



REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016

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 2015/16:

Trevor Wray Principal and CEO; Accounting Officer

Sue Wallis Deputy Principal

Tom Dannatt Vice principal until 30 April 2016

Board of Governors

A full list of Governors is given on pages 18-19 of these financial statements.

Sharon Stenton acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull HU1 2BN

Internal auditors

TIAA to 31 July 2016
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire PO13 0FQ

Bankers

Lloyds TSB Bank plc
2nd Floor
14 Church Street
Sheffield S1 2HP

Royal Bank of Scotland plc
86 Victoria Street
Grimsby DN31 1BG

Solicitors

Wilkin Chapman Grange
New Oxford House
Town Hall Square
Grimsby DN31 1EY

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REPORT OF THE GOVERNING BODY

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

The Corporation was incorporated as Franklin Sixth Form College. Subsequently the Secretary of State granted consent to the Corporation to change its name to Franklin College.

The College designation as the Sixth Form College for North East Lincolnshire formally became effective on the 1 April 2010. Its strategic role is underpinned by this special status.

Vision

The College's vision is to provide the best possible life choices for young people. To support learning and to ensure success.

Public Benefit

Franklin College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18-19.

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

The delivery of public benefit is covered throughout the Report of the Governing Body.

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment record for students and progression to higher education programmes
- Strong student support systems
- Links with employers, industry and commerce

Strategic Objectives

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.

The delivery of public benefit is covered throughout the Operating and Financial Review.

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

REPORT OF THE GOVERNING BODY (CONTINUED)

Strategic Objectives (continued)

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment record for students and progression to higher education programmes
- Strong student support systems
- Links with employers, industry and commerce

Franklin College, in common with all incorporated further education and sixth form colleges in England, is planning the delivery of its strategic objectives against the backdrop of both the Area Reviews of post-16 provision, and the possibility of further reductions in public expenditure following the Brexit decision. The College, working with Governors, staff and other stakeholders, is developing its plans to successfully deliver its provision within the funding envelope announced in November 2015, that should see the current methodology and absolute level of funding held until 2020. This will represent a challenge, but having seen considerable growth in student numbers since September 2015, with a growing reputation compared with other providers in our travel to study area, and with good financial planning and monitoring, we are confident about our ongoing financial viability over the coming five years.

The Government's Review of Post-16 Education and Training is now well under way, although to date (October 2016) none of the outcomes of these reviews are in the public domain. The objective remains 'to move towards fewer, larger, more resilient and efficient colleges'¹, and Franklin College (as part of the Area Review of Greater Lincolnshire) will submit its proposals and be advised of the Area Review's recommendations by Easter 2017. We have ensured that staff and Governors have been well-briefed on the process and possible outcomes of a Review, and senior staff have ensured that we are well-informed on the emerging picture through connections with our professional associations and providers who have completed their Review. Governors have already made a clear statement that they wish the high-quality provision at Franklin College to continue, and for real choice to be available to young people and their families at age 16. We are exploring options that allow us to retain the College incorporated status, and which include greater, strategic collaboration with sixth form colleges in the region.

Implementation of the Strategic Plan

(a) Strategic Ambitions 2015-2018

The College's Strategic Ambitions for 2015-2018 have been developed following consultation with students, staff and Governors, and constitute the objectives for Franklin College for the duration of the Strategic Plan. There are six Strategic Ambitions:

1. Student Success

Aim: To ensure that students achieve the best possible outcomes on all Study Programmes

Strands

- To inspire, challenge and motivate all our students to have the highest aspirations, and to achieve challenging progression aims, regardless of their prior attainment
- To promote high standards and set high expectations to enable all students to achieve their best
- To provide outstanding teaching, learning and assessment for all students on all courses
- To ensure all groups of students achieve to their full potential by identifying and removing any barriers that prevent equality of outcomes.

¹ *Reviewing post-16 education and training institutions: guidance on area reviews* (HM Government, August 2015) p3

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

- To ensure that all students have challenging and achievable individual learning goals, and can achieve these through timely and appropriate guidance and support
- To ensure that assessment is an effective diagnostic and predictive tool, and that target setting facilitates progress
- To ensure that all students make at least the progress that is expected of them, and to work with students and other teaching and support colleagues to stretch individual potential
- To enable independent, flexible learning outside the classroom through the appropriate use of resources
- To inform parents and carers regularly and clearly about progress against our aspirational expectations, and to engage them in supporting and motivating students to achieve their aspirational targets and progression goals
- To ensure that equality, diversity and inclusion is comprehensively promoted and that these themes are strongly prevalent across all aspects of College life.

2. Student Progress

Aim: To ensure that each student is given the best opportunity to achieve their individual career aims and that a culture of high aspiration is embedded across College

Strands

- To ensure students will have access to a range of enrichment and other opportunities as part of their Study Programmes that will inform them about progression pathways, and develop emotional resilience and employability skills
- To ensure students will be given high quality progression advice and guidance and will be encouraged to aspire to the most competitive progression routes
- To enable the College to build strong relationships with HE providers and Employers to provide the best opportunities for students including work-related learning
- To ensure that students will develop employability skills and emotional resilience which will give them a competitive advantage in securing the best HE places and employment opportunities
- To ensure that students will have subject-specific advice and guidance relating to employment and HE opportunities
- To ensure that the College's curriculum will be reviewed annually to ensure that it is responsive to the changing local and national employment context and meets student needs

3. Student Experience

Aim: To ensure that the College challenges students to broaden and deepen their experience to significantly improve their life chances

Strands

- To ensure that students will continue to be positive about their experience of College, and will provide constructive feedback to help the College improve provision and welfare
- Progress coaches, the tutorial programme, enrichment and curriculum lessons will continue to promote success and student satisfaction
- An outstanding enrichment and employability programme will challenge students and enhance employability skills
- The College will continue to be inclusive and learners will feel happy and safe, and that statutory obligations with regard to child protection, safeguarding and Prevent are met and exceeded
- The range of support services will be further developed to help students to succeed

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

4. Capacity to Improve

Aim: To build the capacity of staff to enhance student success, progress and future life chances

Strands

- To be recognised as a fair employer, recruiting, retaining and developing staff to have the skills and motivation to ensure outstanding student experiences, outcomes and progression
- To ensure that performance management and quality improvement processes swiftly and accurately identify any areas of underperformance and their causes, are addressed through swift and effective intervention, and result in rapid improvement
- To ensure that individual staff and teams are supported through relevant and appropriate staff development, coaching and mentoring
- To develop a sustainable approach to leadership and management through succession planning
- To develop the College's capacity to recruit, performance manage and deploy its human resources.
- To develop models of Governance that ensure that College leaders are challenged and held to account, within the context of a supportive and critically-friendly relationship.

5. Partnership and Community

Aim: To make a unique contribution to partnership working – locally, regionally and internationally

Strands

- Take a leading role in the delivery of effective partnerships with local educational and training providers and employers to enhance the achievement of young people
- To develop the Franklin Multi-Academy Trust to be a significant engine for the improvement of educational standards in the area, at primary, secondary and tertiary phases – building on best practice of members and working collaboratively to intervene as appropriate and required
- To develop and expand the College's international partnerships to ensure that recruitment of students from outside the UK builds into a dynamic, successful and sustainable aspect of the College's provision
- To develop and effective marketing and schools liaison strategy and operation that ensures young people and their families/teachers are well-informed about what the College can offer, and which maps out and creates an application pathway designed to maximize recruitment and ensure that students choose the right course for their ambitions, academic potential and career pathway
- To promote the opportunities for young people to contribute and enhance their local community
- To provide a platform for young people to engage with stakeholders and the wider community to influence policy and practice.

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

6. Sustainable Future

Aim: To ensure a successful and sustainable future through the effective management, marshalling and use of financial and human resources

Strands

- To develop and implement financial and operational planning to ensure that the College achieves an income and expenditure account surplus by 2017-18, and to maintain positive cash generation from ordinary activities from 2015.
- To remain financially sound so as to deliver its strategic ambitions by:
 - protecting itself against unforeseen adverse changes in learner recruitment and/or changes to the funding methodology
 - generating sufficient income to enable maintenance and improvement of its accommodation, IT infrastructure and other resources
 - building in flexibility and resilience to enable the College to react to potential opportunities
 - maintain the confidence of students, staff, external partners, regulatory bodies, funders and auditors

Specifically these ambitions will be achieved by:

- Maintaining a sound financial base (solvency and liquidity)
 - Adopting systems and policies to ensure sound financial management
 - Maintaining the confidence of funding bodies, suppliers, regulatory bodies, auditors and other professional advisors
 - Raising awareness of financial issues
 - Maintaining College assets, accommodation and equipment
-
- To develop the risk appetite of managers and Governors such that opportunities for development, partnership and structural change can be taken as appropriate
 - To make best use of available funding to meet the resource needs of students and staff
 - To develop and operate effective welfare, health and safety policies and practices in consultation and collaboration with all staff. Being proactive on all matters relating to welfare, health, safety and wellbeing through a dedicated cross-College group
 - To develop the College's estate and other resources to maximise available capital and revenue funding designated for that purpose, and to seek grant-funded and other capital funding opportunities (including through the LEP, EFA and European Funding)
 - To develop environmentally sustainable approaches within the College in order to set an example to learners, and to ensure best value for the College
 - To ensure that everyone feels safe at the College, and that all legislative requirements are fulfilled

(b) Operating Review, Key Developments and Strategy

The College Corporation approved the three year Strategic and Plan 2015-2018 in July 2015, and has recently completed an interim review in September 2016. The Strategic Plan is consistent with, and underpins, the College Two Year Finance Plan 2016-2018. The College will continue to review strategy as the full impact of the changing political and economic climate become clearer. The maintenance of 16-19 funding and methodology at November 2015 rates until 2020 has been noted above, and in addition Franklin will plan for potential further funding reductions. The College's plan to manage these changes includes a consolidation of staffing and structures (following an extensive review and restructuring in 2015/16), its curriculum and services, including reviewing pay and non-pay costs as well as developing a wider range of other income generating and partnership activities.

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

Student outcomes for all students (whether 16-18 or 19+) are now around the high national average for sixth form colleges. The recent Ofsted inspection (in April 2013) assessed the College as being **Good** (with Outstanding features), and made specific favourable reference to both the quality of teaching, learning and assessment, and leadership and management. Since the 2013 inspection, the College has continued its focus on improving the quality of student outcomes. We are awaiting the formal outcome of the most recent Ofsted inspection in 2016, and expect that the high achievement rates at A level, Level 3 Certificate and Diploma, L2 vocational provision, high added value and positive destinations for our students, to feature positively.

i. 5-19 Provision: Partnership

With all local secondary schools being effectively independent of the local authority (all are now members of multi-Academy trusts [MATs]), the College has developed a strategic approach to 11-19 partnerships. In response to the diminished role of the Local Authority, the College is committed to developing partnership models that enhance and support educational attainment and aspiration, and developing clear guidance and progression pathways that make a positive contribution to individual economic well-being and wider economic regeneration.

The College's support for local schools in 2015/16 included wider collaborative working through a series of TeachMeet groups, strategic engagement with the Humber Teaching School for Initial Teacher Training and continual professional development relating to post-16 provision, and service level agreements to deliver core services to local secondary schools.

The College has a history of good partnership working with most of the ten secondary academies in North East Lincolnshire and other schools in northern Lincolnshire, and members of the College Leadership Team are on the governing bodies of several secondary academies in the area (including as Chair and Vice Chair).

In addition to the work we have and continue to do with secondary academies, the College is developing its links with primary schools in the area. In 2015/16 we delivered a wide range of enrichment activities (including sports) to local primaries, and ran a number of very successful Taster Days designed to raise aspirations amongst Y5 and Y6 pupils. Three members of the College Management Team are governors at primary schools and pre-school.

The College is seeking to expand and deepen its partnership working with certain primary and secondary academies, and this may include the delivery of specific business services through service level agreements, collaboration on issues concerned with teaching, learning and assessment, and on developing the capacity and capability of leadership and governance.

We are a key partner of the Humber Teaching School, where we provide post-16 experience to ITT and other trainee teachers. In addition, we have close links with Bishop Grossteste University in Lincoln and are a placement centre for their trainee teacher programmes.

ii. 16-18 Provision

The North East Lincolnshire 16 year old (Year 11) demography is now in decline. It is already falling and will plateau in 2016/17 at about 1,600, recovering slightly in 2019/20. The greatest proportion of the decline in student numbers will be borne by three secondary academies, leaving the other seven to have relatively stable rolls throughout this period. In northern Lincolnshire, the decline is more marked (-12% as against -7%). The College is the main provider of Level 3 courses in the area, particularly GCE A levels, and the numbers of young people able to access Level 3 is expected to increase, due to a combination of the raising of the participation age; employment prospects for 16 and 17 year olds, and the underlying improvement in KS4 outcomes. To meet these challenges, we have restructured our curriculum to make our provision more accessible and relevant to young people in the area.

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

The College competes with a wide range of local providers for 16-18 learners:

- Grimsby Institute of Further and Higher Education (GIFHE) recruiting mainly to Level 2 and Level 3 vocational programmes, and to L3 academic programmes through Career6, the sixth form of The 14-19 Academy Grimsby (TAG) which is part of the Grimsby Institute Group
- Tollbar Academy (now branded as Tollbar Sixth Form College) offering A level programmes
- The other local 11-18 Academies (Havelock and Immingham) with a small, varied Level 2 and 3 offer
- Comprehensive and Grammar schools in Louth, Market Rasen and Caistor (offering mainly GCE A level at Level 3).

The College has developed a wider range of vocational courses which provide improved access from the current arrangements in Key Stage 4, and offer successful progression pathways alongside (and in some cases combined with) GCE A levels and GCSEs.

In 2015/16 the College was required to include English and maths (including, or leading to, GCSE) in the Study Programmes of students who had not achieved a minimum of Grade C by the time they left secondary school. We have for many years delivered such provision to our Level 3 and Level 2 students – these are gateway qualifications for further study and employment – and have existing expertise in this area. Student success rates on English and maths qualifications was good, and we are continuing to deliver this provision to students in 2016/17.

The College has a strategy of growing 16-18 student numbers, and it should be noted that our marketing and extensive schools liaison operations generated more applications than was the case before 2014/15. These applications were converted into enrolments in September 2016 which resulted in Franklin College sustaining the growth of around 10% in 16-18 students achieved in 2015/16. The vast majority of 16-19 students are on full-time Study Programmes. This growth was achieved in the teeth of a declining cohort of 16 year olds and represents a significant increase in the College's share of the 16-18 market within the travel to learn area. The fact that applications were up last year from all schools and academies, and that the conversion rate into enrolments also increased, gives us confidence that this growth can not only be sustained but also built upon and increased further.

College accommodation and resources were sufficient in 2015/16 to successfully meet the additional student numbers. It should be noted however that we have an appetite for further capital expansion, provided that such costs are wholly met through grant funding.

Key developments 2016/17 include:

- Support and further develop the quality of teaching, learning and assessment across the College
- Focus on student outcomes, particularly in relation to added value and progression pathways

iii. Employer Engagement

The College has developed and is expanding strategic links with employers to support aspirational and sustainable progression pathways. These include successful Career Academies for Business and Finance, Law, Logistics, Health, and Science and Engineering under the national Career Academy UK programme (in 2015/16 the College was the national Career Academy of the Year, and one of our students was the Santander Career Academy Student of the Year). There are in development similar, College-designed programmes to enhance employability skills in Teaching, Media, Sport, and Performing Arts. Over seventy employer organisations support the Career Academy, and we have an active Local Advisory Board whose membership is drawn from a range of local employers providing mentors and internships for CA students.

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

We are active members of a number of local and regional networks (including the Humber Chamber), and have strong connections to the Humber Local Enterprise Partnership (LEP). The College (through the Principal) is an active member of the Humber LEP Employment and Skills Board (ESB). This connection has allowed the College to be pro-active in shaping its curriculum to match the strategic imperatives of the LEP, and has given us a platform from which to influence local policy with regard to (a) employer understanding of and engagement with education and skills; and (b) developing progression pathways for young people in North East Lincolnshire, particularly for higher level and graduate skills.

International Development

The College recruited a small number of fee-paying international students in 2015/16, mainly from China, Vietnam and South Korea. This aspect of our provision is being further developed for 2016/17.

Apprenticeships and Traineeships

Since 2013, the College has selectively grown its apprenticeship provision, and now supports about twenty apprentices on Level 2 and Level 3 programmes in Business Administration, Health, IT, and Retail. Our apprenticeship provision includes both 19-25 and 16-18 apprentices and we have identified the growth in the latter cohort as a strategic priority. The Skills Funding Agency have supported us in our ambition by including 16-18 apprenticeships and funded provision within our SFA allocation, and we have a Business Development unit who work with employers and promote apprenticeship opportunities. We have been successful in securing 16-18 apprenticeships for Franklin College students (as a progression pathway), and have shown our commitment to this pathway by employing our own apprentices. Traineeships for 16-18 year olds (Study Programmes) are a developing part of our provision, and these will be actively promoted as part of the College's provision during 2016/17.

19+ Provision

The College has focussed on the delivery of specialist areas of priority learning: full Level 3 for 19-25 year olds, foundation learning and full Level 2 in IT and Childcare. Despite high performance and our pursuit of priority learning, the College targets for 19+ funding have been reduced year on year in line with the national pattern.

(c) Quality Development

The College has a strong focus on improving outcomes for all students, with a particular emphasis on learner retention. Value added (the difference between qualifications on entry and what a student can achieve at the next tier of learning) remains a College strength. Investment in MIS skills and systems to support the tracking and monitoring of learner attendance has made a significant impact on quality processes. These systems are now entering maturity and will inform quality developments.

Key strengths identified include:

- Good success rates in GCE A and AS Level, and in vocational L3 and L2 qualifications
- Good progress made by learners, including good levels of added value (especially at A level)
- Good student support arrangements, including the monitoring of teaching learning and assessment and effective and timely interventions
- Good progression pathways for students leading to higher education destinations, into employment with training, and into further education and training
- Good teaching, learning and assessment
- Wide range of provision at L3 that meets the needs of a diverse range of students, and the needs of local employers
- Good social and educational inclusion
- Good financial management
- Increased provision of near real-time data for staff, students and Governors.

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of the Strategic Plan (continued)

Areas for improvement the College is addressing include:

- Further improvement to the tracking and monitoring of student performance, and enhancing the capacity of College staff to intervene promptly and effectively to improve retention and achievement
- Securing the College's capacity to improve by further increasing the capacity of leadership and management
- Further improve the quality of teaching, learning and assessment to achieve a higher proportion of high grades
- Replacement and refurbishment of College accommodation and resources, as funding allows.

Property Strategy

Working closely with LK2 Architects and Sutherland Consulting the College has produced a long term building maintenance plan. This, coupled with in house premises staff and small works contractors has enabled the College to take forward several capital projects including;

- Refurbishment of teaching and learning spaces including replacement of lighting, carpets and furniture
- Replacement of all first floor windows along the maths corridor
- Essential maintenance in teaching accommodation including re-decoration of all staff rooms
- Resurfacing of old tennis court car parking area due to deteriorating condition.

In addition with Hull University co-funded:

- Refurbishment of rooms 46,47 and 48 from a underutilised teaching space into a larger student learning and social space with Laptop facilities
- Relocation of the Progress Coaches to assist in supervision of above area, based in room 46.

Financial objectives

The College wishes to remain financially sound so as to deliver its strategic ambitions by;

- Protecting itself against unforeseen adverse changes in learner recruitment and/or changes to the funding methodology
- Generating sufficient income to enable maintenance and improvement of its accommodation, IT infrastructure and other resources
- Building in flexibility and resilience to enable the college to react to potential opportunities and threats
- Maintain the confidence of students, staff, external partners, regulatory bodies, funders and auditors.

Specifically these objectives will be achieved by:

Maintaining a sound financial base (solvency and liquidity) by aiming to:

- Achieve an operating surplus on the income and expenditure account in financial year 2017-2018
- Achieve an operating surplus as a percentage of income of between 3% and 5% by 2020
- Achieve an adjusted current ratio greater than 1.5:1 throughout the life of the plan and return to a current ratio of at least 1:1 by 2016-2017
- Ensure that pay as a percentage of income returns to at least 76% or lower across the life of the plan
- Total borrowing remains as a percentage of income of less than 40% throughout the life of the finance plan
- Maintain cash days of 25 or more throughout the life of the plan
- Reduce reliance on funding body income to less than 90% in financial year 2018-19.

These financial targets have been developed with a view to achieving a financial health score of 'Outstanding' within three years. However, the College management team and the Corporation recognise that, in the short-term, the priority over the life of the finance plan must be to return to a position of positive cash flow from ordinary operations. This will be achieved from 2016-17.

REPORT OF THE GOVERNING BODY (CONTINUED)

Adopting systems and policies to ensure sound financial management by:

- Producing timely management accounts on a monthly basis incorporating:
 - a) commentary including key risks
 - b) cost centre income and expenditure account
 - c) consolidated balance sheet (termly)
 - d) capital expenditure progress report
 - e) 12-month rolling cashflow forecasts
 - f) reports on the progress towards key performance indicators (including information relating to Human Resources)
 - g) financial management information relating to the College trading company (Franklin College Trading Limited)
 - h) regular treasury management activity reports
 - i) regular ad-hoc reports on the performance of specific business areas (e.g. catering and nursery operations).
- Ensuring that College financial regulations and procedures are in place, adhered to, and are periodically reviewed for appropriateness
- Strengthening procedures for testing the desirability and affordability of any proposals which have financial implications
- Adhering to the highest standards of regularity, including the implementation of a robust procurement policy
- Introducing post-implementation review procedures for assessing the success or otherwise of major investments
- Creating business plans, cost centres and project management structures to reduce the risk of lost opportunities.

Maintaining the confidence of funding bodies, suppliers, regulatory bodies, auditors and other professional advisors by:

- Providing financial and non-financial returns on time and in the agreed format (e.g. EFA Capital Fund returns, Value Added Tax returns, Office for National Statistics declarations, pensions and payroll related returns)
- Ensuring all returns requiring audit certification are unqualified (very positive Internal and External audit outcomes during 2015-2016)
- Ensuring competitive tendering is adopted for large scale projects above financial thresholds as described within college financial regulations
- Ensuring all suppliers of goods and services are paid within agreed credit terms.

Raising awareness of financial issues by:

- Providing advice, guidance and training to staff, management and governors on financial issues
- Seeking the views of budget holders and others on the effectiveness of the operational finance team and on the use of college resources
- Regular briefings by the Director of Services on the financial position to the College management team and Corporation.

Maintaining college assets, accommodation and equipment by:

- Ensuring an asset management plan is in place and up to date
- Ensuring adequate procedures are in place to protect assets from loss, theft and neglect, including regular reviews of the College's insurance portfolio
- Generating sufficient funds to ensure that the College's specified programme of planned maintenance, property strategy and CILT replacement policy can be implemented.

REPORT OF THE GOVERNING BODY (CONTINUED)

Financial results

The College Group ended the year with a deficit before tax of £824,000 and cash balances of £904,000.

During the year Franklin College Trading Limited continued the business of property development. The results of the College Trading Company are included in the consolidated financial statements. Supported by Franklin College as a wholly owned subsidiary, Franklin College Trading will continue for the foreseeable future.

Tangible fixed asset additions during the year 2015-2016 amounted to £192,000.

The College has significant reliance on the EFA (Education Funding Agency) and SFA (Skills Funding Agency) for its principal funding, largely from recurrent grants. In 2015-2016 these organisations provided 88% of the College's total income.

The College has in place a two year finance plan covering the period 2016-2018 that was approved by the Corporation in July 2016. The College management team and corporation recognise that, in the short-term, the priority over the life of the finance plan must be to return to a position of positive cash flow from ordinary operations beyond 2016.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the data available on the GOV.UK website which looks at measures such as success rates. The College also subscribes to the ALPS and Six Dimensions student progress performance measures. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA").

<u>Financial Health (EFA/SFA)</u>	2014/15	Good
	2015/16	Satisfactory
	2016/17	Good (forecast)

The College's Financial Health score was assessed as Satisfactory in 2015/16, following a revision of the scoring criteria. An identical auto-score using 2014/15 criteria would have adjudged Franklin to be Good.

<u>EBITDA (Education Specific)</u>	2014/15	-3.80%
	2015/16	3.22% (forecast)
	2016/17	4.45% (forecast)

EFA/SFA Minimum Standards of Performance

Student outcomes have been significantly above the EFA/SFA Minimum Standards since their inception.

Achievement Rates (previously 'Success Rates')

College achievement (previously Success) Rates are shown below:

	2013/14	2014/15	2015/16		All Institutions National Average	Variance to National Average
A Level	96	96	95		94	+1
Level 3 Certificate	87	86	90		81	+9
Level 3 Diploma	95	94	96		85	+11
GCSE Maths & Eng	85	90	85		82	+3
Level 2 Vocational	80	86	89		77	+12
Vocational L1 Diploma	73	89	87		83	+4

REPORT OF THE GOVERNING BODY (CONTINUED)

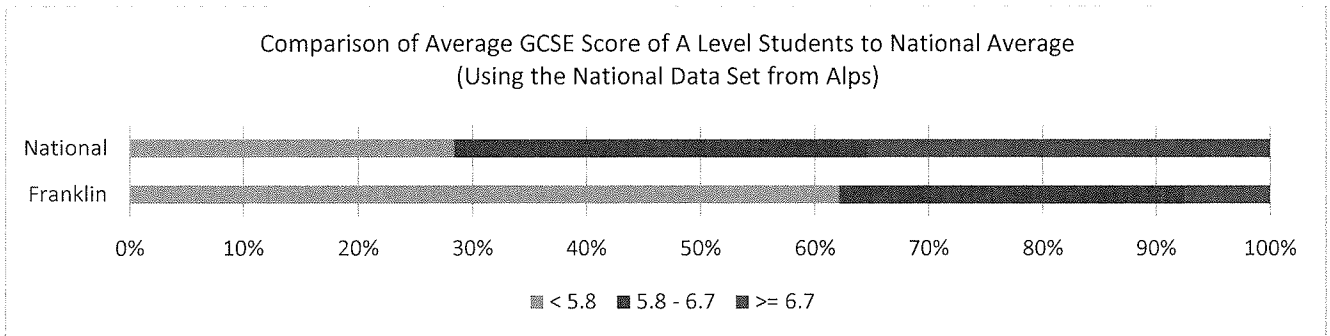
Performance Indicators (continued)

	2013/14	2014/15	2015/16	SFC National Average	Variance to National Average
A Level	96	96	95	95	0
Level 3 Certificate	87	86	90	87	+4
Level 3 Diploma	95	94	96	90	+6
GCSE Maths & Eng	85	90	85	89	-4
Level 2 Vocational	80	86	89	76	+13
Vocational L1 Diploma	73	89	87	90	-3

As can be seen able, student outcomes (as measured by Achievement) are at or (in most cases) exceed both the all institution and the sixth form college averages.

Student Progress and Value Added

Students make good progress on their Study Programmes relative to their starting points. The College uses the A Level Performance System (ALPS) for measuring value added at Level 3. This is national dataset and provides an aspirational set of individualised targets for students. As can be seen below, Franklin College’s policy of inclusion means that students on average start their A level qualifications with lower average performance at the end of Key Stage 4 in secondary school than is the case nationally, yet meet and often exceed the performance of more selective sixth form colleges, and school sixth forms.



Value added as measured by ALPS, is good. Franklin College’s ALPS A Level score for both 2014/15 and 2015/16 is 4. A score of 4 represents performance between the 60th and 74th percentile, and is described by ALPS as “very good”.

The Department for Education produces a 16-19 Value Added measure of their own, revised for 2015/16 student outcomes. Using this analysis, students at Franklin College make at least the progress expected of them by the Department, and in many cases exceed this.

Performance Against Funding Target

In terms of funding, the College grew significantly in 2015/16 relative to the year previously. Full-time 16-19 student numbers were 1,650 in 2015/16 – around 150 more than its EFA funded provision for the year. The College will recover this funding in 2016/17 due to the lagged nature of the methodology.

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.

REPORT OF THE GOVERNING BODY (CONTINUED)

Treasury policies and objectives (continued)

The College has a separate treasury management policy in place. This policy is regularly reviewed for appropriateness by the Corporation.

Any short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation. The College has no outstanding loan finance as at 31 July 2016.

Cash flows and liquidity

The College Group's cash position as at 31 July was £904,000 (2015: £1,342,000).

The reduction in cash of £253,000 (2014/15: £128,000 increase) from operating activities was in line with financial planning expectations. The net cashflow resulted from increased student numbers in the period which resulted in an increase in operating costs. The College will recover this increase in funding in 2016/17 due to the lagged nature of funding methodology.

The College had no borrowings to report in the period and has structured its approach to placing funds on deposit to maximise interest rates available while ensuring funds are available to meet planned operations.

Reserves policy

The College recognises the importance of reserves in the financial stability of an organisation, whilst ensuring resources are provided for the College's core business. The College is in the process of formulating a reserves policy to establish appropriate levels of free reserves to ensure the Colleges main operations would continue during a period of change or uncertainty. The College currently has no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserves stand at £2,899k (2015: £4,160k). It is the Corporation's intention and focus to increase the College's reserves over the life of the Strategic Plan.

Events after the end of the reporting period

In October 2016, Franklin College was the subject of a full inspection from Ofsted. Despite student outcomes being above benchmark for the College's provider group for A level, vocational Level 3 Certificate and Diploma, GCSE and Level 2 Certificate and Diploma, and with value added at A level being within the top 40% of all providers, inspectors concluded that the College's overall effectiveness Required Improvement. This was largely based on student outcomes for AS level (even though value added was good). This is a qualification that Franklin no longer offers in any significant volume. Inspectors recognised that the College understood those areas that required further development, and that our assessment of performance was accurate and timely. It was further acknowledged that the curriculum met the needs of employers, and that student progression to positive destinations was good. The College will continue to pursue its action plan for quality improvement, and will build on the good qualification and personal outcomes achieved by students. Feedback from employers, parents, young people and other stakeholders remains positive. The College has made appropriate financial provision to ensure that investment in staff development, teaching and learning and resources are appropriate to achieve its targets and ambitions for 2016/17.

Resources:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site.

Financial

The College has £4.2 million of net assets including £1.8 million pension liability.

People

The College employs 163 people (expressed as full time equivalents), of whom 93 are teaching staff.

Reputation

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

REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Accounting Officer and College Leadership Team receive regular reports from the College's Internal Auditors and other sources of assurance. From this information they 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 subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Audit Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

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

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

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2015/16, 88% 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.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College remains focussed on providing accessible education for the local community
- Regular dialogue with funding bodies

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.