, work focused curriculum for 16-18 learners, adult learning and skills, higher education and responsive training for employers.

On reaching steady state by 2021/22 the College plans to have 1,000 learners: circa 400 full-time 16-19 on diploma courses, 300 apprentices and 300 people on advanced level and higher education courses designed for learning loans.

The College offer has three main routes, of which some of the constituent elements are in development:

- **Technical production:** leading to work behind the scenes in music, live events, theatre, opera and dance, broadcasting, film;
- **Audience and participation:** leading to work in connective creative and cultural outputs to customers and communities;
- **Operation:** leading to work in portal management of creative organisations, ranging from office management to ticketing and box office to duty management and facilities managers.

Report of the Governing Body (continued)

From September 2016, the College offered a pilot Level 4 Professional Diploma in Technical and Production Practice for Creative Industries and delivered apprenticeships which were inherited from CCSkills Limited, the founding organisation on 31 January 2017. CCSkills Limited initially held the apprenticeships funding contract with the ESFA whilst the College established its systems and delivery operations. In addition, CCSkills Limited made a gift of its subsidiary company, Backstage Centre Limited, to the College. The company commercially operates The Backstage Centre in Purfleet, Essex, a purpose-built facility for technical theatre and live events training and rehearsal space. It provides the College with space for delivery of education.

The apprenticeship offer is currently at Levels 2 and 3 and plans are underway for developing Level 4 higher apprenticeships. The College currently has a modest national reach working with employers and apprentices in London and other locations including Cambridge, Hertfordshire, Ipswich, Norwich, Nottinghamshire, Shropshire, Winchester, Manchester, Liverpool and Bristol.

Income from the curriculum offer comprises four main elements: 16 to 19 grant funding for learners aged 16 to 18 at the beginning of their courses, Apprenticeships grant income for 16 to 19 and 19+ apprentices, FE / HE loan provision. In addition, the Backstage Centre generates commercial income as well as supporting the work-focussed curriculum model.

Financial objectives

The College's financial objectives are to:

- Build financial strength and sustainability.
- Maintain focus on strong financial management.
- Focus investment in people and infrastructure.
- Maintain the confidence of stakeholders.

A series of performance indicators have been agreed as outlined in the eight-year financial plan to monitor the successful implementation of these priorities.

Performance indicators

The College measures its performance against the following performance indicators set out under the main headings comprising: Quality of learning and Finance:

Key performance Indicator	Target by 2022	Target for 2016/17	Actual for 2016/17	Variance 2016/17
QUALITY OF LEARNING:				
Student success rates: classroom	100%	86%	100%	+14%
Apprenticeships success rates: timely	75%	60%	47%	-13%
Apprenticeships success rates: overall	80%	65%	59%	-6%
Student attendance	90%	80%	73%	-7%

Report of the Governing Body (continued)

FINANCE:				
Operating surplus / deficit (£000s)	227	(£19)	(£38)	-£19
EBITDA as % of income	14%	8%	3%	-5%
Staff costs as % of income	62%	48%	52%	-4%
Cash days in hand	0.53	62	62	-
Borrowing as % of income	19%	72%	32%	+40%
Financial Health Score	190	110	110	On target
Financial Health	Outstanding	Inadequate	Inadequate	On target

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency which is included in the sector financial benchmark data. The College has self-assessed itself as 'Inadequate' and expects the Education and Skills Funding Agency to confirm this financial health rating early in 2018 as part of its assessment of the FE sector financial health assessment.

FINANCIAL POSITION

Financial results

The College Group generated an operating deficit in the period of £165,020 which was also the total comprehensive income for the period. This result is after accounting for the cost of acquisition of Backstage Centre Limited from CCSkills Limited on 31 January 2017.

The Group has an accumulated reserves deficit of £165,020 and cash balances of £139,618. The Group wishes to accumulate reserves and cash balances to fund long-term development and infrastructure costs.

Tangible fixed asset additions were the Backstage Centre leasehold building and equipment at combined book value of £5,417,370 gifted to the College by CCSkills Limited on 31 January 2017 and intangible asset additions of £31,290.

The Group's revenue plan is significantly reliant on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding body provided 9% of the Group's total income and this is planned to increase to 53% when the College is fully operational.

The College has one subsidiary company, Backstage Centre Limited, which was gifted by CCSkills Limited on 31 January 2017. The company had net liabilities of £127,113 as at that date. The principal activity of Backstage Centre Limited is the rental of space for technical theatre and live events training and rehearsal. The company generated as surplus of £71,632 in the six months of trading included in the group results.

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. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the financial memorandum with the Education and Skills Funding

Agency. The College currently holds all its cash in a current account as there are no surplus funds available for placement on deposit.

Cash flows and liquidity

At £53,666 net cash inflow from operating activities was broadly as expected in the prevailing start-up period. The net cashflow included the receipt of a new loan of £110,933 from CCSkills Limited in addition to the existing loan of £152,000 from the same source to the Backstage Centre Limited. This additional secured loan was to help finance the initial start-up operations. The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded but there is pressure on the margin in the next two years because of borrowings need to fully develop the College's trading activities.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and has plans to ensure that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at a deficit of £165,020. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses when the operations reach a steady state.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

In addition to the operating deficit this year, the College is forecasting further operating deficits over the next three-year period it is developing its student number base and sufficient income to deliver surpluses. The forecast deficits and impact on cash coupled with the relatively high level of gearing result in an 'Inadequate' financial health score over this period.

The year-end cash position of £139,618 is set to remain stable into next year when the DfE Working Capital Loan of £650,000 is drawn down, before going into a deficit position for the period from January 2019 to February 2022. The College is seeking additional short-term borrowings to cover the expected cash deficits, during the period it is building its student numbers. The cash deficits are expected to start from January 2019 and peaking at £530,000 in September 2020 before returning into positive balances from March 2022

Student numbers

In 2016/17 the College has delivered activity that has produced £111,766 in grant and student loan support. The College offered courses to 86 students of which 11 that were funded or eligible for advanced learner FE loans. 75 students were on apprenticeships programmes.

Student achievements

Success rates in the year were:

- Level 4 Diploma (UAL): 100%
- Apprenticeships: 47% timely and 59% overall.

Achievement for full-time adults is high. Outcomes for apprenticeships are not yet consistent. Timely achievement across apprenticeship frameworks is too low and is below the national average as is overall apprenticeship achievement. The achievement of ICT functional skills which is a mandatory component of the College's apprenticeship framework offer is not consistently good and is not systematically delivered to ensure that not only do students pass it but they pass it in a timely manner.

Curriculum developments

The College aims to build a national reputation for curriculum innovation and change. In September 2016, it launched the pilot of the Level 4 Professional Diploma in Technical and Production Practice for Creative Industries and has been delivering apprenticeships programmes that were transferred from CC Skills in January 2017.

Another Level 4 Diploma qualification is under development with plans to create a Level 5 progression route for students. The apprenticeships offer is currently at Levels 2 and 3 with plans for developing Level 4 higher apprenticeships. In addition, curriculum standards are in development with employers on Events Assistant, Customer Service (Ticketing) and Customer Service (Front of House FOH) and Live Events Rigger.

The quality of teaching, learning and assessment is still to improve in order to be consistently good and outstanding. The College as part of its improvement plan is placing a clear focus on teaching and learning improvement strategies that will systematically acknowledge and share best practice and inform continuous professional development. Teaching, learning and assessment scrutiny is still in development but will going forward start to improve the teaching and assessment practice to go alongside the high levels of industrial knowledge and input learners receive.

The development of learners' practical skills and their demonstration and application of these skills is strong. Learners benefit from the close working and partnerships with industry. This also helps to develop their employability skills and their understanding of the industry's requirements and how it works.

Quality assurance and improvement processes are at an early stage of implementation but will be fully embedded in the course of next year in order to drive improvement, standards and impact on learners.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 September 2016 to 31 July 2017, the College paid 96 per cent of its invoices within their due dates. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The Eight-year financial plan approved by the governing body in October 2017 is grounded on an income generation model through the development of its student numbers over the next three years. In recognition of its start-up nature, the College's financial plan is seeking ESFA funding for 16-18 students based on the planned numbers, which is a departure from the normal funding rules for this type of students. The case for funding based on planned student numbers is still being considered by the ESFA in conjunction DfE.

Report of the Governing Body (continued)

In July 2017, the DFE agreed an unsecured working capital loan of £650,000 with the College, payable in two instalments - £350,000 in August 2017 and £300,000 in April 2018. The loan is repayable over four years from March 2019 to March 2022 at 3.6% annual interest rate. During the year, the College received a £263,000 secured loan from CC Skills which is repayable over five years from January 2018 with an annual interest rate of 3% above the Bank of England base rate.

Whilst maintaining the ambition to have circa 1,000 students by 2022 the College has had to review the planned trajectory for achieving this target because of the risks associated with delivering the original recruitment profile. Therefore, the original student number forecasts for classroom based programmes (16-18, FE and HE Loans) have been reduced by 162 in 2018/19 and 232 in 2019/20, creating operating and cash deficits in those years. Consequently, the College is seeking to renegotiate the repayment terms of two loans including the deferral of the first repayments to 2022. Based on the current loan agreements, the first repayment of £20,000 is due to CCSkills in January 2018 and £75,000 due to DfE in March 2019.

A complete revision to the College's property plan is underway to align the building plans with the development of student numbers. Based on the student number growth, the earliest date that a new building is required is September 2020. The ongoing development of the new build plans will be determined by the student number growth indicators.

Future prospects

The College's financial stability is grounded on income generation model through the development of its student numbers over the next three years. Achieving the planned student numbers will see cash inflows from operating activities, allowing capacity for ongoing investment, the ability to service debt charges, and the creation of contingency funds. This will address the College's cashflow needs and ensure it does not need cashflow support the ESFA. The cash position is stable during 2017/18 before going into a deficit position from January 2019 to June 2021 due to the operating deficits from 2016/17 to 2019/20 and the cashflow profile during 2020/21 despite an operating surplus being achieved in that year. Additional short-term borrowings will be secured to cover the cash deficits peaking at circa £530,000 in September 2020. Strategies are in place to secure this additional working capital from the bank or other institutions.

The strategic marketing plan will enable the planned growth in student numbers to be achieved. The strategy is focused on a range of effective ways of stimulating demand locally and nationally and reaching the identified market segments. The marketing strategy draws on insight from in-depth analysis of demographics and skills demand.

From September 2020, additional teaching and learning space is needed to support the planned growth in student numbers. This gives sufficient time to focus on the development of student numbers and implement the right new build scheme at the right cost. The College will need full funding support from the DfE and other organisations that have pledged grant support for the original scheme design.

RESOURCES

The College has resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the Backstage Centre which is the main college site and a state of the art production facilities. The College is making plans to add a new build annex that will accommodate the planned growth in student numbers.

Report of the Governing Body (continued)

Financial

The College has £165,020 of net liabilities but this is planned to improve over time into a net asset position. The net liabilities include £5,441,581 long term debt.

People

Apart from the principal who is the only direct employee of the College, the College has 14 employees (expressed as full-time equivalents) employed through its subsidiary company, of whom 3 are teaching staff.

Reputation

The College is governed by industry leaders and has a built a good reputation with its inaugural student intake, parents and employers locally and nationally. Growing and maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has worked 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 college management and governors undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the annual appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the college management and governors will also consider any risks which may arise because of a new area of work being undertaken by the College.

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

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

1 Government

The College has considerable reliance on continued government funding through the Education and Skills Funding Agency. In 2016/17, 9% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including the apprenticeships reform. The College is developing a strategy for growth in response to the apprenticeships reform. The College is seeing significant opportunities to work with larger employers as the introduction of the apprenticeship levy is significantly affecting the marketplace. However, the full implications are unknown as government policy continues to develop. The policy on national colleges particularly as it relates to start-up funding carries significant risks.

The College has secured its first ESFA funding contract for 16-18 students in 2017/18 and has ambitious plans to enrol 400 students by September 2021 in a highly competitive market. The development of student numbers and associated government funding is a significant risk.

The College has been unsuccessful with its application to receive non-levy funding allocations from January 2018 and this is a risk to this element of the apprenticeships provision which generates 43% of the total income from apprenticeships. The levy contracted apprenticeships are unaffected by this development as they are not subject to a funding allocation. These risks are mitigated in several ways:

- Considerable focus and investment on marketing and student recruitment.
- Ensuring the College is rigorous in delivering high quality education and training.
- Focusing on the priority groups which will continue to benefit from public funding.
- Deriving funding from several direct and indirect contractual arrangements.
- Prioritising the delivery of levy contracted apprenticeships.
- Delivering apprenticeships to non-ley employers through partnerships.
- Considerable investment in maintaining and managing key relationships with the funding body and other key partners.

2 Cashflow

The £139,618 cash balance at the end of the year remains stable over the next year before moving into deficit from September 2018. Additional short-term borrowings will be needed to cover the expected cash deficits peaking at £530,000 in September 2020. The College has initiated discussions with its bankers and other alternatives for securing a revolving credit facility have been identified and are being explored. This risk is being mitigated by the review of the business model taking place in January 2018 and ongoing engagement of the DfE.

3 Student numbers

Substantial growth in student numbers in classroom and apprenticeships provision underpin the Colleges business strategy. This presents a high level of risk in a very competitive further education landscape and a number of uncertainties for businesses post Brexit. The risk for the College is that enrolments fall as the cost of tuition increases in line with the reductions in government funding and employers' contributions. This will impact on the growth strategy of the College. This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses.
- Strategic collaborations with other training providers.

4 Quality of provision

The quality of learning and student outcomes is keys if the College is to compete and achieve its student number targets. Outstanding provision in a unique setting and links with industry will help set apart the College's provision. The risk for the College is that demand falls off if the quality of provision does not differentiate it from other further education colleges.

This risk is being mitigated by:

- Rigorous Quality Improvement Plan.

- Regular benchmarking of quality of delivery against the best providers in the creative industries.
- Employer driven curriculum.
- Regular feedback from students and employers.
- Engagement of industry practitioners in the delivery of provision.

5 Financial viability

The College's current financial health grade is assessed as 'Inadequate' largely due to its start-up status, planned operating deficits and high level of debts in its first few years of trading. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By robust plans to deliver the planned student numbers.
- Rigorous budget setting procedures and sensitivity analysis.
- Regular in year budget monitoring.
- Robust financial controls.
- Exploring ongoing procurement efficiencies.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, National College Creative Industries has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- South East Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Professional bodies.

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

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Intranet site.

The College is committed to publishing an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

a) Access is major part of the College's property strategy. Experts in this field have input into the new build plans with the aim of improving access.

b) There is a list of specialist equipment which the College can make available for use by students and a range of assistive technology is available if needed.

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 access to specialist lecturers to support students with learning difficulties and/or disabilities. There is a student support assistant who can provide a variety of support for learning.

e) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

Althea Efunshile CBE

Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College observes 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, and it has complied throughout the period ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a duty to observe the highest standards of corporate governance always.

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.

Report of the Governing Body (continued)

The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Ms J Button	01/09/2016	Ex-officio		Principal	Standards, Finance	8/8
Mr K Bromley-Derry	02/09/2016	3 years		External	Audit, Remuneration, Development	5/9
Mr M Davey	11/04/2017	3 years		External		2/3
Ms A Efunshile	02/09/2016	3 years		External	Chair: Corporation; Chair: Search; Remuneration	6/6
Mr A Fowles	13/07/2017	3 years		External	Audit, Finance, Remuneration	4/5
Mr J Jefferson	02/09/2016	3 years		External		5/6
Ms C Large	02/09/2016	3 years		External	Standards	7/8
Mr S Orrell	08/12/2016		11/04/2017	External		1/2
Ms C Paul	02/09/2016	3 years		External	Standards	7/8
Ms F Potter	13/07/2017	3 years		External	Development Committee	3/3
Mr B Raven	02/09/2016	3 years		External	Vice Chair: Corporation; Audit	7/8
Mr L Wells	11/04/2017	3 years	11/09/2017	External		1/2
Ms K Newman	02/09/2016	3 years	08/12/2016			1/2
Ms C Osazuwa	11/04/2017	1 year	13/07/2017	Student		2/2

Mr Keith Arrowsmith acted as Clerk to the Corporation up to 11 September 2017. Ms Melissa Drayson acts as Clerk to the Corporation from 11 September 2017.	

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

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

The Corporation conducts its business through a couple of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are standards, search and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.creativeindustries.ac.uk or from the Clerk to the Corporation at:

National College Creative Industries
The Backstage Centre
High House Production Park
Vellacott Close, Purfleet
Essex
RM19 1RJ

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

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

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

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

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

Appointments to the Corporation

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

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

Report of the Governing Body (continued)

Corporation performance

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

Audit Committee

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

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

Management is responsible for the implementation of agreed audit recommendations and reports to the Audit Committee on progress made in implementing such recommendations.

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

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

National College Creative Industries has not appointed an internal audit service for the period ended 31st July 2017. For that period, the College management and Governors have assessed the internal controls drawing on the work of the external auditors and focused internal reviews. In the new financial year, the College Management and Governors are developing a Board Assurance Framework, that will clearly show the mapping of assurance sources against the risks identified.

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports several sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 14 December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and external audit, and taking account of events since 31 July 2017.

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

Going concern

As fully described in Note 1, the Corporation has identified matters that raise substantial doubt about the College's ability to fully implement its medium to long term business objectives and is actively taking steps to mitigate the risks associated with cash shortfalls, ESFA funding models, loans restructuring plans and planned growth in income. Consequently, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

Ms A Efunshile CBE
Chair

Ms J Button
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Ms J Button
Accounting Officer
14 December 2017

Ms A Efunshile
Chair of Governors
14 December 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 period.

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

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation 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 expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds

Statement of Responsibilities of the Members of the Corporation (continued)

and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

Ms A Efunshile

Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NATIONAL COLLEGE FOR THE CREATIVE AND CULTURAL INDUSTRIES

Opinion

We have audited the financial statements of The National College for the Creative and Cultural Industries (the "College") and its subsidiaries (the "Group") for the period ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 25 October 2017.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

Material uncertainty related to going concern

We draw attention to the accounting policies in note 1 of the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NATIONAL COLLEGE FOR THE CREATIVE AND CULTURAL INDUSTRIES (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of The National College for the Creative and Cultural Industries

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on pages 21 to 22 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 25 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 25 October 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 21 December 2017

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Period ended 31 July 2017 Group £	2017 College £
INCOME			
Funding body grants	2	126,496	65,687
Tuition fees and education contracts	3	62,429	62,429
Other grants and contracts	4	243,000	243,000
Other income	5	452,398	28,912
Endowment and investment income	6	13	-
Total income		**884,336**	**400,028**
EXPENDITURE			
Staff costs	7	399,011	327,282
Other operating expenses	8	456,754	179,679
Depreciation	12	62,206	2,607
Interest and other finance costs	10	4,273	-
Cost of acquisition of subsidiary company	9	127,113	-
Total expenditure		**1,049,357**	**509,568**
Deficit before other gains and losses		**(165,021)**	**(109,540)**
Deficit before tax		**(165,021)**	**(109,540)**
Taxation	11	-	-
Deficit for the period		**(165,021)**	**(109,540)**
Total Comprehensive Income for the period		**(165,021)**	**(109,540)**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Total
	£	£
Group		
Balance at 1st September 2016	-	-
Deficit from the income and expenditure account	(165,021)	**(165,021)**
Total comprehensive income for the period	(165,021)	**(165,021)**
Balance at 31st July 2017	**(165,021)**	**(165,021)**
College		
Balance at 1st September 2016	-	-
Deficit from the income and expenditure account	(109,540)	**(109,540)**
Total comprehensive income for the period	(109,540)	**(109,540)**
Balance at 31st July 2017	**(109,540)**	**(109,540)**

Balance Sheet as at 31 July

	Notes	Group	College
		2017	2017
		£	£
Fixed assets			
Tangible fixed assets	12	5,367,188	-
Intangible assets	13	28,683	28,683
Investments	14	-	1
		5,395,871	**28,684**
Current assets			
Trade and other receivables	15	333,620	60,861
Cash and cash equivalents	19	139,618	124,223
		473,238	**185,084**
Less: Creditors – amounts falling due within one year	16	(592,548)	(323,308)
Net current liabilities		**(119,310)**	**(138,224)**
Total assets less current liabilities		**5,276,561**	**(109,540)**
Less: Creditors – amounts falling due after more than one year	17	(5,441,582)	-
Total net liabilities		**(165,021)**	**(109,540)**
Unrestricted reserves			
Income and expenditure account		(165,021)	(109,540)
Total unrestricted reserves		**(165,021)**	**(109,540)**
Total reserves		**(165,021)**	**(109,540)**

The financial statements on pages 25 to 46 were approved and authorised for issue by the Corporation on 14th December 2017 and were signed on its behalf on that date by:

A Efunshile
Chair

J Button
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	Period ended July 2017 £
Cash inflow from operating activities		
Deficit for the period		(165,021)
Adjustment for non cash items		
Depreciation and amortisation		62,206
(Increase) in debtors		(220,025)
Increase in creditors due within one year		432,552
(Decrease) in creditors due after one year		(176,849)
Expense incurred on acquisition of subsidiary		116,543
Taxation		-
Adjustment for investing or financing activities		
Investment income		(13)
Interest payable		4,273
Net cash flow from operating activities		**53,666**
Cash flows from investing activities		
Investment income		13
Cash of subsidiary		10,569
Payments made to acquire intangible assets		(31,290)
		(20,708)
Cash flows from financing activities		
Interest paid		(4,273)
Interest element of finance lease rental payments		-
New unsecured loans		110,933
		106,660
Increase in cash and cash equivalents in the year		**139,618**
Cash and cash equivalents at beginning of the year		-
Cash and cash equivalents at end of the year		**139,618**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The accounting period is over 11 months as the College was incorporated on 1st September 2016.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Backstage Centre Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The results of Backstage Centre Ltd has been included for the six months period from 1 February 2017, when it was acquired by the College, to 31 July 2017. All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has £263,000 of loans outstanding with CCSkills Limited on terms negotiated in January 2017. In addition, the College secured a £650,000 working capital loan from the DfE in August 2017. The two loans will need restructuring because of the substantial revision to student numbers that has impacted on the College's ability to meet the original repayment schedules. The agreement with CCSkills Limited include the option to restructure repayments and a business case for restructuring loan repayments was submitted to the DfE in November 2017 for consideration together with the request for 16 -18 learner-responsive funding based on the College's planned numbers given its start-up nature.

Notes to the Accounts

In addition, the College's revised financial forecasts, updated in October 2017, indicate that it will need to secure additional credit facilities in the course of the next twelve months to cover the expected cash shortfalls arising from January 2019 and peaking at £530,000 in September 2020 before returning into positive balances from March 2022. Currently, there is no overdraft facility in place to cover the projected cash deficits but efforts are ongoing to secure a sufficient credit facility well ahead of January 2019. The process of arranging a credit facility is expected to take some time as the related issues of ESFA funding models and loans restructuring will need addressing in harmony.

The combination of the negative cashflows from January 2019, ESFA funding model, loan restructuring plans and planned income based on new markets raise a substantial doubt about the College's ability to successfully implement its medium to long term business plans. However, the board of governors are taking steps to mitigate the uncertainties by engaging actively with CCSkills Limited, DfE and ESFA regarding these matters as well as exploring options for additional credit facilities. Therefore, there is a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason is adopting the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

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

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

Grants 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

Capital grants from government and charitable donors 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.

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.

Notes to the Accounts

Other income

All other income is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by a private pension scheme which is a defined contribution plan funded by the College and its employees.

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. All employment benefits are incurred by the subsidiary company and recharged to the College.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Long Leasehold – 125 years the period of the lease
- Refurbishments – 10 years

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- technical equipment 6 years
- computer equipment 3 years
- fixtures and fittings 10 years
- furniture 5 years

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

Intangible assets

Intangible assets such as software developments costs costing more than £5,000 are capitalised at costs and depreciated on a straight-line basis over its remaining useful economic life as follows:

- website development 4 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

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.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Cash and cash equivalents

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

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

Financial instruments

Financial assets and liabilities 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 College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

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

Notes to the Accounts

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

2 Funding body grants

	Period ended 31 July	
	2017	2017
	Group	College
	£	£
Recurrent grants		
Education and Skills Funding Agency - apprenticeships	65,687	65,687
Specific Grants		
Releases of government capital grants	60,809	-
Total	**126,496**	**65,687**

3 Tuition fees and education contracts

	Period ended 31 July	
	2017	2017
	Group	College
	£	£
Fees for FE loan supported courses	46,079	46,079
Total tuition fees	46,079	46,079
Education contracts	16,350	16,350
Total	**62,429**	**62,429**

4 Other grants and contracts

	Period ended 31 July	
	2017	2017
	Group	College
	£	£
UK based charities	243,000	243,000
Total	**243,000**	**243,000**

Notes to the Accounts

5 Other income

	Period ended 31 July	
	2017	2017
	Group	College
	£	£
Other income generating activities	423,486	-
Other grant income	10,890	10,890
Miscellaneous income	18,022	18,022
	452,398	**28,912**
Total		

6 Investment income

	Period ended 31 July	
	2017	2017
	Group	College
	£	£
Other interest receivable	13	-
	13	**-**
		-

7 Staff costs - Group and College

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

	2017 No.
Teaching staff	3
Non teaching staff	14
	17

Staff costs for the above persons

	2017 £
Wages and salaries	227,931
Social security costs	21,103
Other pension costs	16,146
Payroll sub total	**265,180**
Contracted out staffing services	133,831
	399,011

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, interim Vice Principal Finance and interim Vice Principal Curriculum.

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

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

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

	Senior post-holders 2017 No.
£70,001 to £80,000	1
	1

The two interim Vice Principals were engged on temporary agency contracts at a total cost of £84,536.

7 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2017
	£
Salaries	159,536
Employers National Insurance	9,228
Benefits in kind	-
	168,764
Pension contributions	-
Total emoluments	**168,764**

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

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

	2017
	£
Salaries	75,000
Pension contributions	-

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses in the sum of £72 incurred in the course of their duties.

Notes to the Accounts

8 Other operating expenses

	Period ended 31 July 2017 Group £	2017 College £
Teaching costs	32,935	32,935
Non teaching costs	307,262	141,881
Premises costs	116,557	4,863
Total	**456,754**	**179,679**

Deficit before taxation is stated after charging:	**2017 £'000**
Auditors' remuneration:	
Financial statements audit*	23
Hire of assets under operating leases	6

* includes £17,100 in respect of the College.

9 Acquisition expenses

	Period ended 31 July 2017 Total £	Unrestricted Funds £
Tangible fixed assets:		
Leasehold land and buildings	5,100,448	5,100,448
Fixtures and fittings	316,922	316,922
Cash	10,569	10,569
Current liabilities	27,555	27,555
Loans	152,000	152,000
Deferred capital grants	5,375,497	5,375,497
Net liabilities	**127,113**	**127,113**

On 31 January 2017, the College acquired the share capital of Backstage Centre Limited and became the sole member of the company taking full control of all of its trading activities and assests and liabilities at a cost of £127,113 being the excess of the fair value of the liabilities assumed over the fair value of the assets received.

The substance of the transfer is that of a gift and it has been accounted for on that basis. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net expenditure in the Statement of Comprehensive Income

Notes to the Accounts

10 Interest payable - Group and College

	Period ended 31 July 2017 £
On bank loans, overdrafts and other loans:	4,273

11 Taxation - Group only

	2017 £
United Kingdom corporation tax at 19 per cent	
Provision for deferred corporation tax in the accounts of the subsidiary company	-
Total	**-**

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies.

12 Tangible fixed assets (Group)

	Land and buildings Long leasehold £	Equipment £	Total £
Cost or valuation			
At 1 September 2016	-	-	-
Assets acquired through business combination	5,112,196	314,591	5,426,787
At 31 July 2017	**5,112,196**	**314,591**	**5,426,787**
Depreciation			
At 1 September 2016			-
Charge for the period	21,198	38,401	59,599
At 31 July 2017	**21,198**	**38,401**	**59,599**
Net book value at 31 July 2017	**5,090,998**	**276,190**	**5,367,188**
Net book value at 31 July 2016	-	-	-

There were no tangible fixed assets belonging to the College as at 31 July 2017.

13 Intangible fixed assets (College)

	Intangible	Total
	£	£
Cost or valuation		
At 1 September 2016	-	-
Additions	31,290	31,290
At 31 July 2017	**31,290**	**31,290**
Depreciation		
At 1 September 2016	-	-
Charge for the period	2,607	2,607
At 31 July 2017	**2,607**	**2,607**
Net book value at 31 July 2017	**28,683**	**28,683**
Net book value at 31 July 2016	-	-

14 Non current Investments (College only)

	College 2017 £
Investments in subsidiary companies	1
Total	**1**

The College owns 100 per cent of the issued ordinary £1 shares of Backstage Limited, a company incorporated in England and Wales. The principal business activity of Backstage Centre Limited is carrying out hiring of facilities and premises to the creative industry businesses.

15 Trade and other receivables

	Group 2017 £	College 2017 £
Amounts falling due within one year:		
Trade receivables	132,533	3,131
Prepayments and accrued income	201,087	57,730
Total	**333,620**	**60,861**

16 Creditors: amounts falling due within one year

	Group 2017 £	College 2017 £
Other loans	20,000	-
Trade payables	81,993	40,096
Amounts owed to group undertakings:		
Subsidiary undertakings	-	71,943
Other taxation and social security	67,425	-
Accruals and deferred income	199,555	103,734
Deferred income - government capital grants	116,040	-
Deferred income - other capital grants	25,000	25,000
Amounts owed to the ESFA	82,535	82,535
Total	**592,548**	**323,308**

17 Creditors: amounts falling due after one year

	Group 2017 £	College 2017 £
Other loans	242,933	-
Deferred income - government capital grants	5,198,649	-
Total	**5,441,582**	**-**

On 31 January 2017, Creative and Cultural Skills Limited, the founding organisation for the National College Creative Industries made a loan of £262,933 to Backstage Limited as part of the transfer of full ownership of the company to the College. The loan is repayable over five years from January 2018.

The loan is repayable over 5 years each Janaury from 2018 on an annual interest rate of 3% above the Bank of England base rate. Repayments are due as follows: 2018: £20,000; 2019: £50,000; 2020: £60,000; 2021: £70,000 and 2022: £63,000.

18 Maturity of debt

Other loans

Other loans are repayable as follows:

	Group 2017 £	College 2017 £
In one year or less	20,000	-
Between one and two years	50,000	-
Between two and five years	192,933	-
Total	**262,933**	**-**

Other loans at 3.25 per cent repayable by instalments falling due between 1 January 2018 and 1 January 2021 totalling £262,933 are secured on the Backstage Centre building.

19 Cash and cash equivalents

	At 1 August 2016 £	Cash flows £	Other changes £	At 31 July 2017 £
Cash and cash equivalents	-	139,618	-	139,618
Overdrafts	-	-	-	-
Total	-	139,618	-	139,618

20 Lease Obligations

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

	Group and College
	2017
	£
Future minimum lease payments due	
Other	
Not later than one year	5,726
	5,726
Total lease payments due	5,726

21 Events after the reporting period

There are no events after the reporting period

22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £72. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year.

CCSkills – the founding charity for National College Creative Industries

CCSkills Limited sponsorsed and invested in the creation of the College as one of the five national colleges established to deliver the skilled workforce of the future by delivering high-level technical training to key growth areas in the UK economy. Since 31 Janaury 2017, the College has operated independent of CCSkills Limited but two organisation are located at the Backstage Centre and share certain admin services.

Purchase transactions with CCSkills Limited in the year amounted to £16,921. There was a purchase ledger outstanding balance of £8,065 due to CCSkills at the year end.

White Light Limited – a company in which Mr B Raven, a governor is a director.

Transactions totalling £636 took place. There were no amounts outstanding at year end.

Backstage Centre Limited directly employs all staff with the exception of the Princpal, on behalf of the College and recharged payroll costs of £180,806 to the College during the period. In the same period the College charged Backstage Centre Limited £18,000 in management fees.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF THE NATIONAL COLLEGE FOR THE CREATIVE AND CULTURAL INDUSTRIES AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION (Continued)

Conclusion
We have carried out an engagement, in accordance with the terms of our engagement letter dated 25 October 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by The National College for the Creative and Cultural Industries during the period 1 September 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion
The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of Corporation of The National College for the Creative and Cultural Industries for regularity
The Corporation of The National College for the Creative and Cultural Industries is responsible, under the financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of The National College for the Creative and Cultural Industries is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity
Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement does not enable us to obtain assurance that we would become aware of all

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF THE NATIONAL COLLEGE FOR THE CREATIVE AND CULTURAL INDUSTRIES AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION (Continued)

significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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

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

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

RSM UK Audit LLP

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Date: 21 December 2017