



**REPORT AND FINANCIAL STATEMENTS
FOR THE
YEAR ENDED 31 JULY 2015**

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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 2015.

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 2014/15 is:

- To provide inspirational, high quality education and training that meets the needs of individuals, employers and our local and wider communities.

East Surrey College vision for 2014/15 is:

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

The College's values for 2014/15 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 three year period 2013-2016. The Corporation monitors the performance of the College against these aims. The College's key strategic objectives for 2014/15 were to achieve:

- Outstanding learner success by having 90% of teaching and assessing graded Good or Better and 75% of SARS: Teaching Learning and Assessment element at Grade 2 or better.
- Success rates for long courses by each level and age 84.5%.
- Achieve Apprenticeship Framework completion of 75%, with 70% timely.
- Increased participation of young people in vocational learning by achieving enrolment targets for 14-16 students, 16-18 FE students and 16-18 Apprentice starts by 31 July 2015
- Innovative and flexible solutions to adult and employer learning and training needs by achieving enrolment targets for HE and 19+ FE students, including Apprentices and Workplace NVQ students
- Achieving the targets of Community Learning ('CL') Strategy in partnership with the Workers Educational Authority ('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 70% and Gatton Point South of 45%
- Value for money in the use of public funds by achieving an operating surplus before interest of £51k (excluding FRS17 adjustment), pay costs of up to 68.19% of income and to generate cash balances in excess of 28 cash days in hand.

The College has reviewed progress in 2014/15 against specific targets within the strategic plan with outcomes as follows:

- The College was inspected by Ofsted in December 2014 and achieved gradings of 'Good' in Leadership and Management, Outcomes for Learner and Teaching and Learning. The inspectors also assessed the provision in a number of curriculum areas selected for review as Outstanding including Art, Design and Media, Health and Social Care, Childcare, 14-16 year old provision and partnerships. Areas assessed as Good in the report included Business, English and Accounting and Finance. The report, which was issued in January 2015, is publically available on the Ofsted website

OPERATING AND FINANCIAL REVIEW (continued)

www.gov.uk/government/organisations/ofsted. Other areas self-assessed by the College as Outstanding included Hair and Beauty and Information Technology.

- Following on from growth in 16-18 year old students in the previous year, the College was granted a similar but challenging classroom based target for 2014/15 of 1,639 learners comprising 1,585 16-18 year olds, 35 16-18 year old high needs and 19 19-24 year old high needs students. The College outturn for 2014/15 was a total of 1,582 learners 16-18s, including 42 16-18 high needs and 12 19-24 high needs students. The College achieved this despite strong local recruitment challenges as some local schools and Sixth Form Colleges maintained their sixth form numbers by increasing their vocational programmes to supplement their A level provision and as the numbers of 16-18 year olds decline in some areas. The College has responded to these challenges by delivering to increased numbers of students on Traineeships and 16-18 Apprenticeships. The College delivered Maths and English courses to over 600 students who had not previously achieved Grade C at GCSE English or Maths (632 and 652 respectively). The College also continued to undertake mid-year starts on its Kickstart and Skills Centres programmes for learners who have dropped out of courses elsewhere. With significant local competition and many learners enrolling at College at age 17, the College's long term strategy of enrolling 1,730 16-18 year old students is unlikely until the local demographics increase, which is expected from 2020 onwards.
- The increased number of high needs learners aged 16-24 with Learning Difficulties and Disabilities led the College to apply for additional support funds from local authorities compared to the previous year and this has continued to 2015/16.
- The College delivered courses to 1,372 funded Adult classroom based FE students, including 600 delivered by subcontractors, against a target of 1,903, compared to the prior year outturn of 1,996. The 234 full time funded students exceeded planned target and there was an increased uptake of the FE Advanced Learning Loans for students over 24 years of age (undertaking study at level 3 and above) taken up by 90 learners, compared to 62 learners the previous year. Despite a huge increase in the number of adults studying Maths and English courses to attain A* - C at GCSE, a number of courses fell out of funding and therefore the part time offer was increased by the appointment of 3 subcontractors - The Learning Curve, who delivered part time courses to supplement the Health and Social Care Offer, with the value that this route offered for successful, complementary learning; Able Skills and Training Ltd, who delivered Level 2 Plumbing and Electrical courses to the Construction industry, areas where the College is currently over capacity and Cute Dog Consulting Ltd, who delivered Employability Skills to a small number of students.
- The College exceeded its 16-18 Apprentice enrolment, attracting 66 starts, increasing from 60 the previous year. 42 19+ Apprentice starts were generated by the College compared to 11 the previous year and Workbased NVQ recruitment continued with 37 starts, a small increase over the previous year. The College has also engaged in ESF subcontracts 'Training Works', 'Opt Into', English and Maths' and 'Flexifund' with other GFE South Colleges. The College continued to deliver its National Careers Service subcontract and was again successfully appointed as a subcontractor by the Construction Industry Trading Board ('CITB') following its regular tender process.
- The College's Community Learning Strategy for 2014/15, working closely with the WEA, follows the spirit of the pilot Community Trusts and Skills Funding Agency guidance, with more emphasis on expanding the offer to partners who refer students requiring mental health support, such as The Richmond Fellowship. Community Learning courses were delivered to over 3,282 students by either the College or the WEA, with over 300 enrolling on programmes run by both institutions. This compares to the 3,670 planned under the grant. Fee targets from College students able to pay their way were over 93% achieved for the year. Recruitment of "targeted" groups (predominantly students with learning difficulties and disabilities and those categorised as Hard to Reach) was achieved.
- The high utilisation of the Gatton Point rooms, particularly following the growth in students undertaking Maths and English classes, led to the need for new Level 3 Plumbing facilities to be installed in summer 2014 at the Gatton South site. In addition, as part of the College's IT Strategy, significant investment in the infrastructure was undertaken during the year to enhance server space and speed.
- The College has pay costs of 63.39% of income, including agency contracted individuals (2013/14 – 62.97%) and a surplus of £313k (after FRS 17 credit adjustments of £67k) (2013/14 - £495k, after FRS cost adjustments of £53k). Despite a reduction in the Adult Skills Budget, turnover has remained at a similar level as last year, at £16.2m.
- As at 31 July 2015, cash days in hand are 57, an increase from 51 as at 31st July 2014, and the current ratio has increased from 1.49 to 1.69. The College's financial health therefore remains as Good.

OPERATING AND FINANCIAL REVIEW (continued)

- The College continues to be a member of SISSC Ltd, a shared services company for 7 Colleges in Sussex and Surrey. Including the College, 5 others are currently using the Finance system and 4 are live on the integrated HR and Payroll.

Financial objectives

The College's financial objectives, set in July 2014, were:

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

The College monitors its own performance through a monthly Key Performance Indicator ('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 range of data for each academic department and College support function 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 mostly in attendance.

Performance indicators

FE Choices 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 sector measures and indicators and use of the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency which produces a financial health grading. The rating of 'Good' was assessed on the forecasts for 2014/15.

FINANCIAL POSITION

Financial results

The College generated an operating surplus before exceptional items of £313k in the year (2013/14– surplus of £495k) as shown on page 21. 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, delivered 91.6% of its SFA Adult Skills Budget allocation. The College continued to grow its 16-18 year old apprenticeship contract and successfully delivered against target for three ESF contracts, as well as contracts with Surrey County Council, transitioning young people from school to further education or work with training.

OPERATING AND FINANCIAL REVIEW (continued)

The College has accumulated reserves of £44,675k (2013/14 - £46,896k). Cash balances at 31 July 2015 were £2,261k (31 July 2013 - £2,024k) with cash generated from operating activities of £1,151k for the year ended 31 July 2015 compared to £1,767k for the previous year.

Fixed asset additions of £340k were incurred in the year, which included the installation of Level 3 plumbing works at Gatton Point South and IT infrastructure.

The College has significant reliance on the Skills Funding Agency and EFA for its principal funding source, largely from recurrent grants. In 2014/15 the Skills Funding Agency/EFA provided 78.94% (2013/14 - 83.34%) of the College's total income.

Treasury policies and objectives

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

The College currently has a long term loan outstanding of £4.8m (2013/14: £5.1m). Borrowing requirements require the authorisation of the Corporation and comply with any requirements of the Financial Memorandum.

Cash flows

Operating cash inflow of £1,151k was generated (2013/14: £1,767k). Net debt reduced by £537k from £3,076k to £2,539k as the College has increased its cash reserves through savings in expenditure.

Liquidity

During the year the monthly operating cash inflows comfortably exceeded the College's outgoings.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2014/15 the College delivered training to 1,582 16-18 year olds, compared to 1,631 in 2013/14 and against its allocation of 1,639. The draw of the recent Gatton Point buildings, ongoing investment at Gatton Point South, excellent transport links, sustained good quality and choice of provision, including the Traineeship offer leading to Apprenticeships, experience in delivering courses starting mid-year and provision of suitable support to High Needs 19-23 year olds, contribute to sustainable recruitment of young people. In addition, the College delivered training to 1,372 classroom based 19+ students, compared to its target of 1,903. The College also delivered provision to over 370 14-16 students from local schools, over 369 work based students, over 155 students on HE programmes and over 3,282 Community Learning funded by the Skills Funding Agency. A number of full cost courses also ran including some additional professional courses.

College Achievements

As noted already, the College was assessed as being a Good provider by Ofsted in December 2014. During 2014/15, the College has continued to monitor improvements in both Curriculum and Support departments through Quality Improvement Plans which rigorously challenge all areas to continually improve with particular emphasis on any areas of under-performance. The Ofsted report makes reference to the College's success in intervening in underperforming areas to bring about improvements and also notes that the majority of students achieve well with a curriculum that meets the needs of local employers very well. Support department Service Level Agreements were reviewed and 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. External verifier and Centre Systems Reviews throughout the year have been overwhelmingly positive with high levels of quality delivered.

OPERATING AND FINANCIAL REVIEW (continued)

The College has Investors in People Gold Award, Matrix accreditation, the Buttle UK Award for promoting aspiration for looked after children and Care leavers and the JAMES accreditation for the music industry. The most recent review of Higher Education (2012) awarded a number of commendations.

East Surrey College and Reigate College, working together with 4 local schools, successfully launched a joint Common Application Process for year 11 pupils for 2015/16 in September 2014. The two Colleges have a shared Sportsmaker post, funded through Sport England. Other areas of joint working in 2014/15 included joint meetings with local Head teachers by both Principals.

The College successfully applied for and, in August 2015, received confirmation from West Sussex Authority, on behalf of the Coast to Capital LEP, of a capital grant of £100,000 for a new Science Room at the Gatton Point South campus and other matched works. The project is on track to be within budget and on time for use in Autumn 2015/16.

Student Achievements

All retention, achievement and success rates are now quoted including functional skills and are no longer segmented into long, short or very short durations. Therefore, in 2014/15 retention improved to 92.0% for all qualifications and all ages of students, an improvement of 0.5% over 2013/14. Achievement and Success rates are finalised with the overall success position of 86.3%, a 2.6% improvement on the 83.7% in 2013/14 and which continues to sustain the upwards position over 5 years. Particularly strong increases in success rates have been noted for 16-18 year olds at Level 1, up 10% to 86.0%, and Level 3, up 3.4% to 86.4%. The overall 16-18 success rate (all levels) improved by 4.2% to 85.8%. Overall 19+ adult success rate also improved, up 0.3% to 87.3%. Destination data is strong and is expected to show at least the same levels of work and/or further study for 2013/14, once this is collated. College standards also achieved notable successes in external competitions for Hair & Beauty, Art, Design, Media and Engineering

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 and Horticulture)
- Business and IT (including Accountancy)
- Construction and the Built Environment
- Engineering including Motor Vehicle Engineering
- Hair dressing, Beauty Therapy and Spa
- Health and Social Care and Childcare, including Access to Nursing and Social Work
- Modern Foreign Languages (Adult Community Learning)
- Preparation for Life and Work
- Public Services and Sport
- Maths and English and ESOL
- Travel and Tourism / Airport Operations
- Adult and Community Learning
- Teaching and Assessing

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. All provision is mapped to Coast2Capital LEP, Gatwick Diamond, JCP+ and local priority skills demands. Emphasis has been placed on developing a quality vocational offer targeted at 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. The College has embraced fully the requirements of the Study Programme including Maths and English. In addition from September 2014, new Full Time Plumbing courses at Level 3 and Horticulture Level 1 ran, alongside a wider range of HE courses, including new HNC in Sports and Exercise, Mechanical Engineering and Electrical and Electronic Engineering and a new Foundation Degree in Aviation Operations Management.

OPERATING AND FINANCIAL REVIEW (continued)

From September 2015, new courses added including Level 3 Applied Science, Level 2 Pre – access courses for Skills for Working in Health Care sector, Level 2 Aviation and TechBaccs in Technology subjects started.

The College has continued to develop its work with local schools by directly contracting to accommodate nearly 500 enrolments by 14-16 year olds to 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 2014/15, the College continued its close collaborative working with local schools through its Springboard and ESOL programmes and, under contract from Surrey County Council, was successful in delivering effective transition for Year 11 students in partnership with local Surrey schools.

The College, in association with the GFE South member Colleges, has continued delivery under ESF contracts 'Training Works', 'Opt Into' programmes to low skilled employed workers and, with Skills Training UK, delivered 'Maths and English' to staff at employers from September 2014.

The College continues to engage with various Local Authorities with regard to its provision for students with learning difficulties and/or disabilities, offering Speech and Language Therapies and, from September 2014, successfully trialled 5 day provision for a cohort of learners funded by Surrey County Council. There continues to be partnership working with specialist providers and agencies such as Young Epilepsy.

The College has successfully offered more employer responsive Full Cost provision during the year, with AAT at all levels, Counselling and EFL proving popular for 2014/15.

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, the validation body for its Foundation and B.Sc. Top Up degree programmes.

The College delivered Community Learning across East and Mid Surrey including Reigate and Banstead, Epsom and Ewell, Dorking and the Mole Valley to over 3,282 students. The Gatton Point site was again open on Saturdays, attracting adult students to the College and the WEA consolidated its presence in the Epsom area with ESOL/Maths/English learners progressing to College accredited courses. Nearly half of the delivery of the contract is from the WEA in a sub-contract arrangement.

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. A Governor Learning Walk programme provides more chances for Governors' questions and challenge.

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 2014 to 31 July 2015, the College paid 75% per cent of its invoices within 30 days (2013/14 - 56%), invoice average payments being 22 days (2013/14 - 34 days). The use of the new self-services financial software system for the whole year had a positive impact on the payment of invoices. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

In August 2015 the College entered into an operating lease with Xerox Ltd for the provision of Multi Functioning Devices, with agreed lease payments totalling £192,000 over the five years to 2020. In November 2015, following confirmation of additional funding from the EFA, the College issued a subcontract to ACM Ltd, the Guildford based Academy of Contemporary Music, for the delivery of Level 3 Study Programmes for up to 200 16-18 year old learners, generating additional activity of up to £1m.

OPERATING AND FINANCIAL REVIEW (continued)

Future developments

In line with all post-16 FE and Sixth Form Colleges, the College will be subject to an Area – Based Review with the other Surrey Colleges planned to commence in March 2016.

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 the Gatton Point South site for educational use. Should the College decide that the site cannot be kept and is sold, 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 up to a value of £8.2m plus 50% of any additional proceeds.

Financial

The College has net assets of £44,675k (2013/14 - £46,896k) including a LGPS pension liability of £6,210k (2013/14 - £5,558k).

People

The College employed some 286 established staff, full-time and fractional, in a range of curriculum and support functions during the year (see note 6), and in addition augmented the curriculum delivery with over 203 sessional staff.

Reputation

The College has a strong reputation locally and nationally, reinforced by the January 2015 Ofsted Inspection outcome of Good with many Outstanding areas. The College has grown its student cohort by successful partnership working with a range of agencies and by a responsive approach to local employer needs as well as students and parents.

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

OPERATING AND FINANCIAL REVIEW (continued)

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

Following the General Election, the unheralded further reductions in July 2015 to the 2015/16 Adult funding to Colleges by the SFA provided a reminder that the post 16 income is not protected by Government and College sector is highly vulnerable to the expected cross Department cuts of between 20%-40% expected to be announced by the Chancellor for future years. The new BIS led requirement for Area Reviews and their outcomes will influence the future position and direction of the College.

In mitigation, the College is active in regular meetings with local Colleges, Surrey County Council and the shared service company SISSC Ltd. Senior staff also attend relevant SFA, AOC/AOSEC, 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. The College also sets prudent budgets, which includes contingency reserves for unplanned income reductions.

- **Failure to achieve 16-18 learner targets**

Local Authority reports on Year 12 student numbers in schools in the surrounding Surrey wards and also in Croydon, indicate that in the years to 2020, the College should expect to see reduced numbers of applications and enrolments. There are many schools and Academies with small numbers in their Sixth Form and this presents a very competitive market for students aged 16. The College receives many applications from 17 year old students.

In mitigation, the College has had one of the most positive Ofsted reports in the post 16 sector (including Sixth Form Colleges) and continues to make an attractive offer for classroom based study and is growing its students on Traineeships and Apprenticeships. Students progress very well to employment or HE and the reputation of the College is strong. The College continues to make prudent provision for reduced student numbers in its medium term forecasts. The College continues to plan for its capital building strategy and capacity for growing the offer with the expected increase in local numbers from 2021.

- **Failure to maintain Good Financial health**

With reduced core funding from 16-18 year olds and 19+ classroom based provision expected, the College is also making contingency plans should the Community Learning grant for adults not be replaced from 1 August 2016. In addition, the lack of information as to the size and scope of the next round of ESF grants subcontracts, which are not expected to be announced until Spring 2016, all lead to uncertainty as to the level of income available from 2016/17 onwards. Coupled with increased costs of the Employer's pensions and NI contributions, there is potential for the College's financial health to deteriorate over the 2 years to 2018.

Mitigating these concerns is effective marketing, an effective and robust curriculum plan, consultation with stakeholders, as well as maintaining excellent new accommodation and teaching resources in the College. For 2015/16, the College has decided to close The Old House accommodation at its Gatton Point South site to save costs and will review all new contracts with a view to reduce service and therefore costs. The College engages subcontractors, if necessary, to deliver high quality, complementary provision and provides detailed reporting of contributions by cluster of courses to assess viability.

The 3 year forecast presented to the Skills Funding Agency is updated for Corporation review termly. Financial viability is highlighted through the monthly management accounts (including key ratios) and internal and external audit reports.

OPERATING AND FINANCIAL REVIEW (continued)

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. Ofsted judged Partnerships and partnership engagement to be Outstanding. These include:

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

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 adopted a Single Equality Scheme which is published on the College's Internet site. In 2012/13, the College reviewed its activities against the LSIS Equality Framework using indicators of 'Developing, Achieving or Excelling' to plan further continuing professional development of its staff. The College is a "Positive about Disabled" employer and has committed to the principles and objectives of the "Positive about Disabled" standard.

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 works with specialist institutions such as the SCC Sensory Support Service for students requiring VI support and expertise. There are a number of student support assistants who can provide a variety of support for learning. There is an extensive programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities, or who have particular support needs such as mental health issues;

OPERATING AND FINANCIAL REVIEW (continued)

- 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 a counselling service over 4 days a week.
- 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 10th December 2015 and signed on its behalf by:



Barbara Spittle
Chair of the Corporation

PROFESSIONAL ADVISORS

Financial Statement and Regularity Auditor:

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London E14 5HP

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in June 2014.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

Public Benefit Statement

The College seeks to add value to the social, economic and physical well-being of the community it services. It does this through a defined educational character, vision and mission which inform the strategic aims which are reviewed annually and through its overarching values. The wider community is defined as all partners who have an interest in promoting educational advancement of individuals to benefit local business and the community as a whole.

The Corporation

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

MEMBERS OF THE CORPORATION

Name	Date appointed/ reappointed	Term of office	Date resigned /end of term of office	Status of appointment	Committees served	Attendance
Michael Axelrod	7 July 2011 1 May 2015	4 years		Independent Member	Audit	100%
Andrew Baird	19 March 2008 19 March 2012	4 years		Independent Member	Finance and Resources: Chair; Senior Postholders' Employment Search and Governance	100%
Robert Campbell	1 August 2014 1 August 2015	1 year 1 year		Student Member	Learning and Quality	72%
Hayley Dalton	1 August 2013	4 years		Support Staff Member	Search and Governance Audit	86%

Name	Date appointed/ reappointed	Term of office	Date resigned /end of term of office	Status of appointment	Committees served	Attendance
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 Postholder Employment	70%
Jayne Dickinson	1 January 2012	Ex Officio		Principal and Chief Executive	Finance and Resources; Learning and Quality; Search and Governance	100%
Raymond Elgy	25 March 2009 25 March 2013	4 years		Independent Member	Finance and Resources; Search and Governance; Senior Postholder Employment	77%
Rosemary French	25 March 2009 25 March 2013	4 years		Independent Member	Audit; Learning and Quality; Senior Postholder Employment: Chair Search and Governance	91%
Hannah Frewer	1 August 2015	1 year		Student Member	Learning and Quality	100%
Andrew Gilchrist	27 August 2008 27 August 2012	4 years		Independent Member	Audit: Chair; Senior Postholder Employment	66%
Vanessa Guest	15 December 2011	4 years	31 August 2015	Independent Member	Finance and Resources	50%
Susan Kay	14 December 2012	4 years		Independent Member	Learning and Quality Audit	100%
Pilirani Mshamboza	1 August 2014	1 year	31 July 2015	Student Member	Learning and Quality	0%
Catherine Prest	16 June 2012	4 years		Independent Member	Learning and Quality	100%
Elizabeth Rushton	11 December 2014	4 years		Independent Member	Finance and Resources Senior Postholder Employment	89%
Ron Searle	24 July 2006 24 July 2010 1 May 2014	4 years		Independent Member	Learning and Quality	72%
Brian Smith	1 January 2011	4 years	26 March 2015	Independent Member	Audit	50%
Barbara Spittle	29 November 2007 29 November 2011 1 September 2015	4 years		Independent Member	Corporation Board: Chair; Finance and Resources; Search and Governance: Chair	100%
Neil Ward	1 August 2013	4 years		Teaching Staff Member	Search and Governance Committee	100%
Isobel Wallace	16 June 2012	4 years		External Co-opted Member of the Audit Committee	Audit	84%
Sue Glover acts as Clerk to the Corporation						

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Members also supported the College at a range of strategic planning events.

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, Senior Postholder Employment, Search and Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.esc.ac.uk or 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 2015, 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 2015 are set out in note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Audit Committee

The Audit Committee comprises 7 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 review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management 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 as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, 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/Financial Agreement 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.

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 2015 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 2015 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:

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- 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 internal audit service, which operates in accordance with the requirements of the EFA and Skills Funding Agency's Joint 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. As a minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity at the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, control 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.

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, other sources of assurance 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 and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 10th December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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.

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

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

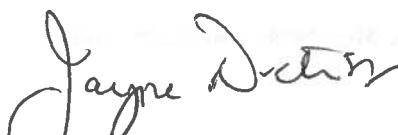
We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial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

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

Approved by order of the Members of the Corporation on 10th December 2015 and signed on its behalf by:



Barbara Spittle
Chair


Jayne Dickinson
Principal & Chief Executive

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, through its Accounting Officer is required 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 Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the 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 financial transactions are in accordance with the framework of 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/Financial Agreement with the Skills Funding Agency/Education 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 10th December 2015 and signed on its behalf by:



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 21 to 45. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 19 June 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of the Skills Funding Agency and our engagement letter dated 19 June 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 19 June 2015 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 19, 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 letter dated 19 June 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) 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/auditscopeukprivate>

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 2015 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 issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

UHY Hacker Young

UHY Hacker Young
Quadrant House
4 Thomas More Square
London
E1W 1YW

Date 17 December 2015

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2015

	Note	2015 £000s	2014 £000s
Income			
Funding body grants	2	13,387	14,174
Tuition fees and education contracts	3	2,493	1,729
Other income	4	334	437
Investment income	5	8	7
Total income		16,222	16,347
Expenditure			
Staff costs	6	9,072	9,119
Other operating expenses	8	3,978	3,786
Depreciation	11	2,595	2,600
Interest and other finance costs	9	264	347
		15,909	15,852
Total expenditure			
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		313	495
		313	495
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and exceptional items but before tax			
		313	495
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax		313	495

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

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 July 2015

	Note	2015 £000s	2014 £000s
Surplus on continuing operations before taxation		313	495
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		76	76
Historical cost surplus for the year before and after taxation		389	571

STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2015

	Note	2015 £000s	2014 £000s
Surplus on continuing operations after depreciation of assets, exceptional items and tax		313	495
Actuarial loss in respect of pension scheme	28	(720)	(1,507)
Total recognised losses since the last report		(407)	(1,012)
Reconciliation			
Opening reserves		1,629	2,641
Total recognised losses for the year		(407)	(1,012)
Closing reserves		1,222	1,629

BALANCE SHEET
as at 31 July 2015

	Note	2015 £000s	2014 £000s
Fixed assets			
Tangible assets	11	54,184	56,440
Current assets			
Debtors	13	723	466
Cash at bank and in hand	12	2,261	2,024
		<u>2,984</u>	<u>2,490</u>
Creditors: amounts falling due within one year	14	<u>(1,770)</u>	<u>(1,663)</u>
Net current assets		<u>1,214</u>	<u>827</u>
Total assets less current liabilities		55,398	57,267
Creditors: amounts falling due after more than one year	15	(4,500)	(4,800)
Provisions for liabilities	17	(13)	(13)
Net assets excluding pension liability		50,885	52,454
Net pension liability	28	(6,210)	(5,558)
Net assets including pension liability		<u>44,675</u>	<u>46,896</u>
Deferred capital grants	18	43,453	45,267
Reserves			
Income and expenditure account excluding pension reserve	21	4,994	4,673
Pension reserve		(6,210)	(5,558)
		<u>(1,216)</u>	<u>(885)</u>
Income and expenditure account including pension reserve		(1,216)	(885)
Restricted reserve	19	23	23
Revaluation reserve	20	2,415	2,491
		<u>1,222</u>	<u>1,629</u>
Total reserves		1,222	1,629
Total		<u>44,675</u>	<u>46,896</u>

The financial statements on pages 21 to 45 were approved and authorised for issue by the Corporation on 10th December 2015 and signed on its behalf by:

Barbara Spittle

Barbara Spittle
Chair

Jayne Dickinson
Jayne Dickinson
Principal

CASH FLOW STATEMENT
for the year ended 31 July 2015

	Note	2015 £000s	2014 £000s
Cash flow from operating activities	22	1,151	1,767
Return on investments and servicing of finance	23	(281)	(297)
Capital expenditure and financial investment	24	(333)	(320)
Financing outflow	25	(300)	(300)
Increase in cash in the year		237	850

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	2015 £000s	2014 £000s
Increase in cash in the year		237	850
Decrease in bank loan	25, 26	300	300
Movement in net debt in the year	26	537	1,150
Net debt at 1 August		(3,076)	(4,226)
Net debt at 31 July	26	(2,539)	(3,076)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

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 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) 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 2014/15 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 2015 the College has a £4.8m fixed rate long term loan repayable over 17 years extendable to 22. 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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any over or under achievement of the adult skills budget allocation 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 following the year end. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

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 lives 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 28, 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 credit 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 varies 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

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	- 3-7 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

1. Statement of Accounting Policies (continued)

Taxation

The College is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the College is 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 34, 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.

The College also acts as agent in the collection and payment of the AGE and Surrey County Council grants to employers who employ apprentices who undertake training at the College. Related payments received from the funding bodies and subsequent disbursements to employers are excluded from the Income and Expenditure account and are shown separately in note 34. The College is not allowed to charge for the administration costs it incurs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

2. Funding Body Grants

	2015 £000s	2014 £000s
Main funding body recurrent grants	10,580	11,177
HE funding	47	62
Main funding body non recurrent grants	959	1,070
Releases of deferred capital grants	1,801	1,865
Total	13,387	14,174

3. Tuition Fees and Education Contracts

	2015 £000s	2014 £000s
Tuition fees:		
UK and EU Higher Education students	698	408
UK and EU Further Education students	1,202	947
Non-EU students	-	-
	1,900	1,355
Total fees paid by or on behalf of individual students		
Education contracts:		
School Links contracts	302	326
ESF contracts	263	-
Other contracts	28	48
Total	2,493	1,729

4. Other Income

	2015 £000s	2014 £000s
Other income generating activities	133	95
Releases from deferred capital grants (non-SFA)	17	18
Other income	184	324
Total	334	437

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

5. Investment Income

	2015 £000s	2014 £000s
Interest receivable	8	7
	<u>8</u>	<u>7</u>

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:

	2015 No.	2014 No.
Teaching staff	132	135
Teaching support services	48	49
Non-teaching staff	87	83
	<u>267</u>	<u>267</u>

Staff costs for the above persons

	2015 £000s	2014 £000s
Wages and salaries	7,219	7,281
Social security costs	508	520
Other pension costs (including FRS 17 adjustments of £43,000 credit, 2013/14 £10,000 expense)	1,198	1,091
Payroll sub total	<u>8,925</u>	<u>8,892</u>
Contracted out staffing services	147	227
Total	<u>9,072</u>	<u>9,119</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

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:

	2015		2014	
	Number Senior Post holders	Number Other Staff	Number of Senior Post Holders	Number Other Staff
£60,001 to £70,000	-	2	-	2
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	2	-	2	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	-	1	-
Total	3	2	3	2

A general pay award of 1.0% for all staff, in accordance with AOC recommendations, was paid in December 2014 for active staff with effect from 1 August 2014. 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.

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

2015	2014
3	3

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

	2015 £	2014 £
Salaries	298,933	295,000
Benefits in kind	6,540	6,383
Subtotal	305,473	301,383
Pension contributions	46,774	44,325
Total	352,247	345,708

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

	2015 £	2014 £
Salaries	116,667	115,000
Benefits in kind	3,309	3,215
Subtotal	119,976	118,215
Pension contributions	16,450	16,215
Total	136,426	134,430

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

7. Senior Post-holders' Emoluments (continued)

The senior post holders' pension contributions are in respect of employers' contributions to the Teacher's 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.

8. Other Operating Expenses

	2015 £000s	2014 £000s
Teaching costs	1,431	1,459
Non-teaching costs	1,377	1,159
Premises costs	1,170	1,168
Total	3,978	3,786

Other operating expenses include:

	2015 £000s	2014 £000s
Auditors' remuneration		
- financial statements and regularity auditor	23	24
- internal auditor	19	21
Profit on disposal of tangible fixed assets (net of grant)	(1)	31
Hire of plant and machinery – operating leases	15	27
Hire of other assets – operating leases	-	-

9. Interest and other finance costs

	2015 £000	2014 £000
On bank loans, overdrafts and other loans: Repayable in more than 5 years, by instalments	289	304
	289	304
Pension finance costs (note 28)	(25)	43
Total	264	347

10. Taxation

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

11. Tangible Fixed Assets

	Freehold Land and buildings	Equipment	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 August 2014	64,493	6,744	71,237
Additions	3	337	340
Transfers	-	-	-
Disposals	(3)	(99)	(102)
	<hr/>	<hr/>	<hr/>
At 31 July 2015	64,493	6,982	71,475
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 August 2014	9,461	5,336	14,797
Charge for year	1,765	830	2,595
Disposals	(2)	(99)	(101)
	<hr/>	<hr/>	<hr/>
At 31 July 2015	11,224	6,067	17,291
	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2015	53,269	915	54,184
	<hr/>	<hr/>	<hr/>
Net book value at 1 August 2014	55,032	1,408	56,440
	<hr/>	<hr/>	<hr/>

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.

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	-
	<hr/>
Net book value based on cost	-
	<hr/>

Land and buildings with a net book value of £43,019k 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

12. Cash at bank and in hand

	2015 £000s	2014 £000s
Cash at bank and in hand	2,261	2,024
Total	2,261	2,024

13. Debtors

	2015 £000s	2014 £000s
Amounts falling due within one year:		
Trade debtors	418	81
Amounts owed by the Skills Funding Agency	-	-
Prepayments and accrued income	305	385
Total	723	466

14. Creditors: Amounts Falling Due Within One Year

	2015 £000s	2014 £000s
Payments received in advance	308	238
Trade creditors	330	289
Other taxation and social security	163	162
Accruals	423	568
Bank loan	300	300
Amounts owed to the Skills Funding Agency/EFA	246	106
Total	1,770	1,663

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

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

	2015 £000s	2014 £000s
Bank Loan	4,500	4,800
Total	4,500	4,800

The College has a commitment with Barclays Bank for a £4.8m fixed rate long term loan repayable by instalments to 2031 at a fixed interest rate of 5.6674%.

16. Borrowings

Bank loans and overdrafts are repayable as follows:

	2015 £000s	2014 £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	3,300	3,600
Total	4,800	5,100

17. Provisions for Liabilities

	Restructuring £000s	Total £000s
At 1 August 2014	13	13
Expenditure in the period	-	-
Transferred from income and expenditure	-	-
At 31 July 2015	13	13

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

18. Deferred Capital Grants

	Funding Bodies £000s	Other Grants £000s	Total £000s
At 1 August 2014			
Land and buildings	43,018	89	43,107
Equipment	1,950	210	2,160
Cash received			
Land and buildings	-	-	-
Equipment	-	5	5
Transfers from payments received in advance	-	-	-
Released to income and expenditure account			
Land and buildings	(1,773)	-	(1,773)
Equipment	(29)	(17)	(46)
Total at 31 July 2015	43,166	287	43,453
Land and buildings	41,245	89	41,334
Equipment	1,921	198	2,119
Total	43,166	287	43,453

19. Restricted Reserves

	2015 £000s	2014 £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.

20. Revaluation Reserve

	2015 £000s	2014 £000s
At 1 August	2,491	2,567
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(76)	(76)
At 31 July	2,415	2,491

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

21. Movement on General Reserves

	2015 £000s	2014 £000s
Income and Expenditure Account		
At 1 August	(885)	51
Surplus retained for the year	313	495
Transfer from revaluation reserve	76	76
Actuarial loss in respect of pension scheme (Note 28)	(720)	(1,507)
	<hr/>	<hr/>
At 31 July	(1,216)	(885)
	<hr/>	<hr/>
Balance represented by:		
Income and expenditure account reserve excl pension reserve	4,994	4,673
Pension reserve (Note 28)	(6,210)	(5,558)
	<hr/>	<hr/>
At 31 July	(1,216)	(885)
	<hr/>	<hr/>

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

	2015 £000s	2014 £000s
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and taxation	313	495
Depreciation	2,595	2,601
Profit on disposal of tangible fixed assets	1	31
Deferred capital grants released to income	(1,818)	(1,883)
FRS17 Pension cost less contributions payable (notes 5, 6 and 28)	(43)	10
FRS17 Pension finance cost	(25)	43
(Increase)/decrease in debtors	(257)	889
Increase/(decrease) in creditors	104	(716)
Interest payable	289	304
Interest receivable	(8)	(7)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,151	1,767
	<hr/>	<hr/>

23. Returns on Investments and Servicing of Finance

	2015 £000s	2014 £000s
Interest received	8	7
Bank charges and interest paid	(289)	(304)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(281)	(297)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

24. Capital Expenditure and Financial Investment

	2015 £000s	2014 £000s
Purchase of tangible fixed assets	(340)	(1,333)
Deferred capital grants received	5	1,013
Sale of tangible fixed assets	2	-
Net cash outflow from capital expenditure and financial investment	(333)	(320)

25. Financing

	2015 £000s	2014 £000s
Repayment of loan instalment	(300)	(300)
Net cash outflow from financing	(300)	(300)

26. Analysis of Changes in Net Debt

	At 1 August 2014	Cashflows	Non-cash changes	At 31 July 2015
	£000s	£000s	£000s	£000s
Cash in hand, and at bank	2,024	237	-	2,261
Bank loan due within one year	(300)	300	(300)	(300)
Bank loan due after more than one year	(4,800)	-	300	(4,500)
Total	(3,076)	537	-	(2,539)

27. Cash flow relating to exceptional items

	2015 £000s	2014 £000s
Provision as at 1 August	13	13
Income and Expenditure account charge	-	-
Provision as at 31 July	13	13

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

28. 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

	2015 £000s	2014 £000s
Teacher's Pension Scheme: contributions paid	513	519
Local Government Pension Scheme:		
Contributions paid	728	562
FRS17 Charge	(43)	10
	<hr/>	<hr/>
Charge to the Income and Expenditure Account (staff costs) excluding exceptional FRS 17 costs	685	572
	<hr/>	<hr/>
Pension costs excluding exceptional FRS 17 costs	1,198	1,091
FRS 17 exceptional charge:	-	-
Past service cost credit	-	-
Curtailments and settlements	<hr/>	<hr/>
Charge to the Income and Expenditure Accounts (staff costs) including exceptional FRS17 costs	1,198	1,091
	<hr/>	<hr/>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2012 and the LGPS 31 March 2010.

Contributions amounting to £- (2013/14:£129,283) are included in creditors at year end as payable to the schemes.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2015

28. Pensions and similar obligations (continued)

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015, rising from 14.1% to 16.48%.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £919,712 (2013/14: £832,932).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

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 2015 was £911,736 of which employer's contributions totalled £713,164 and employees' contributions totalled £198,572. The agreed contribution rates were 19.2% for employers. The new 50% scheme for employees does not change the employer contribution rate. In addition, the College will contribute cash payments of £228,996 for the year ended 31 July 2016.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2015	At 31 July 2014
Pension rate increase	2.6%	2.7%
Salary rate increase	4.0%	4.0%
Expected return on assets	3.6%	6.0%
Discount rate	3.6%	4.0%

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 2015	At 31 July 2014
<i>Current pensioners</i>		
Males	22.5	22.5
Females	24.6	24.6
<i>Future pensioners</i>		
Males	24.5	24.5
Females	26.9	26.9

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 2015	Value at 31 July 2015 £000s	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000s
Equities	3.6%	10,408	6.6%	9,539
Bonds	3.6%	2,220	3.6%	1,956
Property	3.6%	971	4.7%	611
Cash	3.6%	278	3.6%	122
Total market value of assets		13,877		12,228
Present value of scheme liabilities				
Funded		(20,082)		(17,781)
Unfunded		(5)		(5)
Deficit in the scheme		(6,210)		(5,558)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

28. Pensions and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	2015 £000s	2014 £000s
Employer service cost (net of employee contributions)	670	582
Past service gain	-	-
Losses on curtailments and settlements	-	-
Total operating charge	670	582

Analysis of pension finance costs

	2015 £000s	2014 £000s
Expected return on pension scheme assets	745	684
Interest on pension liabilities	(720)	(727)
Pension finance costs	25	(43)

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

	2015 £000s	2014 £000s
Actuarial gains/(losses) on pension scheme assets	420	(446)
Actuarial losses arising on the scheme liabilities	(1,140)	(1,061)
Actuarial loss recognised in STRGL	(720)	(1,507)

Movement in deficit during year

	2015 £000s	2014 £000s
Deficit in scheme at 1 August	(5,558)	(3,998)
Movement in year:		
Current service cost	(670)	(582)
Past service cost credit	-	-
Employer Contributions	713	572
Impact of Settlements and Curtailments	-	-
Net interest on liabilities	25	(43)
Actuarial loss	(720)	(1,507)
Deficit in scheme at 31 July	(6,210)	(5,558)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

28. Pensions and similar obligations (continued)

Asset and Liability Reconciliation

	2015 £000	2014 £000
Reconciliation of Liabilities		
Liabilities at start of period	17,786	15,622
Current Service cost	670	582
Interest cost	720	727
Employee contributions	201	182
Actuarial gain	1,140	1,061
Benefits paid	(430)	(388)
Past Service gain	-	-
Curtailments and settlements	-	-
Liabilities at end of period	20,087	17,786

	2015 £000	2014 £000
Reconciliation of Assets		
Assets at start of period	12,228	11,624
Expected return on assets	745	684
Actuarial gains/(losses)	420	(446)
Employer contributions	713	572
Employee contributions	201	182
Benefits paid	(430)	(388)
Assets at end of period	13,877	12,228

The estimated value of employer contributions for the year ended 31 July 2016 is £745,000.

History of experience gains and losses

	2014 £000s	2013 £000s	2012 £000s	2011 £000s	2010 £000s
Difference between the expected and actual return on assets:					
Amount	420	(446)	1,343	(433)	1,077
Experience gains and losses on scheme liabilities:					
Amount	165	363	-	(208)	(612)
Total amount recognised in STRGL					
Amount	(720)	(1,507)	1,001	(2,065)	960

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

29. Post Balance Sheet Events

In August 2015 the College entered into an operating lease with Xerox Ltd for the provision of Multi Functioning Devices, with agreed lease payments totalling £192,000 over the five years to 2020. In November 2015, following confirmation of additional funding from the EFA, the College issued a subcontract to ACM Ltd, the Guildford based Academy of Contemporary Music, for the delivery of Level 3 Study Programmes for up to 200 16-18 year old learners, generating additional activity of up to £1m.

30. Capital Commitments

	2015 £000s	2014 £000s
Commitments contracted for at 31 July	269	481
Authorised but not contracted for at 31 July	-	-

31. Financial Commitments

At 31 July 2015 the College had annual commitments under non-cancellable operating leases as follows:

	2015 £000s	2014 £000s
Other equipment		
Expiring within one year	-	-
Expiring between two and five years inclusive	-	-
Total	-	-

32. Contingent Liability

No material contingent liabilities exist at the balance sheet date.

33. 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 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 several ESF contracts held by Central Sussex College, City College Brighton and Sussex Downs Colleges 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

34. Amounts disbursed as agent

	2015	2014
	£000s	£000s
Discretionary Support Funds		
Funding body grants – general access funds	485	438
Other LA – Looked After Children	36	18
	<hr/>	<hr/>
	521	456
Disbursed to Students – childcare	(447)	(381)
Administration costs – hardship	(19)	(21)
	<hr/>	<hr/>
Balance unspent at 31 July	55	54
	<hr/>	<hr/>

Of the unspent balance £35,287 relates to Free School Meals which is included in Note 14 in Amounts owed to the Skills Funding Agency/EFA (2013/14 £-).

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.

	2015		2014
	£000s	£000s	£000s
AGE and SCC Funds			
Brought forward balance	15	25	-
Funding body grants – AGE	123	-	82
Funding body grants – SCC	-	-	41
	<hr/>	<hr/>	<hr/>
	138	25	123
Disbursed to Employers	(66)	(2)	(88)
	<hr/>	<hr/>	<hr/>
Balance unspent at 31 July	72	23	35
	<hr/>	<hr/>	<hr/>