

PLUMPTON COLLEGE

**Members 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.

Plumpton College's purpose is to meet the educational needs of our local community through a varied and carefully considered curriculum. The College supports students to develop them both professionally and to give them the necessary life skills to be active and beneficial members of society. The College fully recognises its responsibilities to the community it serves.

We define our community as all those who live, work, study within Sussex and as appropriate, the surrounding areas.

The College actively seeks mutually beneficial relationships with organisations and individuals who have similar objectives to our own and can add value to the learning experience and the wider community

We review our Mission at intervals of no more than three years. In 2014 we re-defined our Mission as engaging and inspiring our students through education and research at the highest level of excellence as well as striving to create a positive local community footprint.

Implementation of strategic plan

Following the annual strategic workshop in February 2014 the college approved the College Strategic Plan for the period 1 August 2014 to 31 July 2019. The College's continuing strategic objectives are:

1. To achieve appropriate growth in student numbers across all provision areas over the period 2014 to 2019 including Services to Business activity.
2. To provide an excellent land-based education, training and learning environment to all students and businesses.
3. To continue to develop the College's high-quality ancillary businesses which support education and training and make an increasing contribution to the College's cash flow and reputation.
4. To generate sufficient cash internally over the period of this plan to fund capital investment and to be able to repay existing borrowings by the end of the period
5. To increase awareness, trust and support for the further development of the College by continuing to develop our reputation as a leading centre of land-based education and training in the South-East.
6. To develop the College's physical, staff, management and governance resources in order to achieve the above objectives.

The following sections discuss the progress made against each of these objectives during 2014/15, and the outlook for the future including principle risks

Growing student numbers

Having invested significant sums over the last 10 years in modernising and expanding the infrastructure, the colleges long-term strategy is to achieve a steady growth in student numbers in its core markets of 16-18 and HE provision, while at the same time identifying and responding to new opportunities in apprenticeships and employer-funded courses.

2014/15 was a challenging and disappointing year. As the following table shows, overall student numbers, expressed in full-time equivalent (FTE) terms, actually fell slightly, as a result of reduction in 14-16 and apprentice numbers:

	2014-15		2013-14		Change	
Category	No.	FTE (approx.)	No.	FTE (approx.)	No.	FTE (approx.)
14 to 16	263	87	338	149	-75	-62
Home educated 14-16	27	12	9	7	18	5
16 to 18	936	916	937	895	-1	21
Apprentices	170	170	201	201	-31	-31
Full-time 19+	266	266	340	340	-74	-74
Part-time 19+	457	210	344	154	113	56
HE	380	330	340	323	40	7
Employer related	455	45	1045	24	-590	21
Total	2954	2036	3554	2093	-600	-57

Demographically, the number of 16-18 year olds in Sussex fell slightly, and the competition between providers became more intense as the Government encouraged the entry of new academies and growth in school sixth forms without facilitating the withdrawal of weaker, surplus provision. Local authorities cut their subsidy for student transport, and this affected the ability of students to travel to Plumpton from more distant locations: the impact was only partly offset by an increase in the college's own transport subsidies.

Within the total 16-18 numbers there was, compared with other colleges, a very high proportion of students with learning difficulties and disabilities (LLDD) 45%. Over the last 5 years the funding per LLDD student has fallen by £900. The combination of higher LLDD numbers and reduced funding is presenting an increasing challenge to maintaining appropriate levels of support.

HE numbers fell as virtually all the remaining 65 students allocated to Plumpton by the University of Brighton completed their course in July 2013, and the Government continued to cap the number of students funded directly by HEFCE.

The College aims to maintain a broad gender balance among its students (i.e. between 40% and 60% of each). The actual proportions in 2014/15 were 50% male: 50% female. Within each department the balance can vary significantly, reflecting the gender bias of certain rural vocations (e.g. equine, blacksmithing). In such cases the college aims to recruit a gender mix amongst its students which is at least more balanced than in the outside profession.

Outlook

In virtually all the College's markets prospects for growth are uncertain at best, and in some areas likely to remain very challenging. None of the college's Government funding is "protected", and there are clear indications of further significant cuts in grant, particularly for post-19 provision. The cap on HE student numbers has now been lifted, but this has led to intense competition between universities to attract students. The excess of supply over demand for 16-18 places is likely to persist in the South East for several more years. While the college's 2015/16 budget assumed some growth in HE numbers, actual recruitment experience suggests the college will do well to sustain the 2014/15 levels of both FE as well as HE students.

In July 2015 the Government announced an Area-by-Area review of FE College and Sixth Form College capacity throughout England, with a view to achieving fewer, more specialised colleges from 2016/17 onwards. The review of Sussex colleges' capacity was launched in October 2015, and conclusions are expected in February 2016. The college believes that this review will be

positive for Plumpton's prospects; but the college continues to press for it to be extended to address the growing number of small, unsustainable School and Academy Sixth Forms.

In the meantime the College continues to lay the foundations for longer-term growth. The College has added new niche areas to the curriculum, including equine dentistry at HE level and fish management. As the local economy recovers, the College is talking closely to rural businesses about new training needs they would be willing to fund. The College is planning additional residential accommodation to address the difficulties of long student journeys to college.

The government has announced a target of raising the number of apprenticeships to 3 million in this Parliament. The opportunities here are mainly associated with large employers rather than the micro-businesses which the College predominantly serves. Nevertheless the College is looking for innovative and cost-effective ways of growing its apprenticeships, including the further development of its Supported Traineeships for LLDD students.

Achieving excellent quality of provision

The College's strategic objective is to provide excellent land-based education, training and land-based environment to all our students and businesses. The target is to achieve (a) consistent Ofsted gradings of at least Good across each Department, and (b) continuous year-on-year improvement; and, for HE, high QAA gradings and research performance.

The governing body has set out clearly what it means by "excellent". It differs in a few aspects from the grading criteria for "Outstanding" applied by Ofsted, but the differences are mainly in points of emphasis. The governing body looks for the College's provision to be relevant and responsive to the evolving needs of the students and businesses it serves. The governing body press for consistently high and improving standards of teaching, tutoring, and learning. The governing body put particular weight on 'distance travelled' as well as on success rates; and on employability and citizenship. The governing body place high value on inclusivity as well as promotion of equality and diversity.

The College has achieved a consistently Good rating at its last three Ofsted inspections, most recently in November 2011.

Since 2011, Ofsted have amended their grading criteria to put more emphasis on teaching performance. There has been a steady reduction in real levels of grant funding, associated with a cut in the length of funded study programmes. And the government has put new obligations on colleges, including a requirement to teach English and Maths to students who arrive without GCSE Grades A-C in these subjects (in 2014/15 16% of students fell into this category). Following these changes the College's quality performance has become more mixed.

Many aspects of our provision remain excellent. Plumpton's strengths include

- Progress made by FE students: the academic attainment of post-16 students on entry is significantly lower than any other college or school in the area, but they leave with the same attainment as the local authority average.
- The Higher Education provision, which is research-informed, challenging but also supportive of student needs. National measures of student satisfaction are very high (89%) and in the top four land-based colleges, and external examiners (QAA, University of Brighton) consistently confirm excellent standards of academic and work-related skills development.
- Responsiveness of the FE Curriculum Offer. In each area of provision the College fosters close dialogue with employers, and responds nimbly to new training needs. This is helped by having Heads of Department (and many other staff) who have been with the College for a long period and are familiar with the local small businesses the College serves.

- Provision in Wine Production and Wine Business. This is unique to the College and is tailored to meet the needs of the rapidly growing UK viticulture sector. The provision includes at the HE level Degree courses, Masters Courses and Research programmes; and at the FE a wide variety of wine training programmes delivered both nationally and locally.
- Agriculture and Countryside-Related provision was judged Outstanding at the 2011 Ofsted inspection, and has been further strengthened by the subsequent significant enlargement and modernisation of the dairy. It records exceptional rates of qualification achievement, technical skills development and high rates of progression into employment.
- 14-16 provision. The College works with schools to provide carefully structured training in land-based skills on a part-time basis, achieving high rates of progression into 16-18 full-time courses.
- The College's Residential Provision was judged Outstanding at the last (2012) OFSTED inspection of residential services. Apart from strong safeguarding, there is strong development of students' personal skills and their employability skills.

Other aspects of the Colleges provision remains, or has become, more challenging. These include

- FE Success rates. Success rates for 16-18 year-olds on substantial vocational qualifications 2014-15 were not good enough, 81.8% against a national average of 84.8%. This was caused by retention and achievement both being below the expected levels., heavily influenced by failures in one particular OAA course which have now been comprehensively addressed, although improvements are being made across the board. These improvements include a focus on the role of the Programme Leader in the management of retention at key points in the year, and in the more effective analysis and applications of data. In addition, the quality of learning and teaching is the focus of a renewed and clearly-focused drive (see below).
- Quality of classroom teaching. Gauged at the end of 2014-15 as Requires Improvement, with evidence of progress towards Good; key points for improvement deriving from the observation cycle are: individualised target-setting and monitoring of progress, and effective planning for learning. CPD has begun to address these points and will continue to do so. There is an energetic drive on (a) clear direction as to the requirements of classroom delivery, (b) performance management of under-achieving teachers, and (c) the effective sharing of good practice and CPD. Standardisation of evaluative judgement-making by departmental and cross-College managers is taking place of our strengths, areas for improvement and there are actions to achieve these. Which will enable improved retention at programme level. The college has set a target of achieving a minimum of 85% good or better in graded observations by Easter 2016.
- Provision of English and maths. After what was thought to have been a fairly successful initial year attempting to meet government requirements, the final success rates were: GCSE 77% (but, only 13% English and 22% maths were A-C grades) which is at the national average with GCSE retention being higher. However A-C grades could be improved. Functional skills success rates were also poor at 31.6%. This was the first year of delivery of FS by vocational staff with minimal support from the 2 specialists, who delivered GCSE. In response, staffing has been increased - there are now nearly 2 FTE specialist for English and for maths – and modes of delivery, exam taking and exam practice have been revised: our first GCSE resits occurred in late October, and controlled assessments have been staggered and brought forward in the year's programme.

In 2013/14 the College's overall FE performance was externally validated as Requiring Improvement in terms of Ofsted criteria. Quality performance during 2014/15 has yet to be externally validated. Though some progress was made, particularly in the quality of teaching and

learning, the College's own assessment is that the improvements achieved during the year have not yet been sufficient to lift the overall Ofsted grading to Good.

Outlook

The College has increased the rate and intensity of lesson observations and has reintroduced the formal grading of observation sessions. Training and support continues to be offered to weak teachers, but where this does not deliver the necessary improvement the governing body support management's intention to move the teacher out of the classroom. The IT platform has been updated, and provides a more versatile platform for the teachers' development of on-line materials which will stretch student learning. The new Management Information System introduced in 2014/15 has now bedded down and should help ensure that students are enrolled in appropriate programmes and entered for the relevant examinations.

Key FE improvement targets for 2015/16 are as follows:

	2015/16
Retention	95%
Achievement	95%

with Teaching and Learning to be consistently Good or Better at audit in May and June 2016.

From the beginning of 2015/16 Ofsted once again amended their Common Inspection Framework, involving new inspection criteria. The changes give greater emphasis to personal development and behaviour, English and Maths Development, student progress during their course and progress to employment and/or further study, raising student aspirations, modern British values, and the PREVENT agenda to reduce radicalisation. The College does not see these latest changes as requiring a significant change in the present thrust of the College's quality improvement programme. The College's HE provision will be inspected by the Quality Assurance Agency (QAA) in May 2016

Developing our ancillary activities

The strategic objective is to develop sustainable, high-quality ancillary businesses which make an increasing contribution to the colleges cash flow and reputation, while meeting their primary purpose of supporting the College's academic provision. The main ancillary businesses are:

- The Lambert Farm at Plumpton
- The Plumpton Winery
- Residential and Catering
- Research, Development and Demonstration

Farm Operations

The College manages around 800 acres, mostly on and below the South Downs. This includes the Lambert Farm (previously known as Wales Farm) at the Plumpton site. In terms of turnover the farm operation is the third largest among English land-based colleges. It includes a dairy herd of around 300 in a new, enlarged dairy with facilities for production of cheese and other dairy products; a beef herd of 60; 120 sows and a flock of 600 sheep; a variety of arable crops; a game shoot; and fish management facilities including a recently completed lake.

The farm's objective is to generate a cash surplus of £250k over the five years to 2018/19 for re-investment in the College; for the dairy to achieve top quintile performance against commercial benchmarks and be recognized as a Centre of Regional Excellence; and for other activities to operate in the top 30% of benchmark data for comparable farm and soil data.

In 2014/15 there was a shortfall of over 20% against budgeted income, primarily due to lower prices for milk and other commodities, and although offsetting cost reductions were achieved, the

farm recorded a cash loss of around £50k, compared with a surplus of over £100k in 2013/14. These difficult market conditions are seen as continuing: the farm is not now expected to do much better than breakeven over the next three years.

Winery

The College has about 10 hectares of vineyard and a modern winery producing around 30,000 bottles a year. Its strategic objective is to generate sales of £546k and a net cash surplus of £383k over the 5 years to 2018/19. In the first year the operation achieved an income of £98k and a net surplus of £70k from sales of 16,000 bottles, and remains on course to achieve its longer-term financial targets.

Residential and Catering

The College currently has residential facilities for around 200 students, together with large kitchens and snack bar facilities. The strategic objective is to achieve 100% occupancy of the residential accommodation during term-time, and 70% during the holiday period when the accommodation is let out to third parties. The residential and catering operations should achieve excellent satisfaction ratings from students and third party users.

During 2014/15 the total income from residency was 123% of target. Student surveys continued to show very high satisfaction rates. In their 2012 inspection of the residential service. Ofsted assessed its quality as Outstanding and the College believes this has been sustained. Residential fees were increased in 2014, together with catering prices, lifting residential and catering income in 2014/15 by around £100k. The net cash contribution (i.e. before depreciation and overheads) rose from £525k in 2013/14 to £597k in 2014/15.

Demand for rooms remains very high. A recently approved a £2m project to construct a new 30-room accommodation block at Plumpton, for which planning permission is currently being sought. This, and continued buoyancy in accommodation fees, is expected to yield continuing growth in income and operating cash contribution over the period to 2018/19. The increase in residential capacity is also seen as key to achieving future growth in student numbers.

Research, Development and Demonstration

The College has well-equipped laboratories and test facilities, particularly in respect of wine, and its infrastructure provides a test-bed for field trials of new products and techniques. Research activity complements our HE provision. Although it generates only modest income directly, it enhances the College's reputation both nationally and internationally and cements the relationship with land-based industries and other research partners, such as the University of Brighton. During the year Plumpton provided research services to the newly formed South Downs National Park Authority. Further details of our research activity are available on the College's website.

Maintaining Strong finances

The College's overarching financial objectives are to generate sufficient cash internally over the period to July 2018 to be able to repay outstanding borrowings at 2010 by the end of this period, and to ensure a payback period of no more than seven years for new major projects.

To achieve these objectives, the College's strategy over this period is to

- hold staff costs (including agency costs) at an average of no more than 50% of turnover;
- limit dependence on the sector funding agencies (SFA, EFA, and HEFCE) to 65% of external operating and capital funding;
- increase academic income through growth in student numbers to mitigate cuts in grant funding levels;

- ensure that all courses and other income-generating activities make a positive financial contribution;
- limit peak net borrowing to £5m
- adopt accounting policies which are at the conservative end of the FE accounting spectrum.

Financial results

The College generated an operating surplus in the year of £19k (2013/14 – £17k). This is less than the budgeted surplus (£77k) approved by the Corporation in July 2014 following underperformance in the Adult Skills Budget and the HE contract resulting in clawbacks of £31k and £58k respectively. The accounts also include a net charge of £73k in respect of FRS17.

Total income rose by 1.8% from £15.658m to £15.946m. We continued to meet our target for funding diversification: despite a further shift of HE funding away from the franchise agreement with the University of Brighton to reliance on direct grant funding by HEFCE, only 50% (2013/14 – 49%) of our total income came from funding bodies. The College continues to benefit from high levels of non-academic income, particularly from its farm and residential accommodation; this continued to run at around 25% of total income.

Despite the award of a modest salary increase the 50% target ratio for staff costs continued to be met during 2014/15. Plumpton's ratio of staff costs to turnover is the lowest of all 15 independent land-based colleges, and well below the FE sector range of 60–75%. In the face of an anticipated squeeze on margins we achieved a significant reduction in non-teaching staff costs in 2014/15, from £1.083m to £0.752m, through the non-replacement of staff in areas such as HR and finance and efficiency gains achieved elsewhere. Other operating costs fell by 6%, including a 20% reduction in premises costs as a result of strong action to reduce annual utility costs through improved efficiency, partly as a result of investment in new heating and lighting systems and through improved procurement of services.

After adjusting for depreciation, deferred capital grants included as income, interest, and working capital movements (see note 20 to the accounts), the operating surplus of £19k translates to a net cash inflow from operating activities of £554k (2013/14: £218).

The College continued to invest during the year to improve and extend its educational infrastructure. Capital expenditure more than trebled in 2014/15 to £2.379m, mainly on the IT and fishery management projects. These were largely financed through an additional bank loan of £1.8m, which was fully drawn down by the year-end, and is repayable in March 2019: the projects taken together meet the 7-year payback criteria.

In terms of the Skills Funding Agency financial health indicators, the College is classified as Good as at July 2015. The College's balance sheet remains relatively strong despite a reduction in total reserves attributable to the latest actuarial upward revision of the Local Government Pension Scheme (LGPS) liability. Total borrowings at July 2015, all unsecured, amounted to £5.015m (July 2014 –£3.974m). This was at the upper limit of the objective we have set for peak borrowing. The FE Commissioner has recently identified college borrowings in excess of 40% of turnover as a symptom of financial stress: Plumpton's July 2015 borrowings represented 31% of annual turnover.

Apart from the £1.8m borrowing for the 2014 IT and Fishery Management project, the borrowings comprised

~ £225k relates to a 2008 loan in respect of a development property at Robertsbridge with phased repayment over the period 2013 to 2028;

~ £3,024k relates to a 2008 loan to help finance the main redevelopment of the Plumpton site: this has two fixed-rate tranches (a) for £833k at a 6.845% rate to February 2017, and (b) for £830k at a 6.615% rate to November, with the remainder on a variable rate of £0.5% above 3 month LIBOR.

We are confident that the College will generate sufficient cash internally by July to meet our primary, overarching financial objective of being in a position to repay these 2008 loans by July 2018.

The college also has a revolving overdraft facility of £550k, which has not been drawn down and is not currently envisaged to be drawn down over the next three years.

Outlook

The financial prospects for the FE sector as a whole are poor and deteriorating. Of the 241 FE colleges, the FE Commissioner estimated in October 2015 that 70 (nearly 30%) are already financially unsustainable and need restructuring to a greater or lesser degree; and the new Government's Comprehensive Spending Review in November 2015, though less severe than widely feared, will nevertheless involve spending cuts in real terms over the next three years.

Despite the steps the College has taken to diversify its income sources, Plumpton is certainly not immune to these pressures. For example, in 2014 the Government announced a 2.38% increase in employer contributions to the Teachers Pension Scheme from September 2015, the ending of the contracted out National Insurance rebate from April 2016, and increases in employer contributions to the LGPS in subsequent years. This will increase staff costs by £90k in 2015/16, and by more than a further £25k in 2016/17. Likewise the reduction in local authority subsidies for student buses has thrown a significant additional cost burden onto the College.

In July 2015 we set a broadly breakeven operating budget for the three years 2015/16 to 2017/18 taken as a whole that takes into account these known pressures. We will review our business and financial strategy in Spring 2016 in the light of the outcomes of the Sussex Area Review and the Government's Comprehensive Spending Review and make any necessary adjustments. In the meantime we continue to look for further efficiencies and synergies with other colleges and (hopefully) schools in the context of the Area Review, and to mitigate the risk of further cost pressures. The College has for example renegotiated the interest structure of its bank loans to limit the impact of the interest rate increases widely expected next year.

The large net LGPS pension liability continues to pose a significant threat to the College's balance sheet. The LGPS is a defined benefit scheme managed by the East Sussex County Council, and the College's membership is a regulatory requirement. The net pension liability is subject to large swings from year to year depending on changes in the value of the Scheme's assets and the actuarial assumptions on the Scheme's liabilities, principally the appropriate discount rate and the assumptions on mortality, all of which are outside the Corporation's control. Details are at Note 25 to the Accounts. We welcome the Government's recent proposals for improving the performance of LGPS' asset management, and the more prudent actuarial assumptions on mortality now being adopted; and we are hopeful that the size of the pension liabilities should fall as interest rates across the economy start to rise.

Managing our resources

The College's strategic objective is to develop the staff, physical and management resources of the college, and ensure they are applied efficiently and effectively to achieve the College's other objectives.

Staffing

The average number of employees during the year, expressed as Full-Time Employees, was 241 (2013/14: 241) made up as follows:

	2014/15	2013/14
Teaching staff	96	95
Non-teaching staff	145	146
Total	241	241

In addition the College spent £121k (2013/14 £85k) on contract staff – typically in connection with limited term adult training contracts – and £60k (2013/14: £55k) on agency staff to meet short term needs.

Many of Plumpton's staff have been at the College for a long time, and their expertise, loyalty and commitment is the main reason for the College's success. There has been little redundancy: adjustment in staff numbers as a result of efficiency measures or changes in business have been achieved through natural wastage or through staff moving from full-time to part-time working. While higher house prices in Sussex have sometimes discouraged staff from moving from other parts of the country, the College has generally been able to recruit the staff it needs outside certain specialist skills. Nevertheless with tighter staffing there is inevitably a greater risk of disruption to College business if key staff leave or are ill. During the year the governing body established an ad hoc Governor Succession Planning Committee to identify key posts and roles and to oversee development of plans for addressing this risk.

The key focus of staff development during the year was on improving classroom teaching skills and the fuller use of IT in teaching. There was some noticeable improvement recorded in lesson observations as a result but there is still further to go.

Infrastructure and Facilities

Over the last ten years 90% of the Plumpton estate has been redeveloped, including modern teaching, administration, residential and social accommodation. The condition of the Plumpton campus is now excellent, and this provides an opportunity to focus on the development of outcentres – both the College's own and those it shares with partners – and to invest in expansion and new curriculum areas at Plumpton. The college is currently considering plans for a new residential accommodation block for 30 additional students. There is also a continuing investment of around £250k pa in new equipment and facilities to ensure that the College remains at the leading edge of technical training. During the year the College's carbon footprint (excluding its farming activities) was approximately 1.2m tonnes of CO₂. The College's footprint has increased since the last in depth survey (2011) but this is to be expected given an increase in building floor area, staff and student numbers. Calculating the foot print relative to the floor area and comparing to benchmarks from CIBSE (Chartered Institution of Building Service Engineers) for buildings in the sector is difficult given the availability of data but would clearly be a better indicator.

As part of our wider disability policy, which is available on the College's website, particular attention has been taken to ensure that the College's infrastructure and facilities are accessible to disabled students. The redevelopment plan has also given a high priority to environmental considerations, with the aim not simply of reducing any adverse environmental aspects of the College's business but also to showcase to the FE sector and to the communities it serves the rural application of sustainable energy resources. To that end, the College has installed solar panels, wood-chip boilers, a bio-digester to convert slurry to energy, and facilities to produce motor fuel from rapeseed oil; and has built low-energy building of rammed earth or with ground-source heat pumps.

IT and Data

The College's IT provision was extensively upgraded during the year, including high capacity servers, firewalls and external connectivity. Building works were carried out to provide new server rooms, office accommodation for IT staff, a teaching suite and a student helpdesk. The new provision includes extensive use of Office 365 and Cloud-based storage.

In parallel with this the College has introduced new, modern software systems. At the beginning of the year the College adopted the ProSolution Management Information System (MIS) software to handle timetabling, Individual Learner Records, and student performance monitoring, accommodation, employer engagement, and UCAS progress. At the beginning of 2015/16 Aggresso financial software was introduced to improve the College's purchasing, accounts, reporting, HR, and payroll processes. The College also upgraded our Virtual Learning Environment software from Moodle 2.3 to the most recent 2.8 version

This upgrading will allow more learning and assessment to be ILT-based (in line with FELTAG policy), and more student applications to be processed on line with better links to financial processing and data handling. It offers potential for immediate tighter control over income; and the College expects further efficiencies in teaching and administrative staffing to be achieved progressively over the next two years.

Developing the College's reputation

The College attaches much importance to maintaining and developing close and positive relationships with the College's stakeholders, both internal (students and staff) and the wide range of external stakeholders it serves or partner (employers and Local Enterprise Partnerships [LEPs], local authorities and communities, voluntary bodies, schools, universities, and other colleges). The College's aims are: to raise awareness of what it does, and how well; to respond quickly to stakeholders' suggestions for improvement; to be seen as a strong and reliable partner in delivering education and training; and to engage constructively and effectively with policy-makers at all levels.

Students

The relatively small size of the college enables good liaison with students. The College conducts two student surveys each year which are considered by Governors; there are also course and other focus group to ensure student views are both heard and acted upon promptly.

The College draws its FE and HE students from 180 schools across the South East and beyond. Marketing and recruitment requires considerable time and effort from management and from teachers themselves in visiting schools and agricultural shows and organizing taster days. The College provides dedicated facilities for primary school visits to our farm; during the year the College provided the opportunity for around 3000 primary school children to be introduced to farming and wider environmental issues. At the secondary level the College offers a part-time land-based curriculum to 14-16 year olds, around half of whom then progress to our full-time 16-18 courses. The recruitment drive has enabled the College to grow steadily over the last 15 years from 550 students in 2002 to over 2000 FTE in 2015.

The College alumni are powerful ambassadors for the College amongst the land-based community both in Sussex and further afield. The College support the Old Plumptonian Association which is based at the College. Many wine students go on to produce high quality wine all over the world; the College regularly showcase their wines at Plumpton and support their networking.

Employers

The College works with over 700 land-based employers annually across all curriculum areas: over 95 % of them are small or medium-sized enterprises, and well over half are microbusinesses employing 10 staff or fewer. During the year the College organized work experience for 700 students at employer premises, and an increased number of apprenticeships in the dairy industry. The College developed Trailblazer apprenticeships in golf greenkeeping and in butchery. The College also developed a programme of rehabilitation through education for Highground, the charity for injured ex-servicemen.

The College engages closely and continually with employers and industry bodies on their training needs. The College provides businesses with training needs analysis and a Rural Business Advice and Training (RBAT) guide for one-stop solutions for rural training. Over the last 5 years the College has successfully secured over £1.5m funding under a number of Government schemes to provide training to microbusinesses. Each curriculum area has a Curriculum Advisory Panel made up of employers who scrutinise the curriculum content and the way it is delivered. The College scores highly on Employer Satisfaction Surveys.

Plumpton comes within the orbit of two LEPs – Coast to Capital on the western side, and SELEP which covers East Sussex, Kent and Essex. Capital grants which were previously allocated to colleges by SFA have been allocated by the LEPs from August 2014 onwards, but only on a year by year basis: this has made longer term planning difficult. The College enjoys close links with East Sussex County Council and has worked closely with them on the development of SELEP priorities.

Local Communities

The College aims to raise awareness among local communities and their representatives of the College's activities and economic contribution, and to foster the goodwill and support towards us as a neighbour, one of the largest local employers, and a natural hub for land-based activity across Sussex. The annual College Open Days, run in conjunction with Young Farmers, attracts attendance of 10-15,000 each year. The College's infrastructure, particularly the Sussex Rural Business Centre located at Plumpton, but also the college's sports and outdoor education facilities, are widely used by outside organisations and community groups. The College provides accommodation for charities and sector bodies such as Young Farmers clubs and FE Sussex. The College encourages our staff, management, and governors to play a full part in community organisations.

Partners

The College has over the years developed effective partnerships with schools, universities (particularly the University of Brighton) and other colleges. The College continues to work with a range of secondary schools in providing part-time courses to their 14-16 students at its Ivyland site and at Plumpton. The College's HE courses continue to be validated by the University of Brighton. And the College works with other colleges through local and regional FE institutions such as FE Sussex, and AoSEC, and nationally with other land-based colleges through Landex.

More recently some of these relationships have come under strain, largely as a side-effect of Government interventions in the market. For example, Government support and capital grants for school sixth forms and academies has led to overcapacity in the 16-18 market in Sussex. Many school sixth forms, along with some college capacity, are financially unsustainable. The College welcomes the Government's proposals to tackle the financial problems of Sussex colleges through an Area Review this winter, but the College is clear that there is also an urgent need to address uneconomic school sixth form capacity.

Similarly in the HE market the College used to receive HEFCE funding via the University of Brighton (UoB) and enjoyed the status of an autonomous School of the University. When in 2013 the Government capped the number of students eligible for grant, the UoB progressively withdrew further HEFCE funds from the College and Plumpton lost its School status. In March 2015 Landex, with our strong support put forward to BIS Ministers a proposal for a National Land-Based College which would act as a national centre of excellence in HE land-based provision, working in close conjunction with local land-based colleges on a "hub and spoke" model. A decision is still awaited.

PUBLIC BENEFIT STATEMENT

Plumpton College's purpose is to meet the educational needs of our local community through a varied and carefully considered curriculum. The College supports students to develop them both professionally and to give them the necessary life skills to be active and beneficial members of society. The College fully recognises its responsibilities to the community it serves.

We define our community as all those who live, work, study within Sussex and as appropriate, the surrounding areas.

The College actively seeks mutually beneficial relationships with organisations and individuals who have similar objectives to our own and can add value to the learning experience and the wider community.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Plumpton College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, sexual orientation, ability, class and age. The College strives 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's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's Internet site. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005. Further details are available on the College website.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Plumpton College is a statutory corporation incorporated under the Further and Higher Education Act, 1992. Its core duties and constitution are set out in statutory Instrument and Articles, which are available on the college's website. The Instrument and Articles give the Corporation (the College's governing body) autonomy to appoint its own members, including the Chair, without reference to outside bodies. This independence is important in attracting and retaining strong and effective governors, and in enabling the College to respond rapidly to the evolving needs of its students, employers and the communities it serves. In 2012 the Corporation was given the power to amend large parts of the Instrument and Articles; the Corporation has taken advantage of this flexibility to streamline many of its procedures, with significant benefit to the effectiveness and efficiency of its governance arrangements.

Although the College is no longer classified as a public sector body, it receives its core funding in the form of Grant-in-Aid, and is accordingly subject to detailed financial regulation and oversight by the Skills Funding Agency (SFA) in respect of all its income and expenditure, whether Exchequer-funded or not. The basis for this is a Financial Memorandum between the SFA and the Corporation, together with annual Accounts Directions governing the Corporation's Report and Accounts, and a mandatory Joint Audit Code of Practice (JACOP). Our compliance with these requirements is discussed on the pages below.

Like other FE Colleges, Plumpton is also classified as an Exempt Charity for the purposes of the Charity Act 2011, and is subject to the oversight of the Secretary of State for Business, Innovation and Skills as the Principal Regulator. Members of the Corporation act as trustees for the charitable activities of the College for this purpose. The Corporation believes that it complies with all the relevant provisions of Charity Commission Guidance Note CC3 on Charity Governance, and that the Commission's reporting requirements have been met in this Report.

It is also a requirement of the SFA that the College has due regard to the provisions of FRC Code of Governance applicable to companies listed on the London Stock Exchange, in so far as they are relevant to FE Colleges. In 2011 the Association of Colleges (AoC) published a Foundation Code of Governance for English Colleges. In 2015 the AoC published a replacement FE Governance Code applicable to 2015/16 onwards. The Corporation chose not to adopt the 2011 Code, mainly because key aspects of it were overtaken by the 2012 Education Act. While we welcome in principle a governance code that is specific to the FE sector, we have some reservations about the rigour of the AoC's 2015 Code, particularly as regards accountability to stakeholders. The Corporation has also had other pressing matters to attend to during 2015. We have accordingly chosen not to adopt the AoC's 2015 Code for 2015/16, but will review the position again during 2016 and intend to continue participating closely in its further development and improvement.

This framework is complex. Meeting all the various (and sometimes conflicting) regulatory requirements applying to a statutory body and a charity and a private sector entity is onerous and at times confusing. The picture is further complicated by the division of regulatory and funding responsibility between several bodies, each with their own policy priorities. During 2014/15 this fragmentation was taken further: responsibility for capital allocation was hived off from the SFA to the Local Enterprise Partnerships; and powers of intervention which had traditionally resided with SFA were vested in a new FE Commissioner. Finally there is short-termism in funding allocations. Firm allocations are typically set for only one year; they are often determined late and in recent years have been liable to subsequent top-slicing in-year. These external weaknesses pose a significant risk to achieving the highest standards of governance; and we continue to work with FE representative bodies in pressing for a simpler and more supportive regulatory framework.

THE CORPORATION

Membership of the Corporation during the period August 2014 up to the date of signature of this Report is set out in the table below.

Name	Background	Date of appointment	Appointment expires	Committee Membership	Committee meetings attended	Corporation meetings attended.
Stan Stanier (Chair of Corporation)	IT / education	28 Mar 2006 Re-appointed 27 Mar 2014	26 Mar 2018	F&GP Link meetings	4 7	5
David Evans (Vice-Chair of Corporation)	Rural land agent	1 Jan 2004 Re-appointed 31 Dec 2011 Re-appointed 20 Jan 2015	19 Jan 2016	Academic Audit Link meetings	3 2 5	4
Des Lambert (Principal)	Plumpton College Principal	6 Jan 2002	2 Oct 2015	Academic F&GP Search	2 4 1	5
Mike Atkinson	Industry / civil service / accountancy	18 Dec 2002 Re-appointed	14 Dec 2015	Audit Remuneration Link	3 1 (via e-mail) 1	4

	y	13 July 2010 Re-appointed 16 Dec 2012 Re-appointed 15 Dec 2014		meetings		
Suzanne Craig	Finance	10 Dec 2013	9 Dec 2017	F&GP Link meetings	3 2	2
Julie Dougill	Local Authority	16 Dec 2014	15 Dec 2018	Academic Link meeting	2 1	2
John Evans	Business Advice	1 Oct 2003 Re-appointed 1 Oct 2011	29 Sept 2015	F&GP Search Link meetings	4 0 7	3
Pat Foster (Chair of Audit)	Local Authority / accountancy	1 April 2008 Re-appointed 1 April 2012	31 Mar 2016	Audit Link meetings	2 2	3
Sally Kinsey	Law	10 Dec 2013	09 Dec 2017	F&GP	3	1
Richard Partridge	Law	28 Mar 2006 Re-appointed 27 Mar 2014	27 Mar 2015	Audit Remuneration	3 1 (via e-mail)	4
Bill Pepper	Veterinary	17 Mar 2015	16 Mar 2019	Academic	1	1
Jeff Trunckfield	Agriculture	15 Dec 2009 Re-appointed 15 Dec 2013	14 Dec 2017	F&GP Link meetings	3 3	4
Howard Wood	Agriculture / Education	10 Dec 2013	09 Dec 2017	Academic Link Meeting	2 1	4
Gavin Nevett	Academic Staff Governor	8 July 2014	7 July 2018	Academic	2	5
Sheena Sutton	Support Staff Governor	6 Dec 2011	5 Dec 2015	Academic	2	4
Ian Warbon-Jones	HE student	10 Dec 2013	12 June 2015	Academic	0	0
Sam Rawson	FE Student	17 Mar 2015	12 June 2015	F&GP	1	1

There were two external governor appointments during the year and two student governors (one elected by FE students, the other by HE students). Julie Dougill works for East Sussex County Council and her past involvement with the College will be of great benefit to the Corporation's work. Bill Pepper is a veterinary surgeon who has worked in the area for 25 years, and his appointment will strengthen the College's links to the animal care community.

Under the statutory Instrument and Articles the Corporation is required to determine the size of the Corporation which shall not comprise less than 12 Governors or more than 20, and to fill any vacancy as soon as practicable. The Corporation has determined that the size of the Corporation shall equate to the number of Governors actually in post at any particular date within a range of 12-20. This gives us the flexibility to hold vacancies open where potentially strong candidates we approach indicate they might accept but not just yet. At July 2015 there were 15 governors in post, including the Principal, two staff governors (one elected by teaching staff, the other by non-teaching staff).

The Chair and Vice-Chair of the Corporation are elected or re-elected each December for a 12 month term. In December 2014 Stan Stanier was re-elected as Chair and David Evans as Vice-Chair, in each case for a second term. No previous Chair has served for more than 5 years.

Some external Governors are drawn from public, private or voluntary bodies with which the College does business. Any other possible conflicts of interest are considered at the time of appointment. The Clerk maintains and regularly updates a register of Governors' financial and personal interests that may impinge upon the College: it may be inspected on application to the Clerk and is also available on the College website. The College's financial regulations and normal procurement procedures ensure that all transactions with organisations in which a Governor may have an interest are conducted at arm's length. On the basis of the above controls the Corporation is satisfied that each of its external members is free from any business or other relationship which could materially interfere with the exercise of their independent judgement as Governor.

We believe that the Corporation's membership is of an appropriate size and has an excellent mix of professional skills, including two governors with accounting qualifications. There is a good balance of governors with relevant educational and vocational backgrounds. Geographically our governors are drawn from all parts of the College's catchment area. All governors are UK citizens; there is no ethnic diversity on the governing body, but this reflects the rural communities we serve and for the time being we are comfortable with the position. No governor has declared that they are disabled. The gender balance of governors at July 2015 was 33% women and 67% men. The age distribution of governors at July 2015 is set out below (note – student governor terms of office ended 12th June 2015, therefore they are not included):

16-18	0%
20-29	0%
30-39	0%
40-49	27%
50-59	13%
60-64	20%
65 or over	40%

In general terms our Search Committee is finding no difficulty in recruiting high quality Governors, although it is less easy to find younger Governors with the time to commit to the Corporation's work. We also struggle to attract and retain student governors, given the increasing time pressure of their studies; new student governors are not normally elected before December, and few are in the College between June and October. We place considerable value on the student voice, and we are continuing to look for ways to increase its contribution to Governor discussions.

The average length of service of continuing external governors is 5.8 years. (2014: 5.4 years). Under the statutory Instrument and Articles, governors may not be appointed or re-appointed for terms of more than four years; and the Nolan Guidance on Public Life recommends that governors are re-appointed only once. Five of our external governors have served more than two terms. We

believe that at a time of immense change in the further education landscape it is particularly important to hold on to experienced and strongly-contributing governors, and this view is reinforced by the significant changes in the college's senior management team described below. Re-appointment of any governor beyond two terms needs to be publicly justified, and is normally for a term of only one or two years. During the year, on the recommendation of the Search Committee, we re-appointed David Evans for a further 1-year term and Mike Atkinson for a further 1-year term. David, apart from being Vice-Chair of the Corporation, chairs the Academic Committee and plays a critical role in monitoring the recovery in academic performance. Mike acts as the representative for Landex on the AoC Governors Council and as vice-chairman of AoSEC, and the insights he provides from these roles are very valuable to our discussions.

The Corporation supplement the skills and networking abilities of current Governors by co-opting onto Committees certain non-members with particular knowledge and experience. For example Steve Treharne, who has considerable audit and finance experience, is a member of our Audit Committee; and Meg Stroude, an ex-East Sussex County Councillor with extensive contacts within the community in the County, serves as a member of our Search Committee. We are extremely grateful for their contributions.

The College also maintains an informal association with past Governors as a means of retaining access to their wisdom, experience and contacts. Professor Fred Maillardet, a previous Chairman, acts as the lead of this Past Governors Group in his position as Honorary President of the College. He and certain other past governors act as Trustees of the Plumpton College Charitable Foundation.

It is the Corporation's policy that new Governors should receive a full induction on the College's business and their responsibilities as governors, and that governors – both individually and collectively – should regularly consider their further training and development needs. Governor development was relatively limited during the year, due in part to the absence of a Clerk; the cost of bought-in training was only £400. Greater emphasis was however put on briefing governors about evolving developments within the sector, with the circulation to all governors of key weekly briefing prepared by AoC.

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.

Clerk

Our Clerk, Michelle Garvey, transferred to another post within the College at the beginning of the year, and was replaced by a previous Clerk, Jenny Brooker, on a part-time basis. Unfortunately, following an accident, Jenny was absent for most of the latter part of the year and has since resigned. The Corporation has now appointed a new Clerk, Laura Holt, on a part-time (2.5 days a week basis) through a service arrangement through FE Sussex.

Professional advisers

The Corporation's professional advisers during the year were as follows:

Internal auditor:	Internal Audit Services, East Sussex County Council, County Hall, St Anne's Crescent, Lewes, East Sussex
Financial statements/ Regularity auditor:	Mazars LLP Times House, Throwley Way, Sutton, Surrey, SM1 4JQ
Bankers:	Lloyds Bank plc, 82 High Street, Lewes, East Sussex

Management Team and Structure

The Senior Management team (SMT) has changed during 2014/15 after several years of consistency, as Val Wilkinson has taken ill health retirement at the end of July 2015 after nearly 10 years as Director of Finance and Administration; Mike Groves has joined the team, with effect from 1 August 2015. Des Lambert retired in October 2015 and Jeremy Kerswell was appointed as Principal. The Senior Management Team will now comprise

Jeremy Kerswell	Principal
David Stokes	Vice Principal
James Hibbert	Deputy Principal
Mike Groves	Director of Finance

Des had been Principal at the College for 13 years and Vice-Principal for 7 years before then. Over that period his vision and leadership transformed the College. His commitment to academic excellence and inclusivity have been an inspiration to staff and students alike. He has known personally and earned huge respect from the large number of rural employers served by the College. He will be a hard act to follow.

Work of the Corporation and Committees during the Year

The Corporation sets the long-term strategic objectives of the College and monitors progress against them at least annually. It sets the annual budget and capital allocation, approves major projects and borrowing above a defined threshold; and it receives at least termly a report on performance against budget (previously discussed in depth by the Finance and General Purposes Committee). Each term the Corporation also receives a report from the Principal on current issues including the emergence of new risks and opportunities. Each December it considers a detailed report on the key academic performance indicators for the previous year and the targets for the current year. The Corporation also approves key policies, e.g. on health and safety and safeguarding.

The number of meetings of the Corporation and its formally constituted Committees held during the year was as follows:

Corporation	5
Finance & General Purposes Committee	4
Academic Committee	3
Remuneration Committee	1 (by e-mail)
Search Committee	1
Succession Planning Committee	1
Audit Committee	3

Minutes of the Corporation meetings are available on the College website.

Governors also meet informally for a Workshop session each January to review and roll forward the 7 year Strategic Plan. The Strategic Plan includes growth projections, capital investment priorities, funding plans, a Roadmap for Quality Improvement, proposed key performance indicators, a strategic risk register, and a draft statement of the Corporation's risk appetite. The draft Plan, revised as necessary in the light of Workshop discussion, is then put to the Corporation for formal approval in March. Governors attend a further training and development workshop to brief themselves in depth on key issues, particularly regulatory and funding developments. In addition Committee Chairs meet informally each term to co-ordinate Committee agendas for a year ahead and to identify overlaps or aspects of the Strategic Plan left uncovered.

At each meeting of the Corporation a report from the Principal covering current issues, a dashboard including opportunities and high level risks is considered, along with a report from the

Director of Finance (previously discussed in depth by the Finance and General Purposes Committee) which reviews progress against the annual budget. Each July the Corporation approves the annual budget for the following year and projections for the two following years for submission to the SFA, and in December considers and approves the Report and Accounts. Most of the Governors' work is carried out in the individual Committees, particularly the Finance and General Purposes Committee and the Academic Committee, with the Corporation discussing and reaching conclusions on the proposals and recommendations they suggest.

The terms of reference of each Committee are determined by the Corporation, together with its chairmanship and membership. Each governor, including staff and student governors, is a member of at least one Committee. The terms of reference are shown on the College's website; membership of each Committee as at July 2015, and their attendance, is shown in the table on pages 15-16. Governor attendance at Corporation meetings during the year was 72% (2013/14: 77.8%]; attendance at Committee meetings was 77.2% [2013/14: 88.6%]. Committees are attended by the Principal and other relevant members of the Senior Management Team, together with other staff as required. The Chairs of Committees meet informally each term to co-ordinate Committee agendas for a year ahead and to identify overlaps or aspects of the Strategic plan left uncovered.

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.

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

The Finance & General Purposes Committee

Finance & General Purposes Committee has a wide remit. Apart from scrutinizing draft budgets, project proposals, and cash flow and borrowing projections - and regularly monitoring performance against them, the Committee annually reviews and, where appropriate, amends the College's financial and accounting policies. It oversees most marketing, IT and personnel functions (such as health and safety) together with the non-academic aspects of the business, such as the farm, the winery, and the College's residential accommodation.

The Academic Committee

The Academic Committee focuses on the recruitment and retention of FE and HE students and apprentices, their achievement and progression into jobs or further learning, the quality of teaching and learning, student satisfaction and safeguarding, and curriculum development to meet the needs of employers. The Committee was assisted by Ofsted's development of its Quality Dashboard during the year. Much of its work, however, remains based on the College's own Quality Roadmap which analyses each department's current performance in granular form but also allows governors to take a more strategic forward view of priorities for improvement in subsequent years and to ensure that resources are aligned with this view.

Remuneration Committee

During the year the Remuneration Committee's business was confined to the remuneration of the Principal and the Clerk. Our continuing policy was to align the Principal's salary with the median salary of principals at land-based colleges of similar size. Details are set out at Note 8 to the Accounts. From 2015/16 the remuneration of the Vice Principal (as well as other terms and conditions of his employment and appraisal of his performance) will also be determined by governors. There is no provision at present under the Instrument and Articles to remunerate

external Governors, and we do not believe this is currently necessary for the College to recruit or retain a strong and committed Governing Body. Governors may claim for their travelling and other expenses: their total cost in 2014/15 was £nil.

Search Committee

In addition to the recommendation of governor appointments discussed above, the Search Committee also oversees the training and further development of governors, their membership of Committees, and the effectiveness of their informal activities discussed below.

Succession Planning Committee

The process of finding a new Principal was led by the Chair supported by a specially formed Succession Planning Committee comprising other senior governors. The Corporation agreed to appoint a recruitment consultant, Malcolm Wharton, previously a long-standing Principal of Hartpury College, to assist the Committee. We were very pleased with the number and quality of the candidates. An initial 15 applications led to 6 candidates being interviewed, not only by the Succession Planning Committee, but also by senior management colleagues and by staff. From a strong field the Succession Planning Committee, recommended, and the Corporation endorsed, the appointment of Jeremy Kerswell, the Principal of Cannington College, a land-based college in Somerset. Jeremy took up post at the beginning of October.

During the year the Committee achieved its primary purpose of identifying a new Principal, but will continue in place during 2015/16 to oversee the development of a succession plan for other key management posts.

Audit Committee

The role and work of the Audit Committee is discussed on page 25.

Informal governor roles

In addition to formal business, governors normally meet for an informal half-day workshop session each January to review the strategic objectives and roll forward the 7-year strategic plan. The draft plan is then put to the Corporation for final approval in March. Exceptionally this did not happen in 2014/15, partly because of the uncertainty surrounding the General Election and the Governments' 2015 Spending Review, and partly because we wanted the incoming Principal to lead the process. The January 2014 strategic objectives were accordingly rolled forward unchanged. We intend to review the College's strategic objectives early in 2016, taking into account not only the Spending Review but also the emerging recommendations of the FE Commissioner's Area Review of Sussex coastal colleges.

Governors are also individually involved in other informal and ad hoc activities. Each external governor has one or more Link areas, typically a vocational department but in some cases a non-academic area (e.g. residential, health and safety). Governors with HE experience participate in the Research Group which prioritises and monitors our research programme. Other governors are available to form a disciplinary appeal panel to hear appeals by staff against dismissal, although there were again no such appeals during the year.

Overall Assessment of Corporate Governance

The Corporation and each of its Committees formally appraises its performance each year. The appraisal covers its effectiveness and efficiency in discharging its terms of reference, under a number of headings including how well the Corporation or Committee has been chaired and clerked. This annual appraisal is also an opportunity to review the terms of reference.

The performance of individual governors is formally reviewed by the Search Committee in the context of a proposed re-appointment, and is particularly searching on a second or subsequent re-appointment. This formal appraisal is supplemented by a more informal annual self-assessment by each governor comprising (a) a written note to the Clerk of the areas in which the governor identifies areas where they feel their performance would benefit from further development or briefing, and (b) a one-to-one meeting between the governor and the Corporation Chair at which the governor's past performance and potential future contribution is discussed, together with the governor's views on how the Corporation is organised and run. The performance of the chair is reviewed annually by the Vice-Chair, taking into account the views of other governors and senior managers.

When Ofsted last inspected the College in November 2011 they rated our governance as Outstanding. Subsequently, to reduce overhead costs we consciously streamlined our governance processes and information presented to governors, including reducing the closeness of our oversight in non-core areas; and we accordingly re-rated our overall governance as Good rather than Outstanding.

The college has a strong and committed governing body with the diverse skills and backgrounds required, and there is a climate of trust and openness (but also challenge) between governors and management at all levels. We believe that during 2014/15 our governance fully complied with the relevant provisions of the FRC Code of Governance. We have drawn attention above to the complexity and administrative burden of the statutory and regulatory governance framework under which FE Colleges operate, and to the weakness of the arrangements for holding FE governing bodies to account. We do not see early changes in these areas. During 2014/15, our governance suffered temporarily from the prolonged absence of a Clerk. While this post has now been filled, as have the Principal and Finance Director posts, there is inevitably a transitional risk to governance associated with these key management changes. Nevertheless we are quietly confident in our ability to lead the College successfully through the challenges to the sector posed by the coming Area Review and the Government's November 2015 Spending Review.

INTERNAL CONTROL AND AUDIT

The principal internal control systems operating at the college relate to:

- Business planning and Risk management
- Quality of academic provision
- Financial control

These systems are closely monitored by governors. They are fundamentally strong and well-embedded, but are continually reviewed to reflect changes in the College's business as well as changes in the external regulatory framework, including the requirements of OFSTED, QAA, and the Skills Funding Agency.

Business planning

The Corporation normally works to a seven-year Strategic Plan which it updates and rolls forward each spring. This ensures a coherent long-term framework for the Corporation's decisions on business development, investment priorities and borrowing capacity. The Plan sets out the College's Objectives for growth in student numbers, academic quality, ancillary activities (farm, etc), finance, resource management, and external relationships and reputation. Each Objective is underpinned by long-term Aims setting out how the Objectives will be achieved, and where applicable Aims in turn are supported by detailed performance targets and indicators.

Annual operating budgets are approved by the Corporation. The annual operating budget for 2014/15 was drawn up consistent with the objectives and strategic plan agreed in Spring 2014, with due allowance for short-term risk. We also approve a capital allocation for the year, including a

sub-allocation for sub-£100k projects within the Principal's delegated authority. Within this framework the working up of annual Operational Plans is devolved to management.

In-year performance against strategic plans and annual budgets is reported termly to the Corporation (with much of the detail previously considered by one or other of its committees). Policies in some major areas (e.g. procurement, IT, safety, Marketing) are reviewed in depth by the Finance and General Purposes Committee on a 12 -18 month cycle.

Risk management

As an integral part of reviewing the strategic plan, the Corporation registers and ranks the main risks in respect of each strategic Aim, and identifies opportunities for mitigating them. In addition we regularly review and articulate our long- and short-term risk appetite in respect of each major aspect of the business; this provides guidance to management on the variances and trade-offs we are prepared to tolerate, and allows them to respond nimbly to external changes.

Responsibility for managing individual risks lies with the relevant line manager. Risk management is fully embedded into the planning process at all management levels, avoiding the need for a separate Risk Committee. Responsibility for annually reviewing the effectiveness of the risk management process lies with the audit committee. The risks facing the college -particularly in respect of funding and quality performance – increased in both likelihood and significance during the year. In response we stepped up Governors' in-year oversight of risk: each meeting of F&GP and Academic Committee now reviews the key risks in their respective areas through a traffic light system.

Quality control

The Strategic Plan includes Aims in respect of the effectiveness of provision (particularly teaching and learning), learner outcomes and progression into work/further learning, safety and safeguarding, equality and diversity, and meeting the needs of the business and other communities served by the College. These Aims are fleshed out into a medium-term Quality Improvement Roadmap, also reviewed and rolled forward annually by Governors, which sets out challenging improvement targets for each aspect of the Ofsted/QAA inspection agendas, and provides a specific framework for departmental planning and reporting. During the year these targets were increasingly aligned with the Quality Dashboard published by OFSTED early in 2014.

Governor Control is exercised primarily through detailed self-assessment reports prepared by each academic department and summarised annually on a cross-college basis for governor discussion and endorsement. The judgements reached are externally validated through peer review. Self-assessment is supplemented in-year by termly reports to the Corporation's Academic Committee on lesson observations, retention and achievement rates, and student feedback; and by face-to-face meetings of governors with heads of departments. These reports are aligned with the quality dashboard published by Ofsted and include key benchmark data.

Financial control

The core statutory duties of the Corporation under its Articles include the effective and efficient use of the College's resources, ensuring its solvency, and safeguarding its assets; and approving its financial strategy and annual budgets.

Financial control is exercised largely through a combination of

- disciplined borrowing (we will not borrow unless we are clear the debt can be repaid within the 7-year planning horizon);
- conservative accounting policies, particularly in respect of liabilities and valuation of assets;
- tight budgetary control, including centralised recruitment and procurement decisions, and written delegations and sub-delegations of authority periodically reviewed by governors;
- documented policies and guidance;
- external validation through internal audit and other expert assurance.

The financial documentation comprises a core set of Financial Regulations, reviewed annually by Governors, supplemented by a range of other more detailed guidance setting out financial procedures for particular areas, and a list of delegated authorities.

The Corporation has in place a policy on fraud prevention, and during the year adopted a policy on bribery prevention. The College's centralised structure for receipts and payments and the segregation of payments responsibilities within the Finance Office has reduced the likelihood of significant fraud.

The Corporation continues to adopt accounting policies, particularly in respect of liabilities and the valuation of assets, which are at the conservative end of the FE accounting spectrum. These are reviewed annually by Governors.

Regularity and propriety

Apart from sound internal control, the Skills Funding Agency (SFA) also requires the Corporation to confirm its regular and proper application of grant income and related expenditure, i.e. that it has been applied in accordance with the purposes for which it was voted by Parliament ("regularity") and in accordance with government accounting guidelines ("propriety"); and furthermore that the conditions attached to revenue or capital income from any source have been complied with.

In addition, the Corporation is required to provide assurance to an auditable standard that the College complies with the terms of its Financial Memorandum with the Skills Funding Agency. The assurances required were revised late in the financial year with little prior consultation. The main areas of assurance sought and given are summarised below, to the extent that they have not been addressed elsewhere in this Annual Report:

- (a) **Regularity.** Compliance is demonstrated by written financial guidance and by the reconciliation of grant claims to student eligibility within the Management Information System. SFA conducts periodic audits of its own to provide assurance on regularity, including an audit in August 2015: this found no significant errors or weaknesses.
- (b) **Safeguarding of Assets.** The college's physical assets are covered by insurance; the level of insurance is reviewed by governors at 3-yearly intervals. There are regular inspections to ensure compliance with safety, fire, and electrical requirements. There are documented procedures for the disposal of assets, including clear levels of delegated authority; asset disposals during the year were negligible. There are policies and processes in place, reviewed annually by governors, to safeguard cash and prevent theft.
- (c) **Project Appraisal and Management.** The Corporation has agreed a capital manual setting out robust requirements for project appraisal and approval, monitoring and post-completion reviews.
- (d) **Property Strategy.** The college has largely completed its modernisation strategy. Further opportunities for acquisitions/development are considered as part of Governors' annual review of the strategic plan.
- (e) **Accountability for Subsidiaries and Joint Ventures.** The college has no significant subsidiaries or joint ventures.
- (f) **Restriction on severance payments to staff.** In all redundancies, the termination payments were limited to meeting contractual payments.
- (g) **Expense claims.** The college has documented processes for expenses claims (including for overseas travel) for both senior managers and governors: these were the subject of an internal audit in 2013.
- (h) **Conflicts of Interest.** The college's Governance Manual, fundamentally reviewed by governors in 2013, sets out requirements for a Register of Interests and declaration of interests in respect of specific college business. The provisions have full regard to the Charity Commission's guidance on these matters.
- (i) **Whistleblowing.** The Corporation has a whistle-blowing policy in place. There were no whistle-blowing incidents during the year.

The Corporation, like other colleges, is an Exempt Charity and therefore subject to relevant charity law and regulation. The Secretary of State for BIS is the Principal Regulator of FE colleges under the Charity Act. The Corporation believes it fully complies with its obligations under charity law and regulation. The college made no political donations. There are restrictions under charity law over the type of fund-raising activities charities can carry out: however, the college now looks to the Plumpton Charity, which has a separate and independent Board of Trustees, to handle appeals and other charitable fund raising.

Role and Work of the Audit Committee

The Audit Committee's membership and terms of reference fully comply with the requirements of the SFA/EFA's 2013 Joint Audit Code of Practice (JACOP). Two members of the Committee are qualified accountants, and the governor members all have long experience of the College's business and control arrangements. Collectively the Committee has recent and relevant experience in finance, risk management, audit and assurance.

The Committee's main functions are to advise the Corporation on

- the adequacy, effectiveness and efficiency of the college's internal control framework (as discussed above)
- the appointment and oversight of the external auditor; and
- the need for other external, independent assurance, including internal audit.

The Committee is required under the JACOP to provide the Corporation with an annual report on its activities and effectiveness relating to the financial year under review, including any significant issues arising from audits, and up to the date of the preparation of their report, and its opinion on the adequacy and effectiveness of the college's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.

External Audit

On the Committee's recommendation, Mazars LLP was appointed as external auditor in 2014. Mazars conducted no non-audit work for the college during the year. Given the new finance system, and the appointment of a new finance director late in the financial year, the Committee was pleased at the smoothness and timeliness of the 2015 audit for which there were no significant issues arising from the audit.

Independent Assurance, including Internal Audit

In line with the new flexibilities introduced in the 2013 JACOP, the Committee has overseen a shift in the focus of independent validation work. East Sussex County Council (ESCC) has been retained as Internal Auditors in traditional financial areas, but on a call-off basis rather than on the previous basis of a long-term cycle of audits. During the year ESCC was commissioned to undertake an audit of payroll. The bulk of the groundwork for this audit fell into 2015/16 with only one man-day being incurred in 2014/2015. The Audit Committee reviewed the level of internal audit work with the external auditors and is satisfied that the present risk-based, call-off approach and effort is appropriate.

The Committee has refocused the college's assurance work to align more closely with the risks to the achievement of its Strategic Plan, and to ensure a higher degree of specialist insight is brought to bear. Thus, during the year, the college commissioned reviews by Teme Consulting on the implementation of its MIS project and the refresh of its IT infrastructure, both of which yielded productive recommendations. An insightful peer review of the college's academic performance and controls was carried out under the auspices of Landex. The College also used consultants for the implementation of new accounting and student information software. This change in approach has improved the relevance and effectiveness of the college's overall assurance effort while reducing its cost.

In many cases the assurance work is commissioned, and implementation of recommendations is overseen, by other governor committees with the relevant expertise. Close liaison between governor committees, particularly between the Audit and Finance committees, is an important element in achieving further improvements in the control environment; and opportunities are being explored for joint working on some issues such as scrutiny of the draft of the Corporation's annual report, and the annual review of the college's financial regulations.

Overall Assessment of Internal Controls, Audit and Regularity

On the advice of the Audit Committee and the Principal, and in the light of the controls and circumstances described above, the Corporation is satisfied that

- the College has an adequate and effective framework for governance, risk management and control;
 - we have fulfilled our statutory responsibility for the effective and efficient use of resources, and solvency of the college and the safeguarding of its assets;
 - in all material respects the expenditure disbursed and the income received during 2014/15 were applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them. The Skills Funding Agency require this assurance on Regularity to be audited by the External Auditor. Mazar's opinion on regularity is on page 60.
-

Responsibilities of the Corporation in respect of Preparing the Financial Statements

Under the terms of the Financial Memorandum with the SFA (see paragraph above), and under Charity law, the Corporation 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 Institutions (the 2007 SORP);
- the annual Accounts Directions issued jointly by the SFA and the Education Funding Agency (EFA);
- the 2011 Charities Act, and
- applicable UK generally accepted accounting practice (UKGAAP).

The financial statements must give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for the period.

To this end the Corporation is responsible for

- selecting suitable accounting policies and applying them consistently;
- keeping proper accounting records which display with reasonable accuracy, at any time, the financial position of the College, and making these and all other relevant records and information available to the financial statements auditor for the purpose of the statutory audit;
- making judgements and estimates that are reasonable and prudent;
- stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- preparing financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation;
- ensuring the maintenance and security of the College's website, so as to prevent any changes to the financial statements after they are initially presented on the website.

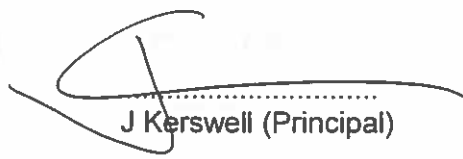
We believe we have met these requirements in full. In particular the accounting records have been made available to the Financial Statements Auditor for the purpose of the statutory audit. All other records and related information, including minutes of all management and Corporation and Committee meetings, have also been made available. The members of the Corporation who held office of the date of approval of these Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and that each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

We are satisfied that the College has adequate resources to continue in business for the foreseeable future. The financial statements accordingly continue to be prepared on a going concern basis.

Approved by order of the Corporation on 15 December 2015 and signed on its behalf by:



.....
R A Stanier (Chairman)



.....
J Kerswell (Principal)

Independent auditor's report to the Members of the Corporation of Plumpton College

We have audited the financial statements of Plumpton College for the year ended 31 July 2015 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 26, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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;
- 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 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:

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

Times House, Throwley Way, Sutton, Surrey, SM1 4JQ

Date 23rd December 2015

PLUMPTON COLLEGE

Income and Expenditure Account For the Year Ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Income			
Funding body grants	2	7,966	7,788
Tuition fees and education contracts	3	3,836	3,778
Research grants and other contracts	4	65	104
Other income	5	4,002	3,914
Investment income	6	77	74
Total income		15,946	15,658
Expenditure			
Staff costs	7	7,994	7,594
Other operating expenses	9	6,004	6,398
Depreciation	12	1,749	1,505
Interest and other finance costs	10	180	144
Total expenditure		15,927	15,641
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax and disposal of assets		19	17
Profit on disposal of assets		-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		19	17
Taxation	11	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	18	19	17

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

PLUMPTON COLLEGE

Statement of Total Recognised Gains and Losses For the Year Ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		19	17
Actuarial loss in respect of pension scheme		<u>(311)</u>	<u>(1,802)</u>
Total recognised losses since last report		<u>(292)</u>	<u>(1,785)</u>
Reconciliation			
Opening reserves		7,094	8,879
Total recognised losses for the year		<u>(292)</u>	<u>(1,785)</u>
Closing reserves		<u>6,802</u>	<u>7,094</u>

Statement of Historical Cost Surpluses and Deficits For the Year Ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations before taxation		19	17
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	<u>150</u>	<u>150</u>
Historical cost surplus for the year after taxation		<u>169</u>	<u>167</u>

PLUMPTON COLLEGE

Balance Sheet at 31 July 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	12	<u>23,198</u>	<u>22,568</u>
Current assets			
Stock		1,093	980
Debtors	13	810	766
Cash at bank and in hand		<u>23</u>	<u>162</u>
		1,926	1,908
Creditors: Amounts falling due within one year	14	<u>(2,417)</u>	<u>(2,895)</u>
Net current liabilities		<u>(491)</u>	<u>(987)</u>
Total assets less current liabilities		22,707	21,581
Creditors: Amounts falling due after more than one year	15	<u>(4,291)</u>	<u>(3,725)</u>
Net assets excluding pension liability		18,416	17,856
Net pension liability	25	<u>(2,903)</u>	<u>(2,519)</u>
Net assets including pension liability		15,513	15,337
		=====	=====
Deferred capital grants	17	<u>8,711</u>	<u>8,243</u>
Reserves			
Income and Expenditure account reserve excluding pension reserve	18	8,720	8,478
Pension reserve	25	<u>(2,903)</u>	<u>(2,519)</u>
		5,817	5,959
Income and Expenditure account reserve including pension reserve	18		
Revaluation reserve	19	<u>985</u>	<u>1,135</u>
Total reserves		<u>6,802</u>	<u>7,094</u>
Total		<u>15,513</u>	<u>15,337</u>

The financial statements on pages 29 to 59 were approved by the Corporation and authorised for issue on 15 December 2015, and were signed on its behalf on that date by:

 R A Stanier (Chairman)

 J Kerswell (Principal)

PLUMPTON COLLEGE

**Cash Flow Statement
For the Year Ended 31 July 2015**

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	20	554	218
Returns on investments and servicing of finance	21	(175)	(110)
Capital expenditure and financial Investment	22	(1,559)	202
Financing	23	967	(55)
(Decrease)/increase in cash in the year		(213)	255
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(213)	255
Cash inflow from increase in loan	24	(967)	(299)
Movement in net debt in the year	24	(1,180)	(44)
Net debt at 1 August		(3,812)	(3,768)
Net debt at 31 July	24	(4,992)	(3,812)

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

1 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.

(a) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 (the SORP) the Accounts Direction for 2014-15 financial statements and in accordance with applicable Accounting Standards.

(b) Basis of accounting

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

(c) 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 Financial Statements and accompanying Notes. The College currently has £5.0M of loans outstanding with bankers on terms negotiated in 2007, 2008, 2014 and 2015. The terms of the existing agreements are for up to another 14 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

(d) Recognition of income

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors. The costs of any fees waived by the College are included as expenditure.

Income from grants, contracts and other services rendered is included to 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 period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure. 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.

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

1 ACCOUNTING POLICIES (continued)

(d) Recognition of income (continued)

Any under achievement of the adult skills budget allocation outside of the permitted tolerance level is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustment to clawback in respect of underachievement, however where negotiations are subsequent to the year end, they are not reflected in the income recognised. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

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

Income from grants, contracts and other services rendered is included to the extent the conditions of 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 period in which it is earned.

(e) 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) – in our case East Sussex County Council (ESCC). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) and the assets are held separately from those of the college.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, 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 LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

**1 ACCOUNTING POLICIES (continued)
(e) Post retirement benefits (continued)**

curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension benefits under the LGPS are accounted for in accordance with FRS17. In particular:

- the Current Service Cost is charged to the Income and Expenditure Account each year as a staff cost. It is calculated actuarially by reference to the increase in the Present Value of the Scheme expected to arise from employee service during the year.
- a pension Finance Credit is credited to the Income and Expenditure Account each year as Investment Income. It is calculated by (i) taking the Expected Annual return on the Scheme's Assets (set in the light of the Actuary's advice); and (ii) subtracting an Interest Charge equivalent to the increase in the present value of the Scheme's liabilities arising from the removal of one year's discounting. Where the Interest Charge exceeds the Expected Annual Return, the Pension Finance Credit becomes a Pension Finance Cost and is shown as a charge to the Income and Expenditure Account under Interest and Other finance Costs.
- the Scheme's assets attributable to the College are shown in the balance sheet at fair value (ie market value), together with the Scheme's pension liabilities as calculated by the actuary. The difference between the Scheme's Liabilities and Assets is shown in the balance sheet as a Net Pension liability, and is matched by a Pensions Reserve within Total Reserves.
- the actual investment returns will vary from the Expected Annual return. The actual liabilities may not coincide with the assumptions adopted at the previous Valuation. These variances are classed as Experience Gains and Losses. Variations may also arise because of changes in actuarial assumptions. In accordance with FRS17 the Corporation's policy is to show the cumulative effect (from 2002) of Experience gains and Losses and changes in Actuarial assumptions in a statement of Recognised Gains and losses

(f) Tangible fixed assets

Land and buildings

Except for assets inherited from the Local Education Authority on Incorporation, all land and buildings are valued at historic cost: the College's buildings are specialised buildings and it is therefore considered inappropriate to value them on the basis of open market value. Land and buildings at Incorporation are included in the balance sheet at an independent professional valuation carried out at 31 July 1994 when the College implemented FRS 15 for the first time based on depreciated replacement cost. The associated credit is included in the revaluation reserve. 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 reserve on an annual basis. Subsequent capital expenditure on inherited buildings is 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: new building additions are usually depreciated over

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

1 ACCOUNTING POLICIES (continued)

(f) Tangible fixed assets (continued)

thirty years (previously twenty-five years), but buildings of a less permanent nature are depreciated over ten 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.

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 appropriate.

Leasehold Improvement

Leasehold improvement assets are depreciated over the period of the lease.

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, when a full year's depreciation is charged in the first year.

Subsequent expenditure on existing fixed assets

Where expenditure is incurred on modifying, refurbishing, updating, prolonging or otherwise improving tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it both exceeds £10,000 and

- In respect of non-specialised buildings capable of independent disposal, the market value of the fixed asset is significantly improved as a result of the expenditure, or
- The earnings capacity of the asset is significantly increased, either in volume or price terms (or both), or
- There is a substantial reduction in operating costs, or
- The expenditure is likely to extend the asset's life by a period equivalent to its original book life, in which case it is capitalised and depreciated on the relevant basis.

Equipment and milk quotas

Equipment costing less than £2,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation and was depreciated over three years from incorporation. Capitalised equipment is depreciated over its useful economic life, and is as follows:

Motor vehicles and general equipment - 4 years on a straight line basis

Notes to the Financial Statements
For the Year Ended 31 July 2015

1 ACCOUNTING POLICIES (continued)

(f) Tangible fixed assets (continued)

Machinery	-	4 years on a straight line basis
Computer equipment	-	4 years on a straight line basis
Milk quota	-	4 years on a straight line basis

A full year's depreciation is charged in the year of acquisition. 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.

Milk quotas have now been disposed of as at 31 March 2015 following the end of EEC milk quota regime.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

(g) Stock

Stock is stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. Livestock and other farm stock values are made on this basis, with the valuation carried out by a firm of independent professional valuers.

(h) Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in which they arise.

(i) Maintenance of premises

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

(j) Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation tax 2010 or Section 256 of the taxation of Chargeable gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

1 ACCOUNTING POLICIES (continued)

(j) Taxation (continued)

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

(k) 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.

(l) Agency arrangements

The College acts as an agent in the collection and payment of Bursaries and 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 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

2 FUNDING COUNCIL GRANTS

	2015 £'000	2014 £'000
Recurrent grant –main funding body	7,263	7,003
Non recurrent grants –main funding body	120	242
HEFCE recurrent grant	97	201
Releases of deferred capital grants (note 17)	486	342
Total	7,966	7,788

Main funding body grants are from the Skills Funding Agency and Education Funding Agency.

Non recurrent grants include College Condition funding for capital purchases of £64k, HEFCE capital grant of £24k and administration fee for bursaries of £32k.

3 TUITION FEES AND EDUCATION CONTRACTS

	2015 £'000	2014 £'000
Tuition Fees	3,215	2,864
Education Contracts	621	914
	3,836	3,778

Tuition Fees funded by bursaries

Included within the above amounts are Higher Education tuition fees supported by bursaries of £84,000 (2013/14 - £107,000).

Included within Education Contracts is £16,000 for the contract with the University of Brighton (2013/14 - £201,000) also contracts with individual schools for 14-16 year olds, and the Wineskills contract (now ended).

4 RESEARCH GRANTS AND OTHER CONTRACTS

	2015 £'000	2014 £'000
Other grants and contracts	65	104

This includes wine research grants of £22k, University of Brighton research grant of £30k and LSIS grant of £11k.

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

5 OTHER INCOME

	2015 £'000	2014 £'000
Catering and residence operations	1,361	1,244
Farming activities	1,309	1,597
Other income generating activities	554	475
Rents and lettings	107	94
Releases from deferred capital grants (non-funding council) (note 17)	190	170
Other income	481	314
	<u>4,002</u>	<u>3,914</u>

6 INVESTMENT INCOME

	2015 £'000	2014 £'000
Bank interest receivable	2	-
Pension finance income (note 25)	75	74
	<u>77</u>	<u>74</u>

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

7 STAFF COSTS

The average number of persons (including senior post holders) employed by the College during the period, analysed by category and described as full time equivalents, was as follows:

	Number of employees	
	2015 No.	2014 No.
Teaching staff	96	95
Non teaching staff	145	146
	<u>241</u>	<u>241</u>

Staff costs for the above persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	6,426	6,245
Social security costs	427	423
Other pension costs (note 25) (including FRS17 adjustments of £148,000 cost, 2014 - £9,000 cost)	960	763
	<u>7,813</u>	<u>7,431</u>
Payroll sub total	7,813	7,431
Restructuring costs	-	23
Contracted out staffing services	181	140
	<u>7,994</u>	<u>7,594</u>

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

	Senior post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£60,001-£70,000	-	-	1	1
£70,001-£80,000	-	-	-	-
£80,001-£90,000	-	-	2	2
£130,001-£140,000	-	1	-	-
£140,001-£150,000	1	-	-	-
	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

8 EMOLUMENTS OF SENIOR POST HOLDERS

The College's Articles have been amended and no longer provide for designated senior post holders. The only senior manager appointed by the Governing Body is the Principal.

	2015 Number	2014 Number
The number of senior post-holders including the Principal was:	1	1
Senior post-holders' emoluments are made up as follows:	2015 £	2014 £
Salary	110,394	99,178
Other Emoluments	16,570	16,353
Pension contributions	17,902	16,290
Total emoluments	144,866	131,821

The pension contributions in respect of the Principal are in respect of employer's contributions to the Teachers Pension Scheme and are paid at the same rate as for other employees. "Other Emoluments" relate to the occupancy of the College property by the Principal for the better performance of his duties. This is a condition of his employment, and as such is not liable to income tax or national insurance. The emolument is however pensionable. The value of the emolument, i.e. the rental equivalence, is re-assessed every two years. However under the rules of the Teachers Pension Scheme the pensionable element of this residence emolument is capped at one-sixth of the Principal's salary.

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

9 OTHER OPERATING EXPENSES

	2015 £'000	2014 £'000
Teaching costs	752	1,083
Non teaching costs	4,376	4,252
Premises costs	876	1,063
	<u>6,004</u>	<u>6,398</u>
Other operating expenses include:		
Auditor's remuneration:		
Financial statements and regularity audit	15	15
Internal audit and assurance	4	-
Hire of plant and machinery - operating leases	170	181
	<u>189</u>	<u>181</u>

10 INTEREST PAYABLE

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	180	144
	<u>180</u>	<u>144</u>
Pension finance costs (note 25)	-	-
	<u>180</u>	<u>144</u>

11 TAXATION

The members of the Corporation do not consider the College is liable for any corporation tax arising out of its activities during this year.

Notes to the Financial Statements
For the Year Ended 31 July 2015

12 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Freehold land and buildings £'000	Assets under construction £'000	Milk quota £'000	Equipment £'000	Total £'000
COST OR VALUATION						
At 1 August 2014	280	30,435	982	545	3,904	36,146
Transfer	-	1,061	(982)	-	(79)	-
Additions	-	1,896	-	-	483	2,379
Less: Disposals	-	-	-	(545)	(206)	(751)
	<u>280</u>	<u>33,392</u>	<u>-</u>	<u>-</u>	<u>4,102</u>	<u>37,774</u>
At 31 July 2015	<u>280</u>	<u>33,392</u>	<u>-</u>	<u>-</u>	<u>4,102</u>	<u>37,774</u>
DEPRECIATION						
At 1 August 2014	22	9,668	-	545	3,343	13,578
Charge for year	9	1,281	-	-	459	1,749
Less: Disposals	-	-	-	(545)	(206)	(751)
	<u>31</u>	<u>10,949</u>	<u>-</u>	<u>-</u>	<u>3,596</u>	<u>14,576</u>
At 31 July 2015	<u>31</u>	<u>10,949</u>	<u>-</u>	<u>-</u>	<u>3,596</u>	<u>14,576</u>
NET BOOK VALUE						
At 31 July 2015	<u>249</u>	<u>22,443</u>	<u>-</u>	<u>-</u>	<u>506</u>	<u>23,198</u>
At 31 July 2014	<u>258</u>	<u>20,767</u>	<u>982</u>	<u>-</u>	<u>561</u>	<u>22,568</u>

The transitional rules set out in FRS15 Tangible Fixed Assets were applied on implementing FRS15. Accordingly the book values at implementation of £2,516,000 were retained.

Inherited land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

12 TANGIBLE FIXED ASSETS (continued)

Land and buildings include land at valuation of £763,692 (2014 - £763,692) which is not depreciable.

13 DEBTORS

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	295	328
Prepayments and accrued income	230	349
Other taxation and social security	22	20
Amounts owed by the SFA	39	-
Other	224	69
	<u>810</u>	<u>766</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Bank loans and overdrafts(see Note 16)	724	249
Payments received in advance	88	268
Trade creditors	384	373
Other tax and social security	212	124
Accruals	707	764
Amounts owed to the SFA	302	1,117
	<u>2,417</u>	<u>2,895</u>

15 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Bank loans	4,291	3,725
	<u>4,291</u>	<u>3,725</u>

Notes to the Financial Statements
For the Year Ended 31 July 2015

16 ANALYSIS OF BORROWINGS

	2015 £'000	2014 £'000
Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	724	249
Between one and two years	665	346
Between two and five years	1,471	1,715
In five years or more	2,155	1,664
	<u>5,015</u>	<u>3,974</u>

The College has three loan which are unsecured and repayable quarterly by instalments.

£3,024K – is due to be repaid in August 2028. This has two fixed rate contracts for £833K at 6.845% to Feb 2017 and £830K at 6.615% to Nov 2019. The remainder of the loan has a variable rate of 0.50% above 3 month LIBOR.

£222K - is due to be repaid in March 2028 and attracts an interest rate of 0.30% above Base Rate.

£1,694K – is due to be repaid in March 2019 and the whole balance has three fixed rate contacts of £480K rates at 3.66%, £861K at 3.255% and £353K at 3.13%.

17 DEFERRED CAPITAL GRANTS

	Funding body £'000	Other Grants £'000	Total £'000
At 1 August 2014	6,687	1,556	8,243
Cash received & receivable:	1,129	15	1,144
Released to income and expenditure account:	(486)	(190)	(676)
At 31 July 2015	<u>7,330</u>	<u>1,381</u>	<u>8,711</u>

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

18 MOVEMENT ON GENERAL RESERVES

	2015 £'000	2014 £'000
Income and Expenditure account reserve:		
At 1 August	5,959	7,594
Surplus on continuing operations after depreciation of assets at valuation and tax	19	17
Transfer from the revaluation reserve in respect of depreciation on revalued assets	150	150
Actuarial loss in respect of pension scheme	(311)	(1,802)
At 31 July	<u>5,817</u>	<u>5,959</u>
Balance represented by:		
Pension reserve	(2,903)	(2,519)
Income and Expenditure account reserve excluding pension reserve	<u>8,720</u>	<u>8,478</u>
At 31 July	<u>5,817</u>	<u>5,959</u>

19 REVALUATION RESERVE

	2015 £'000	2014 £'000
At 1 August	1,135	1,285
Depreciation on revalued assets	(150)	(150)
At 31 July	<u>985</u>	<u>1,135</u>

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax	19	17
Depreciation (note 12)	1,749	1,505
Deferred capital grants released to income (note 17)	(676)	(512)
Interest payable (note 10)	180	144
Other interest receivable (note 6)	(2)	-
FRS 17 pension cost less contributions payable	148	9
FRS 17 pension finance (income)/cost	(75)	(74)
Decrease/(Increase) in stock	113	(62)
Decrease/(Increase) in debtors	44	(134)
(Decrease) in creditors	(946)	(675)
Net cash inflow from operating activities	554	218

21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £'000	2014 £'000
Interest received	2	-
Interest on bank loan/overdraft	(177)	(110)
Net cash outflow from returns on investments and servicing of finance	(175)	(110)

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(2,562)	(1,379)
Sales of tangible fixed assets	0	2
Deferred capital grants received/receivable	1,003	1,579
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from capital expenditure and financial investment	1,559	202
	<u> </u>	<u> </u>

23 FINANCING

	2015 £'000	2014 £'000
New unsecured short term borrowings	1,292	510
Repayment of amount borrowed	(325)	(565)
	<u> </u>	<u> </u>
Net cash outflow from financing	967	(55)
	<u> </u>	<u> </u>

24 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 July 2014 £'000	Cash flows £'000	Non-cash items £'000	At 31 July 2015 £'000
Cash at bank and in hand	162	(139)	-	23
Overdraft	-	(75)	-	(75)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	162	(214)	-	(52)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Debt due within one year	(249)	(400)	-	(649)
Debt due after 1 year	(3,725)	(566)	-	(4,291)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	(3,812)	(1,180)	-	(4,992)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

25 PENSION AND SIMILAR OBLIGATIONS

This note should be read in conjunction with the Accounting Policy on pensions and Other Retirement Benefits on pages 33 and 34.

College employees have the option to belong to the Teachers' Pension Scheme (TPS) if they are teaching staff, or the Local Government Pension Scheme (LGPS), if they are not. Access to the TPS is assured for teaching staff under the Teachers pensions regulations 1997, schedule 2, paragraph 6; access to the LGPS for non-teaching staff under the LGPS Regulations 1997, regulation 4, paragraphs 2 and 3. Colleges do not have the right to refuse membership to eligible staff. Of the 336 eligible employees at July 2015, 123 were members of the TPS and 110 were members of the LGPS.

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. 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 has been implemented in September 2015.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £444k (2014: £426k). For the period August 2014 to July 2015 (as with August 2013 to July 2014 previously) the employer contribution was set at 14.1% of salary. The employee rate for the period August 2014 to March 2015 varied between 6.4% and 12.4%, depending on the member's salary (previously a maximum of 8.8%). On this basis the projected college contribution to the TPS in 2015/16 is £668k.

Local Government Pension Scheme

The LGPS is a funded defined benefit Scheme, which provides inflation-linked pension benefits from age state pension age at (from 2008) 1/60th of final salary together with other benefits all within a cost envelope. The assets of the LGPS are managed by local - in our case East County Council (ESCC) – trustee-administered pension Funds, with the assets attributable to each employer held in separate funds. The ESCC Pension Fund is also responsible for pension payments and administration.

The assets and liabilities attributable to the College are subject to a full valuation by the Scheme's actuary every three years, the last being as at March 2013, and the valuation assumptions are reviewed and updated by the Actuary in each intervening year. The Corporation takes into account this actuarial advice in reaching its judgement about the value of the LGPS assets and liabilities attributable to the College to be included in its balance sheet. For the year to 31 March 2014 the contribution rate was 16.5%, the year to 31 March 2015 17.0% and for the year to 31 March 2016 17.5%. The employee contribution rates are tiered and range from 5.5% to 9.9% dependent on employees' salaries. The total contribution made for the year ended 31 July 2015 was £504k. (2014: £475k) of which employer contributions totalled £368k (2014: £328k) and employee contributions totalled £136k (2014: £129k).

In addition unfunded pension enhancements are paid to a former member of staff via the Scheme: the annual cost is £1k and the present value of the liability is £27k.

Notes to the Financial Statements
For the Year Ended 31 July 2015

25 PENSION AND SIMILAR OBLIGATIONS (continued)

The total pension cost for the College within staff costs for the year was:

	2015 £'000	2014 £'000
Teachers Pension Scheme Contributions paid	444	426
Local Government Pension Scheme:		
Contributions paid	368	328
FRS17 adjustment	148	9
	<hr/>	<hr/>
Charge to income and expenditure account (staff costs) (Footnote A)	516	337
	<hr/>	<hr/>
Total Pension cost for the year (note 7)	960	763
	<hr/>	<hr/>

Other pension costs charged to the income and expenditure account:

Pensions Finance credit/ (cost) (note 10)	74
---	----

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013. Contributions amounting to £44k (2014: £41k) were payable to the schemes at 31 July and are included within creditors.

Footnote A

~the cost of current year service and past service costs is charged, together with the Employer Contribution to the TPS, to the income and expenditure account as staff costs (Note 7) and is calculated as follows

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	516	337
	<hr/>	<hr/>
Total operating charge	516	337

~ The Current Service Cost is the increase in the present value of funded liabilities expected to arise from the service in the period of LGPS members employed by the College.

~The 2014/15 Current Service Cost represents 24.2% of the relevant payroll (2013/14 17.3%). It includes an allowance for administration expenses of 0.4% of payroll: this amounted to £9k in 2014/15 (2013/14 £7k)

~The actuary has advised that the cost of current year service for 2015/16 is projected at £579k. The estimated value of employer contributions for 2015/16 is £687k.

Notes to the Financial Statements
For the Year Ended 31 July 2015

25 PENSION AND SIMILAR OBLIGATIONS (continued)

Footnote B-Net Pension Finance Costs

~The Pension Finance Cost is the Expected annual return on the Scheme's assets, set in the light of the Actuary's advice, less an interest charge equivalent to the increase during the period in the present value of the Scheme's liabilities arising from the removal of one year's discounting. The net pension Finance income in the year is £75k (2014 £74k) and is calculated as follows:

	2015 £'000	2014 £'000
Estimated return on pension scheme assets	519	474
Interest on pension liabilities	(444)	(400)
Pension Finance credit/(cost)	<u>75</u>	<u>74</u>

~When it is a new credit then it is credited to the Income and Expenditure Account as a Pension Fund Credit under Investment Income (note 6). When the interest charge exceeds the expected return on the Scheme's assets the difference is charged to the Income and Expenditure Account as Interest and Other Finance Costs (Note 10).

~in 2014/15 the Expected Return on the Scheme's assets was £519k (2013/14: £474k). This was based on the College's expectation, based on actuarial advice, at the beginning of the period of an overall 3.6% long-term investment return (i.e. including both income and changes in fair value but net of investment expenses) on Scheme assets, broken down in the table below.

~One year's less discounting is applied because the benefits are one year closer to settlement. The interest charge equivalent to the resultant increase in the present value of the liabilities was £444k in 2014/15 (2013/14: £400k).

Scheme Assets

The College's share of the ESCC Pension Scheme assets is estimated to be 0.33%. The fair value of the Scheme's assets attributable to the College at the balance sheet date amounted to £9,481k at 31 July 2015 (July 2014: £8,387k). Fair values are expressed at bid prices as required by FRS17, and are made up as follows:

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

25 PENSION AND SIMILAR OBLIGATIONS (continued)

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	6,731	6.7%	6,541
Bonds	3.6%	1,517	3.9%	755
Property	3.6%	1,043	4.7%	839
Cash (<i>Footnote C</i>)	3.6%	190	3.6%	252
Total market value of assets		9,481		8,387

The actual return on Scheme assets attributable to the College during 2014/15 was £847k, equivalent to 8.9%; the corresponding figures for 2013/14 were £362 k and 4.3%. The returns achieved reflect partly the skill of the ESCC LGPS investment managers and partly the general movement in the market value of different classes during the period. The investment performance of ESCC was ranked in the 22nd percentile (59th percentile 2013/14 (source East Sussex Pension Fund Report and Accounts 2014/15).

The Expected returns shown at Footnote B above relate to the average annualised total returns over 20 years. Actuarial advice is that, on the basis of the risk assumptions used, the outperformance of equities relative to cash over the longer term will tend towards 3%. Given the high proportion of "active" members, i.e. current employees, at the College relative to our deferred pensioners and pensioners, the Corporation is generally comfortable with the significant equity exposure of the ESCC Pension Fund. However, the corollary is a relatively higher volatility in actual returns (and hence in balance sheet values) from year to year.

The variance between the Expected Return and the actual return is defined as the Experience Gain/Loss in respect of assets. The following table sets out the Experience Gains and Losses on assets over the last 5 years compared with the Expected return assumed by the Actuary at the previous valuation. The cumulative Experience Gain/Loss in respect of assets is one of the elements dealt with in the Statement of recognised Gains and Losses (STRGL) – see below.

History of experience gains and losses in respect of assets	Market Value of Assets £'000	Expected Return on Assets £'000	Experience Gain /(Loss) on Assets £'000
2014/15	9,481	519	328
2013/14	8,387	474	(148)
2012/13	7,759	329	848
2011/12	6,316	385	(213)
2010/11	5,884	332	369

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

25 PENSION AND SIMILAR OBLIGATIONS (continued)

Footnote C

The Scheme's assets are also affected by the receipt of contributions from employees and from the College as employer, and by the payment of pension benefits out of the Scheme, as shown in the following reconciliation table:

Reconciliation of Assets

	2015 £'000	2014 £'000
Assets at start of period	8,387	7,759
Expected return on assets	519	474
Actuarial (loss)/gain	328	(148)
Employer contributions	368	328
Employee contributions	136	129
Benefits paid	(257)	(155)
Assets at end of period	9,481	8,387

Scheme Liabilities

The Present Value of liabilities is based (in accordance with FRS17) on the Projected Unit method of valuation. This is an accrued benefits valuation method in which the Scheme liabilities make allowance for projected earnings. Under an accrued benefits valuation method the Scheme liabilities at the Valuation date relate to (a) the benefits for pensioners and deferred pensioners and their dependents, allowing where appropriate for future increases, and (b) the accrued benefits for members in service at the Valuation date.

The present Value of the College's funded liabilities under the LGPS is set out in the following table, analysed as between current employee members, former employees who have not reached pensionable age ("deferred pensioners") and pensioners. The table also shows the increase in liability between years. A fuller reconciliation is set out at Footnote D, and further explanation of the changes in the liability between 2014 and 2015 is provided at Footnote E.

	At 31 July 2015	At 31 July 2014	At 31 July 2013
Employee members	7,485	6,284	5,632
Deferred pensioners	3,181	2,878	1,732
Pensioners	1,710	1,717	1,151
Totals	12,376	10,879	8,515

Footnote D

The table below reconciles the present value of the funded liability between July 2014 and July 2015:

**Notes to the Financial Statements –
For the Year Ended 31 July 2015**

25 PENSION AND SIMILAR OBLIGATIONS (continued)

	2015	2014
	£'000	£'000
Reconciliation of liabilities		
Liabilities at start of period	10,906	8,541
Service Cost	516	337
Interest Cost	444	400
Employee Contributions	136	129
Actuarial Loss/ (Gain)	639	1,654
Benefits paid	(257)	(155)
Liabilities at end of period	12,384	10,906
Funded	12,357	10,879
Unfunded	27	27

The Actuarial Losses and Gains are dealt with on a cumulative basis back to 2002 in the Statement of Total recognised Gains and Losses – see below

Footnote E

The present value of the liabilities shown at July 2015 is based on a full actuarial valuation of the Scheme as at March 2014 which has then been reviewed and updated by the actuary for subsequent year ends with the following changes in financial and demographic assumptions:

- 1 **Inflation** assumption (CPI) decreased from 2.7% to 2.6% based on the difference in gross redemption yields of traditional and index-linked gilt-edged securities at the respective balance sheet dates. Pensions are assumed to increase in line with inflation.
- 2 **Salaries** are assumed to rise by 3.25% pa, after 31 March 2016, with an assumption of 1% until that time
- 3 The **Discount Rate** applied to liabilities is based, in accordance with FRS17, on the return on a high quality corporate bond of equivalent term and currency to the liability. The discount rate is based on the gross redemption yield on the iboxx Sterling Corporates Index. For the 2014 valuation the discount was 3.6%, down from the 4.0% used in 2014.
- 4 **Commutation Rate:** An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-2008 service and 75% of the maximum tax-free cash for post-April 2008 service.
- 5 **Mortality** assumptions are unchanged since 31.07.14, as shown below:

	Males	Males	Females	Females
	2015	2014	2015	2014
Current Pensioners	22.2	22.2	24.4	24.4
Future Pensioners	24.2	24.2	26.7	26.7

Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

PLUMPTON COLLEGE

Notes to the Financial Statements For the Year Ended 31 July 2015

25 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (Continued)

Net Pension Liability

Although the College share of the Scheme's assets have grown steadily over the last five years, the growth in the College's pension liability has again outstripped the growth in assets.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
College's Pension Fund Assets	9,481	8,387	7,759	6,316	5,884
College's Pension Fund Liabilities	(12,384)	(10,906)	(8,541)	(8,232)	(6,433)
Net Pension Deficit	(2,903)	(2,519)	(782)	(1,916)	(549)

Movement in (deficit) during year

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(2,519)	(782)
Movement in year:		
Employer service cost (net of employee contributions)	(516)	(337)
Employer contributions	368	328
Net (interest)/return on assets	75	74
Actuarial gain/(loss)	(311)	(1,802)
Deficit in scheme at 31 July	(2,903)	(2,519)

Statement of Total Recognised Gains and Losses

Changes in actuarial deficits or surpluses can arise because events have not coincided with the actuarial assumptions about assets or liabilities made for the previous valuation (Experience gains and losses), or the actuarial assumptions have changed. The cumulative changes in actuarial deficits or surpluses going back to 2002 are recognised in the Statement of Total Recognised Gains and Losses.

The following table sets out the Actuarial Gains and losses over this period

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Opening amount	(2,431)	(629)	(1,812)	(391)	(1,932)
Gains/(losses) in the year					
Assets	328	(148)	848	(213)	369
Liabilities:	(639)	(1,654)	335	(1,208)	1,172
Closing amount	(2,742)	(2,431)	(629)	(1,812)	(391)

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

26 CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Authorised and contracted for at 31 July	97	68
	<u><u>97</u></u>	<u><u>68</u></u>

27 FINANCIAL COMMITMENTS

	2015 £'000	2014 £'000
At 31 July the College had annual commitments (under non-cancellable operating leases) as follows:		
Land and buildings		
Expiring within one year	29	25
Expiring between two and five years	20	16
Expiring in over five years	15	15
	<u>64</u>	<u>56</u>
Equipment		
Expiring within one year	18	9
Expiring between two and five years	88	110
	<u>106</u>	<u>119</u>

28 RELATED PARTIES

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with the Skills Funding Agency and Education Funding Agency are detailed in notes 2, 13, 14 and 17.

The College holds a 27% interest in Woodland Enterprise Ltd (WEL), a company limited by guarantee (£1). WEL owns a leasehold site and facilities at Flimwell, at which it is seeking to develop skills in wood production and use. The College appoints two directors (currently the Principal and the Estate Manager) to the WEL Board. It has an arm's length sub-lease with WEL for two workshops on the site, and provides various management services to WEL. Included within accrued income in note 13 is £16,000 in respect of WEL. The College has no other interests in active subsidiaries or joint ventures.

**Notes to the Financial Statements
For the Year Ended 31 July 2015**

29 AMOUNTS DISPERSED AS AGENT

	2015 £'000	2014 £'000
Discretionary Support Funds		
Funding body grants – hardship support	382	263
Funding body grants – childcare	25	82
Funding body grants – residential bursaries	202	216
Funding body grants – free meals in FE	45	0
	<hr/>	<hr/>
	654	531
Disbursed to students	(745)	(639)
Staffing		-
Administration costs	(29)	(27)
Amount consolidated in financial statements	109	135
	<hr/>	<hr/>
Balance unspent at 31 July	11	-
	<hr/> <hr/>	<hr/> <hr/>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates, in 2014/15, to the provision of transport services dedicated to student travel, and to the purchase of other services on the students' behalf; in 2014/15 the disbursement to students, including in the form of bus and meal provision, exceeded the allocation by the £109,000 shown. This over allocation is due to the increase in students eligible for bursaries and the reduction in bursaries by the Skills Funding Agency. The balance carried forward at 31 July relates to unspent Funding body grants – free meals in FE.

To: The corporation of Plumpton College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Plumpton College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Plumpton College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: Mazars LLP

Mazars LLP

Times House, Throwley Way, Sutton, Surrey, SM1 4JQ

Date: 22nd December 2015

