East Surrey College

REPORT AND FINANCIAL STATEMENTS
FOR THE
YEAR ENDED 31 JULY 2013

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OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2013.

Legal Status

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

Corporation Name

The Corporation was incorporated as East Surrey College on 1 April 1993.

Mission

The College's mission as approved by its Members for 2012/13 is:

- Providing inspirational, high quality education and training which meets the needs of individuals, employers and our local community.

East Surrey College aims for 2012/13 are:

- To be an outstanding provider of further and higher education and training

The College's values for 2012/13 are:

- Clarity, Quality, Responsibility, Openness, Innovation and Aspiration

Implementation of Strategic Plan

Following the annual review of its Strategic Plan which involved key external stakeholders, staff and students, the College redefined its Strategic Aims for the period 2012-2013. The Corporation monitors the performance of the College against these aims. The College's specific strategic objectives for 2012/13 were to achieve:

- Outstanding learner success by having success rates that place the College in the top 10% of providers for 16-18 and 19+
- Increased participation of young people in vocational learning by achieving 600 14-16 students, 1,591 16-18 FE students and 36 16-18 Apprentice starts by 31 July 2013
- Innovative and flexible solutions to adult and employer learning and training needs by achieving 179 HE learner enrolments, 1612 19+ FE students, including Apprentices and Workplace NVQ students and 4,504 Adult and Community Learner ('ACL') enrolments in partnership with the WEA
- First class training resources by achieving effective utilisation of the Gatton Point South site, daytime room utilisation of the Gatton Point North site of 80% and Gatton Point South of 40%
- Shared services progressed to parallel running stages
- Support for entrepreneurial activity by achieving full cost income of £478k and Skills Academy status for 2 areas
- Value for money in the use of public funds by achieving an operating surplus before interest of £606k (excluding FRS17 adjustment), cash days in hand of 23.7 and pay costs comprising 61.9% of income

The College has reviewed progress in 2012/13 against specific targets within the strategic plan with outcomes as follows:

- The College was graded 'Good' at its last OFSTED inspection in January 2009. The College has taken account of the requirements of the new OFSTED inspection framework and continues to propose a self assessment grade of 'Good' for 2012/13. This grade is subject to a rigorous moderation process, culminating in a final external moderation at the beginning of December 2013.

OPERATING AND FINANCIAL REVIEW (continued)

- As planned, the College successfully exceeded its EFA funding target of 1,536 16-18 students plus 2 16-18 and 3 19-24 high needs learner by delivering to 1,617 16-18 students, 5 16-18 high need and 7 19-24 high needs students. The College achieved this through strong recruitment in September 2013 and in-year recruitment to its Kickstart programme and other Youth Centre initiatives under NEET prevention activity. This is well on the way to its ambitious planned growth target of 1,703, which is the target for 2013/14. Current 16-18 enrolments for 2013/14 are currently in excess of 1,670.
- The College achieved 1,716 Adult classroom based FE students against last year's outturn of 1,587, but against a reduced target of 1,411. Due to changes in the SFA funding methodology, the Supported Learning students continued to move away from enrolling onto classroom based qualification courses in Life and Living Skills provision to Adult Community Learning courses. The College entered into a subcontracting relationship with The Learning Curve to deliver part time courses in its Caring Services department, with the value that this route offered for successful, complementary, blended learning provision.
- The College exceeded its 16-18 Apprentice enrolment, attracting 42 starts, and attracted an increase in grant in year. 81 19+ Apprentice starts were also generated, working with a new subcontractor MIT Ltd, a significant increase compared to the previous year. Workbased NVQ recruitment has again been extremely challenging, with only 26 starts compared to the 179 planned, generating income of £102k compared to £139k in 2011/12. The College has also been engaged in an ESF subcontract to Central Sussex College, on behalf of GFE South Colleges, called 'Training Works', achieving 101% of target recruitment.
- The College worked with the WEA, for both its 'Formal First Steps' and Adult Community Learning activity. Non regulated Formal First Steps provision of £120k has been recorded by the College, the WEA and Surrey Care Trust, through increased responsiveness to referrals from the local Job Centre Plus and working in schools and with volunteers. Adult Community Learning was delivered to nearly 3,600 students by both the College and the WEA, compared to the 2,740 planned under the reduced grant. Fee targets from College students able to pay their way were achieved in the year and recruitment of "targeted" groups (predominantly students with learning difficulties and disabilities and those categorised as Hard to Reach) was again achieved. The College was also successful in receiving a National Careers Service contract during the year, under which it delivers impartial careers advice to adults.
- The utilisation of the Gatton Point rooms was as planned and the College has further developed the Gatton Point South site for Plumbing and the creation of a new Hub for high needs students in Autumn 2012. The planned IT upgrade of the site for September 2012 was achieved and by introducing the Virtual Desktop technology in year, over 200 Thin Clients were successfully installed in Summer 2013, thus creating savings in future years.
- The College has carefully managed its costs in year leading to pay costs of 63.4% of income (2011/12 - 65.2%) and a surplus before exceptional interest of £404k (2011/12 - £427m) being achieved. Turnover has increased from £15.1m to £16.3m.
- In July 2012, the College notified HMRC of its decision to unravel the College's Lennartz mechanism as at 31 July 2012 and this was paid down in August and September 2012. On 31 July 2012 the College also drew down the committed £5.7m bank loan. As at 31 July 2013 therefore, cash days in hand has reduced from 183 as at 31st July 2012 to 30, however the current ratio has increased from 0.97 to 1.03. The College's financial health has therefore improved from Satisfactory to Good.
- The College is a member of the SISSC Ltd, a shared services company set up for 7 Colleges in Sussex and Surrey. In June 2013, the College was the first provider to 'go live' with the shared Finance system and is currently parallel running the HR and Payroll system. The College assesses the project as one which will generate savings in licence and support costs and has high commercial potential.

Financial objectives

The College's financial objectives, set in July 2012, were:

- to generate sufficient operational inflow to ensure that the College's strategy can be effectively implemented and the long term loan of £5.7m and its covenants can be maintained
- to be responsive to anticipated reductions in grant funding by creating additional income streams
- to achieve VFM targets, which are set within sector benchmark e.g. pay as a % of income
- to ensure 'Good' financial health by 2012/13

OPERATING AND FINANCIAL REVIEW (continued)

The College monitors its own performance through a monthly KPI dashboard under the following indicators:

- Recruitment of learner numbers to targets for all priority funding streams
- Tuition fee income collected
- Staff FTEs and working time lost
- Net borrowing
- Operating surplus or deficit
- Employer engagement income
- Attendance and Retention for long funded programmes
- Class size
- Lesson observations grading profile

In addition, the above indicators together with learner views, progress against quality improvement plans, teaching quality and learner feedback (compliments and complaints) are reviewed at termly Performance Review meetings, using a KPI dashboard monitoring system for each academic department that feeds into the overall College KPI dashboard, adding extra rigour to the monitoring process. Termly Performance Reviews are chaired by the Principal with governors usually in attendance.

Performance indicators

FE Choices, formerly the "Framework for Excellence", has 4 key performance indicators:

- Success rates
- Learner destinations
- Satisfaction Survey, formerly learner views
- Satisfaction Survey, formerly employer views

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these for 2012/13 through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of 'Good' is considered acceptable.

FINANCIAL POSITION

Financial results

The College generated an operating surplus before exceptional items of £404k in the year (2011/12– surplus of £427k) as shown on page 19. The College received an increase of its grant and learner allocation from the Educational Funding Agency for 16-18 year olds and, working with subcontractors, was able to meet its full SFA single adult grant allocation. The College was successful in delivering its first year of a contract from Surrey County Council involving closer working with its Youth Support Service, for NEET reduction work, transitioning young people from school to work with training or College.

The College has accumulated reserves of £49,632k (2011/12 - £50,041k). Cash balances at 31st July 2013 were £1,174k (2011/12 - £6,468k). The cash balance as at 31st July 2013 was lower than the same time last year as, having drawn down the £5.7m loan commitment on 31st July 2012, the College's Lennartz VAT mechanism of £4,827k was paid in August 2012.

Fixed asset additions of £823k were incurred in the year for significant roofing works and IT infrastructure and equipment at Gatton Point South and the installation of a new Hub for learners with disabilities and learning difficulties following the award of an EFA Enhanced Renewal grant. The final retention for Gatton Point was agreed for payment in December 2013.

The College has significant reliance on the Skills Funding Agency/EFA for its principal funding source, largely from recurrent grants. In 2012/13 the Skills Funding Agency/EFA provided 85.6% (2011/12 – 85.3%) of the College's total income.

OPERATING AND FINANCIAL REVIEW (continued)

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate Treasury Management Policy in place.

The College currently has a remaining balance on the long term loan of £5.4m. Future borrowing requirements require the authorisation of the Corporation.

Cash flows

Operating cash inflow of £836k was generated (2012: £1,154k). Net debt increased by £167k to £4,226k as the College invested in the Gatton Point South site in order to accommodate future planned growth in on-site daytime full time learners.

Liquidity

During the year the monthly operating cash inflows comfortably exceeded the College's outgoings. Due to the possibility that the final retention payment for Gatton Point could have been required to have been paid between 15th July and 15th August 2013, a very short term overdraft facility of £300k was approved by the Corporation, however as the retention payment was not made, this was not subsequently required.

From 1 August 2012, the repayments of the new College borrowing at a fixed interest rate enable the College to forecast a reasonable cushion between the total cost of servicing debt and operating cash inflow, assuming that planned, unfunded, learner growth remains within planned limits.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2012/13 the College delivered training to 1,617 16-18 year olds, compared to 1,556 in 2011/12 and against its allocation of 1,536. The benefit to recruitment of the new campus at Gatton Point, ongoing investment at Gatton Point South, sustained good quality and choice of provision and an increase in courses starting mid year contributed to this increase. In addition, the College delivered training to 1,716 classroom based 19+ students compared to its own target of 1,411. The College also delivered provision to over 486 14-16 students from local schools, 109 work based students, 120 students through HEFCE funded programmes through subcontracting arrangements with Guildford College and the Centre for Work Based Learning of Brighton University, 664 Formal First Steps and 3,594 Adult Community Learning funded by the Skills Funding Agency. A number of full cost courses also ran including some additional professional courses.

College Achievements

The College received its Ofsted Inspection in January 2009. It was recorded that the effectiveness of provision, capacity to improve, achievement and standards, quality of provision and leadership and management were all Good. The College has continued to monitor improvements in both Curriculum and Support departments through Quality Improvement Plans which continue to rigorously challenge all areas to continually improve with particular emphasis on any areas of under-performance. Support department Service Level Agreements were revised in-year and also monitored for progress through the College Quality and Performance Review process, with reporting to the Governors' Learning and Quality Committee.

The College achieved re-accreditation of its Client Services department under the new Matrix accreditation and also the Buttle UK Award for promoting aspiration for looked after children and Care leavers. Skills Academy status for Adult Social Care continues and the JAMES re-accreditation for the music industry was also gained in year. The College was successful in gaining its first ever direct HEFCE contract for 2013/14.

Student Achievements

Retention continues to rise and is confirmed at 89% for Long qualifications, 1% above national rates. Achievement and Success rates are finalised with the overall position of 84.3% increasing from 83.4% in 2011/12 continuing to sustain an upwards position over 5 years. Particularly strong increases in success rates have been noted at Level 2 (+4%), and Level 3 (+6%).

Curriculum Developments

The College offers a broad curriculum to young people and adults, that extends from Entry Level to Higher Education provision (Pre-entry to Level 5). Provision is in the main Subject Sector Areas of:

- Art, Media and Design (including some Floristry)
- Business and IT
- Construction and the Built Environment
- Engineering including Motor Vehicle Engineering
- Hair Dressing and Beauty Therapy
- Health and Social Care and Childcare
- Modern Foreign Languages (Adult Community Learning)
- Preparation for Life and Work
- Public Services and Sport
- Skills for Life, including ESOL
- Travel and Tourism / Airport Operations
- Adult and Community Learning, including Formal First Steps
- Teaching

The curriculum continues to develop to ensure that there is a balance of provision between the levels and that there are clear progression routes in all curriculum areas that meet local employment and higher education needs. Emphasis has been placed on developing a quality vocational offer targeted at both 16-18s and 19+ adult students as well as priority groups such as those not previously in education or employment with training with notable successful outcomes. There is a continuing drive in curriculum planning to raise class sizes to ensure more efficient use of staffing and material resources as well as to provide more variety in the Curriculum offer. From September 2012 Full and Part Time Plumbing courses, Chartered Institute of Marketing and Access to Nursing started, with considerable recruitment and success and from September 2013, further Plumbing levels have been added alongside a wider range of HE courses, including a B.Sc. Top up degree in Business Management and new HNDs in Theatrical Make up and Aviation Management, courses which were developed in 2012/13.

The College has continued to develop its work with local schools by directly contracting to accommodate over 480 14-16s in vocational courses at the College. This is believed to be the highest level in Surrey colleges. The College is very active in the three 14-19 Learning Networks that span East Surrey, Mole Valley and Tandridge and middle and senior managers participate in a variety of meetings and other collaborative events. In 2012/13, the College continued its close collaborative working with local schools through its Springboard programme, delivery in 4? local Youth Centres and was successful in delivering outcomes in partnership with schools, the first of a 3 year project to ensure effective transition for Year 2011/12 learners at local Surrey schools.

The College also delivered provision to a number of adults referred by Job Centre Plus under their mandatory referral scheme or under Formal First Steps programmes and, in association with the GFE South member Colleges has commenced delivery under the new Training Works programme to low skilled employed workers. A substantial increase in mandated students, rising from 21 in 2011/12 to 96 in 2012/13, were able to be placed on suitable courses.

OPERATING AND FINANCIAL REVIEW (continued)

The College continues to engage with the Surrey County Council with regard to its provision for students with learning difficulties and/or disabilities and developed a 'Hub' for a small number of students with disabilities and learning difficulties, who commenced in Autumn 2012. There continues to be partnership working with specialist providers and agencies including the RNIB and Young Epilepsy.

The College has made significant progress in increasing its Full Cost provision, and in year commenced delivery of the Police and Community Law course, widely respected within the community. Other full cost programmes such as Certificate in HR Practice proved popular for 2012/13.

The College continues to be an active partner in the Gatwick Diamond and is part of the Inspire group which brings together employers, employers' organisations and other key players to promote skills development and employment in the region, including entrepreneurial activity. The College enjoys a highly productive relationship with the University of Brighton who validate its Foundation and new B.Sc. Top Up degree programmes.

The College delivered Adult Community Learning, including Formal First Steps across East and Mid Surrey including Reigate and Banstead, Epsom and Ewell, Dorking and the Mole Valley to 4,300 students. The Gatton Point site was again open on Saturdays, which attracted nearly 800 adult students to the College and the WEA increased its presence in the Epsom area. A third of the delivery is from the Workers' Educational Association in a sub-contract arrangement and additionally, in 2012/13 a small subcontract to Surrey Care Trust was awarded for the delivery of un-regulated Formal First Steps provision.

The College continues to benchmark the quality of its provision and progress through a range of peer referencing activities with other Colleges and training providers. In addition, many local schools, Colleges and private training providers take part in reciprocal observations of teaching and learning. Many departments have established productive peer review relationships with other providers.

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%. During the accounting period 1 August 2012 to 31 July 2013, the College paid 80% per cent of its invoices within 30 days, the implementation of a new financial software system during the year caused some disruption to timing of payments. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

None were noted.

Future developments

East Surrey College and Reigate College continued working together in the delivery of Maths AS in 2012/13 to a small numbers of students and from January 2013, working with a shared Sportsmaker, funded through Sport England. Other areas of joint working in 2012/13 included quality sharing, joint meetings with local Head teachers and preliminary planning for a Common Applications Process, to be in place for September 2015 applicants.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site of Gatton Point and Gatton Point South. Following educational demand, the College has invested in Gatton Point South site. Should the College decide that the site cannot be kept and be sold in future, then under the letter of Consent from the LSC, subsequently transferred to the Skills Funding Agency, proceeds are required to be remitted to the Skills Funding Agency.

OPERATING AND FINANCIAL REVIEW (continued)

Financial

The College has net assets of £49,632k (2011/12 - £50,041k) including a LGPS pension liability of £3,998k (2011/12 -£4,829k).

People

The College employed some 205 established staff in a range of curriculum and support functions during the year (see note 6), and in addition augmented the curriculum delivery with a number of sessional staff.

Reputation

The College has a good and growing reputation locally and nationally. The College has grown its 16-18 cohort by successful partnership working with a range of agencies and by a responsive approach particularly to the engagement of NEETS, taking on Learning mentors to enhance the capabilities of staff in this area.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has continued to develop and embed its procedures surrounding Risk Management during the year.

The Risk Management Committee ('RMC') meets three times per year and is comprised of a broad cross section of the College's staff. This committee reviews the risk register to ensure the information is complete, accurate and up to date, and to add or remove risks as appropriate.

Risks are scored for likelihood (1-6) and impact (1-6) and the multiplication of these scores gives the net risk score. A score of 8 or below is deemed a minor risk, from 9 to 15 is a significant risk, and greater than 15 a fundamental risk. The RMC reviews the scoring of risks at each meeting to see whether changes to the internal or external environment result in a revised score.

For each risk, the risk register details the contributing factors, early warning mechanisms, mitigating factors and a risk management plan with deadlines and identified persons responsible for actions. Risks are divided into one of 5 categories – Strategic, Compliance, Operational, Financial and Reputational. Each risk is allocated to a specific Governing Body Committee for review each term.

Fundamental risks

The four risks deemed fundamental in the College risk register are as follows –

- **Change in policy arising from Machinery of Government changes**

  Following the publication Heseltine Review and the Government's current consultation on Apprenticeship Funding, the impact of the Wolf report, the HE White paper, changes to pension arrangements and Ofsted framework, further changes to the Skills Funding Agency policy and budget remain a fundamental risk, these include contestability, tendering and uncertainty on funding methodology.

  The regular meetings between the College, the SFA and Surrey County Council are a good early warning mechanism as are attendance at SFA, Ofsted seminars and stakeholder meetings. The College also meets regularly with recognised Unions to ensure that it can plan to mitigate the effect on students and staff of any potential industrial actions.

- **Failure to achieve 19+ learner targets**

  The SFA has continued to reduce the range of funded courses and plans to introduce the new Universal Credit System, which may affect the fee remission claimable by 19+ students and hence numbers. The size of the College's contract for 2014/15 onwards is unknown as is the impact of FE Loans for Level 3 learner aged 24 and over from 2013/14 onwards.

  Mitigating these concerns is effective marketing, an effective and robust curriculum plan, consultation with stakeholders, including Adult Care Service, Job Centre Plus and employers as well as excellent new accommodation and teaching resources in the College. The College engages subcontractors if necessary to deliver high quality, complementary provision.

- **Poor alignment of strategic and financial planning**

  The lagged funding mechanism means that 16-18 growth funded in 2012/13 can only be achieved after unfunded delivery is undertaken, which must be within acceptable limits, however there is a risk that this can then preclude recruitment of potential strategic cohorts from in year programmes. Having exceeded the College's 16-18 learner and grant target for the last 2 years, and already being close to the unfunded target of 1703 students set by the Corporation for 2013/14 the College may be unable to afford to deliver any in year course starts, set up specifically for NEET engagement.

  HE recruitment for 2013/14 may be challenging following changes to Student Number Control contract for ABB grade learners and reduced demand for PT courses nationally. As the College receives an allocation from both Guildford College and also its own new contract may be adversely affected in future years if recruitment is not up to target for 2013/14.

  Early warning mechanisms exist such as discussions with the local authority on NEET contracts and referral to other schemes may be the only solution should additional funding not be forthcoming. Mitigating factors include comprehensive strategic planning, well researched market analysis and dialogue with funding bodies regarding constraints on in year recruitment.

- **Failure to maintain good financial health to 2015**

  Contributing factors to this risk include the adequacy of contingencies for funding shortfalls if recruitment does not match curriculum planning and hence the budgets. Financial viability is highlighted through the monthly management accounts (including key ratios) and internal and external audit reports. The 2 year forecast is also updated for Corporation review termly.

STAKEHOLDER RELATIONSHIPS

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by face to face meetings. In line with other Colleges and with universities, East Surrey College has many stakeholders. These include:

- Students;
- Education Funding Bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices and LEPs;
- Employer Organisations;
- Sector Skills Councils;
- Awarding Bodies;
- The local community;
- Other FE and HE institutions;
- Trade Unions

OPERATING AND FINANCIAL REVIEW (continued)

Equal Opportunities and Employment of Disabled Persons

East Surrey 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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College has now adopted a Single Equality Scheme which is published on the College's Internet site. In 2012/13, the College reviewed it's activities against the LSIS Equality Framework using indicators of 'Developing, Achieving or Excelling' to plan further continuing professional development of it's staff.

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005 and in particular makes the following commitments:

a) the College has automatic doors to all entrance points, disabled ramps and lift access where reasonable to do so;

b) there is a wide range of specialist equipment, such as adaptive keyboards and voice recognition software, which the College can make available for use by students;

c) information on choosing and enrolling on a course is included in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

d) the College has invested in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. The College co-funds with RNIB a specialist member of staff who provides VI support and expertise. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;

f) information on counselling and welfare services is included in the College charter and the College has extended its counselling service over 5 days.

g) The College has DDA compliant lifts at both of its main sites and ensures that there is colour and contrast in its colour schemes

Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the Members of the Corporation on 12th December 2013 and signed on its behalf by:

B M Spittle

Barbara Spittle
Chair of the Corporation

PROFESSIONAL ADVISORS

Financial Statement and Regularity Auditor:
Baker Tilly UK Audit LLP
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25 High Street
Crawley
West Sussex RH10 1BG

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West Sussex RH10 1DQ

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London E14 5HP

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Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ('the Code') issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2013.

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 Table 2.

Table 2

Name	Date Appointed	Term of office	Date resigned/end of term of office	Status of appointment	Committees served
Michael Axelrod	7 July 2011	4 years		Independent Member	Audit
Andrew Baird	19 March 2008 19 March 2012	4 years		Independent Member	Finance and Resources: Chair; Senior Postholders' Employment
Harrison Castle	1 August 2013	1 year		Student Member	Learning and Quality
Zuzanna Czyzowska	14 December 2012	1 year	31 July 2013	Student Member	Learning and Quality
Hayley Dalton	1 August 2013	4 years		Support Staff Member	Search and Governance Committee
Margaret Davey	21 March 2005 21 March 2009 21 March 2013	4 years		Independent Member	Corporation Board: Vice Chair; Learning and Quality: Chair; Search and Governance; Senior Postholders' Employment
Alra David	1 August 2013	1 year		Student Member	Learning and Quality
Jayne Dickinson	1 January 2012	Ex Officio		Principal and Chief Executive	Finance and Resources; Learning and Quality; Search and Governance
Raymond Elgy	25 March 2009 25 March 2013	4 years		Independent Member	Finance and Resources; Search and Governance; Senior Postholders' Employment
Rosemary French	25 March 2009 25 March 2013	4 years		Independent Member	Audit; Learning and Quality; Senior Postholders' Employment: Chair
Andrew Gilchrist	27 August 2008 27 August 2012	4 years		Independent Member	Audit: Chair; Senior Postholders' Employment
Vanessa Guest	15 December 2011	4 years		Independent Member	Finance and Resources
Ellen Hall	14 December 2012	1 year	31 July 2013	Student Member	Learning and Quality
Susan Kay	14 December 2012	4 years		Independent Member	Learning and Quality
Joseph Main	1 January 2011	4 years	31 July 2013	Academic Staff Member	Learning and Quality

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Catherine Prest	16 June 2012	4 years		Independent Member	Learning and Quality
Jacqui Preston	29 March 2012	4 years	31 July 2013	Support Staff Member	Search and Governance
Ron Searle	24 July 2006 24 July 2010	4 years		Independent Member	Learning and Quality
Brian Smith	1 January 2011	4 years		Independent Member	Audit
Barbara Spittle	29 November 2007 29 November 2011	4 years		Independent Member	Corporation Board: Chair; Finance and Resources; Search and Governance: Chair

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance and resources, learning and quality, remuneration, employment, search and governance, audit and the re-development steering group. Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Clerk to the Corporation at:

East Surrey College
Gatton Point
London Road
Redhill
Surrey
RH1 2JX

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College 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 and Governance Committee, consisting of five 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.

Senior Post Holders Employment Committee

Throughout the year ending 31 July 2013, the College's Senior Post Holder Employment Committee comprised 5 members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2013 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises 5 members of the Corporation (excluding the Principal 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 internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statement auditors and their remuneration for both audit and non-audit work.

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, not absolute assurance, against material misstatement or loss.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 East Surrey College for the year ended 31 July 2013 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 2013 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2013.

Based on the advice of the Audit Committee and the Principal, 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 safeguarding of their assets.

Going Concern

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

Approved by order of the Members of the Corporation on 12th December 2013 and signed on its behalf by:

B M Spittle

Barbara Spittle
Chair

Jayne Dickinson
Principal & Chief Executive

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The Members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College requires the corporation of the college to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure 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 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 Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard 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 any 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 Skills Funding Agency are not put at risk.

Approved by order of the Members of the Corporation on 12th December 2013 and signed on its behalf by:

B.M. Spittle

Barbara Spittle
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST SURREY COLLEGE

We have audited the College financial statements ("the financial statements") set out on pages 19 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of Skills Funding and our engagement letters dated 12 November 2013 and 20 July 2012. 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 letters dated 12 November 2013 and 20 July 2012 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.

Respective Responsibilities of the Corporation of East Surrey College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letters dated 12 November 2013 and 20 July 2012, a Audit Code of Practice issued by the Learning and Skills Council and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2013 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Education Funding Agency and the Audit Code of Practice issued by the Learning and Skills Council requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

BAKER TILLY UK AUDIT LLP
Chartered Accountants
Portland
25 High Street
Crawley,
West Sussex,
RH10 1BG

Date

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2013

	Note	2013 £000s	2012 £000s
Income			
Funding body grants	2	14,158	13,148
Tuition fees and education contracts	3	1,684	1,658
Other income	4	453	268
Investment income	5	10	5
Total income		**16,305**	**15,079**
Expenditure			
Staff costs	6	9,035	8,413
Other operating expenses	8	3,764	3,581
Depreciation	12	2,656	2,593
Interest and other finance costs	9	446	65
Total expenditure		**15,901**	**14,652**
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		404	427
Unravelling of Lennartz VAT mechanism	11	-	(299)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and exceptional items but before tax		**404**	**128**
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional item and tax		**404**	**128**

The income and expenditure account is in respect of continuing activities.

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 July 2013

	Note	2013 £000s	2012 £000s
Surplus on continuing operations before taxation		404	128
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	76	76
Historical cost surplus for the year before and after taxation		**480**	**204**

STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2013

	Note	2013 £000s	2012 £000s
Surplus on continuing operations after depreciation of assets, exceptional item and tax		404	128
Actuarial gains/(loss) in respect of pension scheme	29	1,001	(2,065)
Total recognised gains/(losses) since the last report		**1,405**	**(1,937)**

Reconciliation

	2013 £000s	2012 £000s
Opening reserves	1,236	3,173
Total recognised gains/(losses) for the year	1,405	(1,937)
Closing reserves	**2,641**	**1,236**

BALANCE SHEET
as at 31 July 2013

	Note	2013 £000s	2012 £000s
Fixed assets			
Tangible assets	12	58,667	60,505
Current assets			
Debtors	14	1,355	1,273
Cash at bank and in hand	13	1,174	6,468
		2,529	7,741
Creditors: amounts falling due within one year	15	(2,453)	(7,963)
Net current assets/(liabilities)		**76**	**(222)**
Total assets less current liabilities		58,743	60,283
Creditors: amounts falling due after more than one year	16	(5,100)	(5,400)
Provisions for liabilities	18	(13)	(13)
Net assets excluding pension liability		53,630	54,870
Net pension liability	29	(3,998)	(4,829)
Net assets including pension liability		**49,632**	**50,041**
Deferred capital grants	19	46,991	48,805
Reserves			
Income and expenditure account excluding pension reserve	22	4,049	3,399
Pension reserve		(3,998)	(4,829)
Income and expenditure account including pension reserve		51	(1,430)
Restricted reserve	20	23	23
Revaluation reserve	21	2,567	2,643
Total reserves		2,641	1,236
Total		**49,632**	**50,041**

The financial statements on pages 19 to 43 were approved and authorised for issue by the Corporation on 12th December 2013 and signed on its behalf by:

Barbara Spittle
Chair

Jayne Dickinson
Principal

CASH FLOW STATEMENT
for the year ended 31 July 2013

	Note	2013 £000s	2012 £000s
Cash flow from operating activities	23	836	1,154
Return on investments and servicing of finance	24	(315)	(17)
Capital expenditure and financial investment	25	(688)	(177)
Financing (outflow)/inflow	26	(5,127)	4,952
Exceptional costs	28	-	(7)
(Decrease)/Increase in cash in the year		**(5,294)**	**5,905**

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Reconciliation of net cash flow to movement in net debt

	Note	2013 £000s	2012 £000s
(Decrease)/increase in cash in the year		(5,294)	5,905
Decrease/(increase) in bank loan	27	300	(5,700)
Lennartz VAT obligation repayment	27	4,827	748
Unravelled Lennartz VAT mechanism liability	27	-	1,088
Movement in net debt in the year		(167)	2,041
Net debt at 1 August		(4,059)	(6,100)
Net debt at 31 July	27	**(4,226)**	**(4,059)**

NOTES TO THE FINACIAL STATEMENTS
for the year ended 31 July 2013

1. Statement of Accounting Policies

Statement of accounting policies

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

Basis of preparation

These Financial Statements were prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the Accounts Direction 2012/13 Financial Statements with the exception of the disclosure of the 'Unravelling of Lennartz VAT mechanism' as an exceptional item below, rather than above, the 'Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax' in the comparative figures for 2011/12. The College has determined that this disclosure, which is consistent with the treatment in the 2011/12 financial statements but is not in line with Accounts Direction 2012/13 Financial Statements, is necessary to provide the reader with a clear understanding of the financial statements.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As at 31 July 2013 the College has a £5.4m fixed rate long term loan repayable over 19 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Any under achievement of the adult skills budget allocation outside of the permitted tolerance level is adjusted for and reflected in the level of recurrent grant 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 at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustment to clawback in respect of under achievement, however where negotiations are subsequent to the year end, they are not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

1. Statement of Accounting Policies (continued)

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Post Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls.

The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 29, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the year is charged to the operating surplus. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets

Land and buildings

The College's buildings are specialised and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life which vary between 10 and 50 years.

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

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

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

Impairments losses are recognised in the income and expenditure account.

1. Statement of Accounting Policies (continued)

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were valued in 1992, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. Equipment costing more than £1,000 is capitalised at cost. Equipment is depreciated on a straight line method over its useful economic life as follows:

Mobile plant, furniture and equipment	- 5 years;
Fixed plant	- 7 years;
Motor vehicles	- 3 years;
Computer equipment	- 3 years.

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the year it is incurred.

1. Statement of Accounting Policies (continued)

Taxation

The College is considered to past 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 exempt from tax in respect of income and capital gains received in categories covered by Chapter 3, Part 11, 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. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 35, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2. Funding Body Grants

	2013 £000s	2012 £000s
Main funding body recurrent grants	11,182	9,762
HE consortium funding	203	293
Main funding body non recurrent grants	758	1,096
Releases of deferred capital grants	2,015	1,997
Total	**14,158**	**13,148**

3. Tuition Fees and Education Contracts

	2013 £000s	2012 £000s
Tuition fees:		
UK Higher Education students	310	217
UK Further Education students	968	994
Total fees paid by or on behalf of individual students	**1,278**	**1,211**
Education contracts:		
School Links contracts	388	399
Other contracts	18	48
Total	**1,684**	**1,658**

4. Other Income

	2013 £000s	2012 £000s
Other income generating activities	62	33
Releases from deferred capital grants (non-SFA)	2	17
Other income	389	218
Total	**453**	**268**

5. Investment Income

	2013 £000s	2012 £000s
Interest receivable	10	5
	10	**5**

6. Staff Costs

The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	2013 No.	2012 No.
Teaching staff	139	145
Teaching support services	47	36
Non teaching staff	85	80
	271	**261**

Staff costs for the above persons

	2013 £000s	2012 £000s
Wages and salaries	7353	6,830
Social security costs	524	499
Other pension costs (including FRS 17 adjustments of £49,000 (2011/12 £5,000)	919	857
Payroll sub total	8,796	8,186
Contracted out staffing services	239	227
Total	**9,035**	**8,413**

6. Staff Costs (continued)

The number of staff including senior post-holders and the Principal who received emoluments, excluding pension contributions but including benefits in kind in the following ranges was:

	2013		2012	
	Number Senior Post holders	Number Other Staff	Number Senior Post holders	Number Other Staff
£60,001 to £70,000	-	2	-	3
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	2	-	-	-
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	1	-	1	-
Total	**3**	**2**	**2**	**3**

A general pay award of 0.7% for all staff was paid, in accordance with AOC recommendations and was made with effect from 1 August 2013. The pay award was approved by the Corporation.

7. Senior Post-holders' Emoluments

Senior Post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2013	2012
The number of senior post-holders including the Principal who served during the year was:	3	2

Senior Post-holders' emoluments are made up as follows:

	2013	2012
	£	£
Salaries	293,790	202,917
Benefits in kind	5,004	3,786
Pension contributions	43,224	30,411
Total	**342,018**	**237,114**

The above emoluments include amounts payable to the Principal, who is also the highest paid senior post-holder, as follows:

	2013	2012
	£	£
Salaries	115,000	112,917
Benefits in kind	3,157	3,786
Pension contributions	16,215	15,921
Total	**134,372**	**132,624**

7. Senior Post-holders' Emoluments (continued)

The senior post holders' pension contributions are in respect of employers' contributions to the Teachers Pension Scheme and the Local Government Pension Scheme. All amounts are paid at the same rate as for other employees.

The Members of the Corporation other than the Principal and the Staff Members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their official duties.

The Principal and other senior post-holders declined any general pay awards during the year under review. No bonuses or salary enhancements were awarded to the Principal or other senior post-holders.

8. Other Operating Expenses

	2013 £000s	2012 £000s
Teaching costs	1,445	1,320
Non teaching costs	1,215	1,149
Premises costs	1,104	1,112
Total	**3,764**	**3,581**

Other operating expenses include:

	2013 £000s	2012 £000s
Auditors' remuneration		
- financial statements and regularity auditor	22	20
- internal auditor	24	22
- other services provided by the financial statements and regularity auditors	-	-
- other services provided by the internal auditors	-	-
Loss on disposal of tangible fixed assets (net of grant)	5	6
Hire of plant and machinery – operating leases	62	62
Hire of other assets – operating leases	9	8

9. Interest and other finance costs

	2013 £000	2012 £000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	-	22
Repayable in more than 5 years, by instalments	325	-
	325	22
Pension finance costs (note 29)	121	43
Total	**446**	**65**

Finance charges for 2011/12 were in respect of a revolving credit facility repayable within one year, and banking facilities.

10. Taxation

The College was not liable for corporation tax arising from its activities during the year.

11. Exceptional Items

	2013 £000	2012 £000
Depreciation cost incurred on cost from Fixed Assets	-	58
Partial exemption allowance	-	49
Interest due following unravelling of Lennartz VAT mechanism	-	(406)
	-	**(299)**

The College opted to unravel the Lennartz VAT obligation on 26th July 2012 and payments, totalling £4,827,000 were made in August and September 2012 following confirmation from HMRC.

12. Tangible Fixed Assets

	Freehold Land and buildings £000s	Equipment £000s	Total £000s
Cost or valuation			
At 1 August 2012	64,096	6,003	70,099
Additions	416	407	823
Transfers	0	0	0
Disposals	0	(26)	(26)
Lennartz VAT reversal (Note 11)	0	0	0
At 31 July 2013	64,512	6,384	70,896
Depreciation			
At 1 August 2012	5,949	3,645	9,594
Charge for year	1,747	909	2,656
Disposals	0	(21)	(21)
Lennartz VAT reversal (Note 11)	0	0	0
At 31 July 2013	7,696	4,533	12,229
Net book value at 31 July 2013	**56,816**	**1,851**	**58,667**
Net book value at 1 August 2012	**58,147**	**2,358**	**60,505**

The transitional rules set out in FRS 15 – Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

12. Tangible Fixed Assets (cont'd)

Land and buildings inherited from the Local Education Authority were valued in 1992 at depreciated replacement cost by a firm of independent chartered surveyors. If the inherited land and buildings had not been revalued at that point then the net book value would have been:

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

Land and buildings with a net book value of £44,699k have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

13. Cash at bank and in hand

	2013 £000s	2012 £000s
Cash at bank and in hand	1,174	6,468
Total	**1,174**	**6,468**

14. Debtors

	2013 £000s	2012 £000s
Amounts falling due within one year:		
Trade debtors	156	99
Other debtors	-	-
Amounts owed by the Skills Funding Agency	860	882
Prepayments and accrued income	339	292
Total	**1,355**	**1,273**

15. Creditors: Amounts Falling Due Within One Year

	2013 £000s	2012 £000s
Payments received in advance	263	345
Trade creditors	379	661
Other taxation and social security	157	145
Accruals	1,300	1,224
Lennartz obligation	-	4,827
Bank loan	300	300
Amounts owed to the Skills Funding Agency	54	461
Total	**2,453**	**7,963**

The Lennartz VAT obligation comprised the liability to HMRC following the College's decision to unravel the Lennartz obligation for VAT undertaken for the capital build programme.

16. Creditors: Amounts Falling Due After More Than One Year

	2013 £000s	2012 £000s
Bank Loan	5,100	5,400
Total	**5,100**	**5,400**

The bank loan is repayable to Barclays Bank over 19 years at a fixed interest rate of 5.6674%.

17. Borrowings

Bank loans and overdrafts are repayable as follows:	2013 £000s	2012 £000s
In one year or less	300	300
Between one and two years	300	300
Between two and five years	900	900
In five years or more	3,900	4,200
Total	**5,400**	**5,700**

18. Provisions for Liabilities

	Restructuring £000s	Total £000s
At 1 August 2012 as previously stated	13	13
Expenditure in the period	-	-
Transferred from income and expenditure	-	-
At 31 July 2013	**13**	**13**

19. Deferred Capital Grants

	Funding Bodies £000s	Other Grants £000s	Total £000s
At 1 August 2012			
Land and buildings	46,427	89	46,516
Equipment	2,066	223	2,289
Movement of year end receivable land and buildings	-	-	-
Cash received			
Land and buildings	198	-	198
Equipment	-	5	5
Transfers from payments received in advance	-	-	-
Released to income and expenditure account			
Land and buildings	(1,926)	(2)	(1,928)
Equipment	(89)	-	(89)
Total	**46,676**	**315**	**46,991**
Land and buildings	44,699	87	44,786
Equipment	1,977	228	2,205
Total	**46,676**	**315**	**46,991**

20. Restricted Reserves

	2013 £000s	2012 £000s
At 1 August	23	23
Interest receivable	-	-
At 31 July	**23**	**23**

Restricted reserves represent funds that have been donated to the College and are earmarked for the specific purpose of awarding prize money to students. They cannot be used for any other purpose.

21. Revaluation Reserve

	2013 £000s	2012 £000s
At 1 August	2,643	2,719
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(76)	(76)
At 31 July	**2,567**	**2,643**

22. Movement on General Reserves

	2013 £000s	2012 £000s
Income and Expenditure Account		
At 1 August	(1,430)	431
Surplus retained for the year	404	128
Transfer from revaluation reserve	76	76
Actuarial gain/(loss) in respect of pension scheme	1,001	(2,065)
At 31 July	**51**	**(1,430)**
Balance represented by:		
Income and expenditure account reserve excl pension reserve	4,049	3,399
Pension reserve	(3,998)	(4,829)
At 31 July	**51**	**(1,430)**

23. Reconciliation of Operating Surplus to net cash outflow from Operating Activities

	2013 £000s	2012 £000s
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and taxation	404	128
Depreciation	2,656	2,593
Exceptional costs (note 11 and 28)	-	299
Loss on disposal of tangible fixed assets	5	6
Deferred capital grants released to income	(2,017)	(2,014)
FRS17 Pension cost less contributions payable (notes 5, 6 and 29)	49	5
FRS17 Pension finance cost	121	43
(Increase) in debtors	(82)	(96)
(Decrease)/increase in creditors	(615)	173
Decrease in provisions	-	-
Interest payable	325	22
Interest receivable	(10)	(5)
Net cash inflow from operating activities	**836**	**1,154**

24. Returns on Investments and Servicing of Finance

	2013 £000s	2012 £000s
Interest received	10	5
Bank charges and interest paid	(325)	(22)
Net cash outflow from returns on investments and servicing of finance	**(315)**	**(17)**

25. Capital Expenditure and Financial Investment

	2013 £000s	2012 £000s
Purchase of tangible fixed assets	(891)	(292)
Deferred capital grants received	201	100
Capital grants transferred from payments received in advance	2	15
Net cash outflow from capital expenditure and financial investment	**(688)**	**(177)**

26. Financing

	2013 £000s	2012 £000s
Draw down of new bank loan	-	5,700
Repayment of loan instalment	(300)	-
Deferral of VAT under Lennartz obligation	-	35
Repayment of VAT under Lennartz obligation	(4,827)	(783)
Net cash (outflow)/inflow from financing	**(5,127)**	**4,952**

27. Analysis of Changes in Net Debt

	At 1 August 2012 £000s	Cashflows £000s	Non-cash changes £000s	At 31 July 2013 £000s
Cash in hand, and at bank	6,468	(5,294)	-	1,174
Bank loan due within one year	(300)	300	(300)	(300)
Bank loan due within after one year	(5,400)	-	300	(5,100)
Lennartz VAT obligation:				
Due within 1year	(4,827)	4,827	-	-
Total	**(4,059)**	**(167)**	**-**	**(4,226)**

28. Cash flow relating to exceptional items

	2013 £000s	2012 £000s
Provision as at 1 August	13	20
Income and Expenditure account charge	-	-
FRS17 Curtailment adjustment	-	-
Operating cash out flow	-	(7)
Provision as at 31 July	**13**	**13**

29. Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. Both are defined-benefit schemes.

Total pension cost for the year

	2013 £000s	2012 £000s
Teachers Pension Scheme: contributions paid	461	409
Local Government Pension Scheme:		
Contributions paid	466	443
FRS17 Charge	49	5
Charge to the Income and Expenditure Account (staff costs) excluding exceptional FRS 17 costs	515	448
Pension costs excluding exceptional FRS 17 costs	**976**	**857**
FRS 17 exceptional charge:		
Past service cost credit	-	-
Curtailments and settlements	-	-
Charge to the Income and Expenditure Accounts (staff costs) including exceptional FRS17 costs	**976**	**857**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2010.

Contributions amounting to £118,259 (2012: £100,370) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ('TPS') is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS. Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions(Increase) Act are, provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as –you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Accounts, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce a real rate of return.

29. Pensions and similar obligations (continued)

Valuation of the Teacher's Pension Scheme

Not less than every 4 years, the Government Actuary ('GA'), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The contribution rate paid into the TPS is assessed in 2 parts. First, a standard contribution rate ('SCR') is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 -31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreements also introduced – effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013/14 and 2014/15.

Actuarial scheme valuations are dependent on assumptions about the future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The proposed Final Agreement can be found at

http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The pension costs paid to TPS in the year amounted to £711,259 (2011/12: £600,862)

29. Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Surrey County Council. The total contribution made for the year ended 31 July 2013 was £652,342 of which employer's contributions totalled £493,837 and employees' contributions totalled £158,505. The agreed contribution rates for future years are 16.1% for employers and range from 5.8% to 7.5% for employees, depending on salary. In addition, the College is contributing cash payments of £96,000 for the year ended 31 July 2014.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2013	At 31 July 2012
Pension rate increase	2.8%	2.2%
Salary rate increase	5.1%	4.5%
Expected return on assets	5.8%	4.9%
Discount rate	4.6%	4.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed average future life expectancies at age 65 are:

	At 31 July 2013	At 31 July 2012
Current pensioners		
Males	21.9	21.9
Females	24.0	24.0
Future pensioners		
Males	23.9	23.9
Females	25.9	25.9

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £000s	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £000s
Equities	6.4%	8,834	5.5%	6,865
Bonds	3.8%	1,860	3.3%	1,812
Property	4.6%	581	3.7%	477
Cash	3.4%	349	2.8%	381
Total market value of assets		**11,624**		**9,535**
Present value of scheme liabilities				
Funded		(15,618)		(14,360)
Unfunded		(4)		(4)
Deficit in the scheme		**(3,998)**		**(4,829)**

29. Pensions and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	2013 £000s	2012 £000s
Employer service cost (net of employee contributions)	515	448
Past service gain		-
Losses on curtailments and settlements	-	-
Total operating (credit) / charge	**515**	**448**

Analysis of pension finance costs

	2013 £000s	2012 £000s
Expected return on pension scheme assets	474	591
Interest on pension liabilities	(595)	(634)
Pension finance costs	**(121)**	**(43)**

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2013 £000s	2012 £000s
Actuarial gains/(losses) on pension scheme assets	1,343	(433)
Actuarial losses arising on the scheme liabilities	(342)	(1,632)
Actuarial gain/(loss) recognised in STRGL	**1,001**	**(2,065)**

Movement in deficit during year

	2013 £000s	2012 £000s
Deficit in scheme at 1 August	(4,829)	(2,716)
Movement in year:		
Current service cost	(515)	(448)
Past service cost credit	-	-
Employer Contributions	466	443
Impact of Settlements and Curtailments	-	-
Net interest on liabilities	(121)	(43)
Actuarial gain/(loss)	1,001	(2,065)
Deficit in scheme at 31 July	**(3,998)**	**(4,829)**

29. Pensions and similar obligations (continued)

Asset and Liability Reconciliation

	2013 £000	2012 £000
Reconciliation of Liabilities		
Liabilities at start of period	**14,364**	**11,822**
Current Service cost	515	448
Interest cost	595	634
Employee contributions	146	153
Actuarial gain	342	1,632
Benefits paid	(340)	(325)
Past Service gain	-	-
Curtailments and settlements	-	-
Liabilities at end of period	**15,622**	**14,364**

	2013 £000	2012 £000
Reconciliation of Assets		
Assets at start of period	**9,535**	**9,106**
Expected return on assets	474	591
Actuarial gains/(losses)	1,343	(433)
Employer contributions	466	443
Employee contributions	146	153
Benefits paid	(340)	(325)
Assets at end of period	**11,624**	**9,535**

The estimated value of employer contributions for the year ended 31 July 2014 is £540,000.

History of experience gains and losses

	2013 £000s	2012 £000s	2011 £000s	2010 £000s	2009 £000s
Difference between the expected and actual return on assets: Amount £000	1,343	(433)	1,077	787	(897)
Experience gains and losses on scheme liabilities: Amount £000	-	(208)	(612)	-	-
Total amount recognised in STRGL Amount £000	1,001	(2,065)	960	(48)	(1,947)

30. Post Balance Sheet Events

There were no material post balance sheet events.

31. Capital Commitments

	2013 £000s	2012 £000s
Commitments contracted for at 31 July	331	500
Authorised but not contracted for at 31 July	-	-

32. Financial Commitments

At 31 July 2013 the College had annual commitments under non-cancellable operating leases as follows:

	2013 £000s	2012 £000s
Other equipment		
Expiring within one year	31	61
Expiring between two and five years inclusive	-	31
Total	**31**	**92**

33. Contingent Liability

No material contingent liabilities exist at the balance sheet date.

34. Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.
All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 8 – Related Party Disclosures.

Transactions with the funding bodies and subcontract with Guildford College for HE are detailed in notes 2, 14, 15 and 20. The College is also a member of GFE South, which has resulted in the College delivering a 3 year ESF contract held by Central Sussex College on behalf of the member colleges. The College is also a member of SISSC Ltd, with 6 other colleges in Sussex and Surrey, a common services group.

35. Amounts disbursed as agent

	2013 £000s	2012 £000s
Discretionary Support Funds		
Funding body grants – childcare	134	103
Funding body grants – hardship funds	272	191
Other LA – Free School Meals	19	-
	425	294
Disbursed to Students	(350)	(204)
Administration costs	(21)	(15)
Balance unspent at 31 July	**54**	**75**

35. Amounts disbursed as agent (cont'd)

The balance unspent at 31 July is in respect of £23k relating to 16-18 Bursary Scheme and £31k relating to Childcare and Discretionary Learner Support for Adults.

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

Independent auditor's report to the Corporation of East Surrey College ('the Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 20 July 2012 and further to the requirements of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure (disbursed) and income (received) of East Surrey College ('the College') during the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding 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 and the Chief Executive of Skills Funding for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of East Surrey College and Auditors

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC and are to obtain reasonable assurance and report in accordance with our engagement letter and the Regularity Audit Framework 2006/07. We report to you whether, in our opinion, in all material respects, the College's expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC.

We performed a reasonable assurance engagement as defined in our engagement letter.

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

Opinion

In all material respects the expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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Date: