

**PLUMPTON COLLEGE**

**Report and Financial Statements  
for the year ended 31 July 2016**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2015/16:

D Lambert	Principal; Accounting officer (Retired October 2015)
J Kerswell	Principal; Accounting officer (with effect from October 2015)
D Stokes	Vice Principal
J Hibbert	Deputy Principal
M Groves	Finance Director

### **Board of Governors**

A full list of Governors is given on page 16 of these financial statements.

L Holt acted as Clerk to the Corporation with effect from 1<sup>st</sup> September 2015.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

Mazars LLP  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4JQ

#### **Bankers:**

Lloyds Bank plc  
82 High Street  
Lewes  
East Sussex

#### **Solicitors:**

Brachers  
Head Office  
Somerfield House  
59 London Road  
Maidstone  
Kent ME16 8JH

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# Members' Report

## NATURE, OBJECTIVES AND STRATEGIES:

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

### Legal status

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

### Mission

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 as well as the wider land-based sector.

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.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

### Implementation of strategic plan

In July 2014 the College adopted a strategic plan for the period 1 August 2014 to 31 July 2019. This strategic plan covers all aspects of the College business and performance, as set out in its following Strategic objectives:

1. Achieving agreed student number targets across all provision areas
2. Providing excellent land based education, training and learning
3. Continuing to develop sustainable, high quality ancillary businesses
4. Maintaining Strong finances
5. Working with partners to develop our reputation
6. Managing our resources

The Corporation monitors the performance of the College against these objectives and specific key performance indicators relating to each, on an annual basis.

In 2015/16 the College's performance against each of these was as follows:

#### 1. Achieving agreed student number targets across all provision areas

As the table below shows, the college achieved marginal growth last year in its core markets of 16-18 and HE.

For 16-18, with the continued decline in demographic and an ever more competitive local post 16 offer, growth continues to be challenging, albeit with higher year on year numbers, and an ever broader marketing drive, one would expect this to be higher. For 16/17 and beyond, the College has set itself targets of increasing 16-18 numbers of a minimum of 50 FTE's per year and has invested in a new Marketing Manager and Schools Liaison function to enable this.

In FTE terms, HE numbers continue to decline slightly, although it was pleasing to see an increase in the numbers of FT students. Again, the declining demographic and the ever more competitive HEI marketplace would be the main causes behind this. With lower fees compared to many of its college and HEI competitors though, the small

numbers of students progressing from the college's level 3 provision is disappointing and will be the subject of much future attention to raise the awareness and profile of our own HE offer. Within the HE portfolio, there are a number of programme areas with small cohorts such as those in Equine Dentistry and Countryside Management.

It is pleasing that 14-16 numbers have steadily grown, which reflects the strong relationships built with a number of secondary schools and the diverse offer available both at Plumpton and the Netherfield centre.

Perhaps allied to this and Plumpton's reputation for being inclusive, is the significant growth seen in the numbers of students studying at the college with classified high needs. This has nearly doubled in the past year, and improved processes have been implemented for 16/17 to ensure that funding from local authorities is secured in a more timely fashion.

Substantial growth has been achieved in apprenticeship numbers and is largely due to there being an increased drive to recruit apprentices' in-year from January 2016. This has been enabled in part due to the development of two new sales roles within the Business Development function within the SRBC and latterly due to the appointment of a new Head of Business Development, tasked with developing a strategy to enhance the college's work with employers. The growth achieved prevented funding clawback from the SFA for the first time in several years and also means the college is in a strong position to request additional apprenticeship funding in the autumn of 2016.

	2015-16		2014-15		Change
Category	No.	FTE (approx.)	No.	FTE (approx.)	% change (FTE)
14 to 16	281	112	263	87	29%
Home educated 14-16	32	22	27	12	83%
16 to 18	950	950	939	916	4%
Apprentices	205 16-18 104 19+	309	170	170	82%
Full-time 19+	119	119	266	266	-55%
Part-time 19+	364	109	457	210	-48%
HE	388	296	380	330	-10%
Employer related Workplace Dip	19	9	445	45	-80%
Total	2462	1926	2947	2036	-5%

## 2. Providing excellent land based education, training and learning

The College underwent three external inspections during the academic year, notably in relation to its HE provision (QAA) and both its residential and FE and Skills provision (Ofsted).

The residential inspection which took place in March 2016, found the college to be outstanding in all aspects of its provision for 16-18 year old residential students. The inspection took place over two days, and was conducted by a team of two inspectors, with just three hours' notice. It took into account all aspects of the College's residential provision from safeguarding to the quality of accommodation and the range of services provided to students and therefore whilst largely based around the college's student services provision, was a measure of the effectiveness and impact of a range of cross college services, also including the provision of food.

Overall effectiveness	This inspection:	Outstanding
Previous inspection:	Outstanding	
Outcomes for learners	Outstanding	
Quality of service	Outstanding	
Safeguarding	Outstanding	
Effectiveness of leadership and management	Outstanding	

The FE and Skills inspection took place in May 2016 over three days and was conducted by a team of six inspectors, looking across the college at study programmes, adult provision and apprenticeships, as well as the generic themes of Leadership and management, teaching and learning and student outcomes, including personal development, behaviour and welfare.

Overall effectiveness	Requires improvement
Effectiveness of leadership and management	Good
Quality of teaching, learning and assessment	Requires improvement
Personal development, behaviour and welfare	Good
Outcomes for learners	Requires improvement
16 to 19 study programmes	Requires improvement
Adult learning programmes	Good
Apprenticeships	Requires improvement
Overall effectiveness at previous inspection	Good

This was a disappointing outcome for the college, which had previously been graded as good by Ofsted in 2011. However, FE student success rates had declined for at least three years and in 2014/15, just under one in ten FE students who started the college left without a qualification. A number of measures were put in place throughout the academic year to improve this but despite the significant improvements seen in the in-year retention of students across the college, the fact the historical success rate trend was significantly below national average meant that student outcomes were effectively limited to requires improvement.

Also, despite improvements made during the year in teaching and learning, it was still not consistent enough across the college with too many instances of insufficient challenge for more able students. The College's teaching and success rates for GCSE and functional skills English and maths also fall below the expected average for the sector.

The good grade given to Leadership and Management was recognition of the changes made over the past year and the positive impact they were having on students, which the college is confident will be sustained into 16/17. Apprenticeship success rates of completing learners remain significantly below the national average.

The year-end position for FE students has reflected that continued improvement noted by Ofsted in May 2016, with the final data showing a significant increase (>7%) in the success rates of 16-18 and 19+ study programme learners and notable improvement in apprenticeship retention of new starts. A new academic structure was implemented across the College, to take effect from 1<sup>st</sup> August 2016 and will provide improved clarity of roles and expectations of all staff, whilst providing the capacity for further enhancements in the way in which the quality of student experience is monitored, managed and further improved. It is expected that the College will have its re-inspection from Ofsted in the spring of 2017 and that the continued improvement seen from 2016, coupled with the enhanced focus from the new structure, will result in Good outcomes for all aspects.

The QAA HER review of the College's Higher Education provision took place in May 2016. The review team concluded that the College met all four requirements being assessed. Three areas of good practice were identified

in relation to scholarly activity and research, student engagement and course monitoring and review. Four recommendations were made; to ensure information about independent complaints procedures are made clear to students, to improve the strategy for work placements and the information provided to work providers, and to ensure management information is fit for purpose. These recommendations all form part of the action plan within the HE Academic Health Report for 15/16.

	Retention	Pass	Achievement	Percentage point improvement
16-18	95%	94%	89.4%	+ 6.5
19+	98%	93%	90.5%	+ 5.1
Apprentices	64%	74%	47.4%	- 12.6
HE (completing students)	76%	93%	71%	n/a

### 3. Continuing to develop sustainable, high quality ancillary businesses

In financial terms, the college generated £0.98m of commercial income in 2015/16, predominantly from short and bespoke courses, wine sales and lettings of residential and other facilities during holidays and weekends.

Short and bespoke course income increased compared to the previous year, although activity at the Flimwell site was much lower. Income from Forest School, the Children's Education Centre and equine activity all increased marginally, whilst sports hall income reduced due to increased competition with enhanced enrichment for students. The appointment of a new Wine Sales Manager led to a £40k increase in commercial wine sales, although the decision was made to halt cheese production due to sales being unable to maintain a high cost base.

Due to the recent investments in the way in which the College interacts with employers through its Business Development function, the College has targeted a 25% increase in its income from short and bespoke courses for 16/17. Wine sales are also expected to continue to increase in line with production targets, with an additional £40k expected in 16/17.

Income from the College's Wales Centre also failed to hit target, underlining the need for a full review of the college's use and objectives for the site in 2016/17

An income of over £200k was achieved through commercial room lettings, conferencing and summer residential events Catering. Term time occupancy rates were maintained at 97% for terms 1 and 2 with this figure dropping to 90% as a result of second year level three students completing their course at Easter. To counter the effect on associated income a revision of animal care summer routines was implemented to bring forward such activity and utilise free space. Residency continues to be an area of excellence within the College and the successful appointment of a new Student Services Manager has further strengthened this position.

Summer 2016 saw the introduction of a new client – the National Citizenship Service. The introduction of this client offset the lost income from Bucksmore Education whose student recruitment had been affected by European travel fears following terrorist attacks in France. Visitor feedback continues to be exceptionally high with the NCS now adopting a 3 year contract. The college also hosted a range of equestrian and leisure groups as well as a 7 day wellbeing festival. Across the summer income targets were met.

Feedback on our current catering provision from all users is consistently positive across a number of student and client voice forums such as student surveys, food focus groups and summer lets evaluations. The following period will see the introduction of cashless catering as the first stage of e-purchasing options made available to all students and staff.

The College has been a significant beneficiary within the LEP funded programmes and continues to be so. The transition to a full time Estates Manager has brought immediate and noticeable benefits with a number of facilities improvement projects delivered during the summer in preparation for the new academic year. Work is underway to deliver the site masterplan as planned in early 2017.



The College farm recorded an operating deficit of £90k against an original break-even budget. Continued reductions in milk income and a lesser subsidy than initially planned were the main factors, although this would have been a worse position had interventions not been made earlier in the year to manage costs.

Significant changes have been made on the farm since February 2016, predominantly in relation to the College's dairy herd in order to bring about improvements in productivity and performance. Changes in relation to housing, nutrition and welfare have all contributed to improvements in milk yield and fertility and the herd has set itself further stringent performance targets over the next three years to ensure it performs in the top 10% nationally. The re-introduction of the Farm Advisory Panel, chaired by one of the Governors and attended by externals from industry has been one of the main catalysts for this improvement, along with the engagement of specialist industry consultants. A similar process is currently being undertaken with other enterprises and coupled with increasing levels of performance, better managed costs and a new milk contract, the farm is budgeted for a break even position in 16/17.

#### 4. Maintaining Strong finances

The College's overarching financial objectives are to generate sufficient cash internally over the period to July 2019 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.

Further details regarding Financial performance are on page10.

#### 5. Working with partners to develop our reputation

The College continues to attach much importance to maintaining and developing close and positive relationships with its stakeholders, both internally and externally. The College's aims are: to raise awareness of what it does, 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.

Student engagement remains strong for core 16-19 and HE students, with a number of mechanisms utilised to gain formal feedback. Two student surveys were conducted last year, as well as a Principal's forum with the course representatives of all FE cohorts. The results from these demonstrated an increased satisfaction amongst learners, notably in teaching and learning, and were considered by Governors as part of the quality review processes.

Schools liaison remains a priority for the College, which continued to engage positively with over 180 different schools from across the region last year. Applications for full time FE courses for 16/17 were approximately 5% higher than the previous year as a result. The College also continues to provide dedicated facilities for primary school visits to the farm and wider estate, with over 3000 primary pupils engaged in this activity during the year. A review of the College's school engagement activity is currently underway for 16/17, with increased emphasis on Secondary school engagement through a wider product offer to support students attending STEM related workshops to be delivered in school or at the college.

The College continues to work with its alumni through the Old Plumptonian Association and the Charitable Foundation and will be taking a revised strategic approach to engaging these networks in the coming year.

The College works with in excess of 700 employers annually across all curriculum areas (many of which are SMEs) in the provision of work experience placements for existing students or in offering apprenticeship, short and bespoke training solutions. Significant increases have been seen in the recruitment of horticulture apprenticeship numbers across amenity and sports turf sectors, whilst the College is only one of two providers nationally to offer the new



Butchery apprenticeship trailblazer. A more strategic approach in being taken to the development of the College's apprenticeship activity for 2017, with the introduction of the new apprenticeship levy and further revised trailblazer standards across all sectors.

Plumpton continues to work closely with its two LEP partners (Coast to Capital and SELEP), with capital grants being awarded from both to enhance the development of specialist vocational facilities across the site. Further capital funding has been awarded by SELEP for next academic year to support the development of further specialist forestry and arboriculture facilities to be used to train increased numbers from industry.

The College continues to develop positive relationships with the local authority within East Sussex, but also increasingly with Brighton and Hove City Council. Through its interactions with the latter, and related to its current activity at Stanmer Park, Plumpton is one of the main partners in a bid made to the Heritage Lottery Fund by Brighton and Hove City Council for significant capital development of Stanmer in 2018. This would see the college entering into a long term lease agreement to operate commercial nursery and retail facilities with the restored Walled Garden at the park and further enabling the development of its educational footprint in that area.

Plumpton's HE provision continues to be validated by the University of Brighton, with both parties seeking to further develop their strategic partnership for the benefit of existing learners, growth of undergraduate and postgraduate provision and joint working in the fields of research and development.

The outcome of the Area Based Review for the College supported its continuation as an independent land based college, whilst further reinforcing its need to grow and in doing so continue to work in collaboration with other partners and stakeholders. This is likely to result in increased partnership working with selected schools within the area and also other GFE/Sixth form providers. The National Land based College was established in April 2016 with whom the college will work closely alongside Landex to establish mutually beneficial projects.

## 6. Managing our resources

The average number of employees during the year, expressed as full time employees was 251, the breakdown is as follows:

	2013/14	2014/15	2015/16
Teaching staff	95	96	111
Non-teaching staff	146	145	140
Total	241	241	251

The academic restructure in the spring and summer of 2016, coupled with increased expectations of teaching standards across the college, led to a significant increase in staff turnover during the year. A number of new strategic and operational managers have been recruited both internally and externally, to enable the college to continue to raise its performance standards and enhance student experience, whilst achieving targeted growth in future years.

The College has also recruited a new HR Manager and established a much improved HR function to provide better back office management and enhanced services to staff. This team successfully oversaw the academic restructure, have implemented more robust staff recruitment protocols and in the coming year will be launching management development and coaching programmes, in addition to exploring ways to increase efficiency through improved staff record systems in conjunction with other college systems.

The condition of the College campus at Plumpton remains excellent, with continued investment (approximately £250k) made during the year to ensure that student's learning occurs for the most part in state of the art facilities. Specific projects have been undertaken to improve facilities at the College's Netherfield Centre and to ensure the college's infrastructure and facilities are accessible to disabled students.

The College is currently developing its revised site masterplan for future development, which will initially focus on plans to increase residential facilities for students.

The College's IT and data infrastructure continue to support the needs of the organisation well. Improvements to connection line speeds will be made for all college sites during 2016 to enable better use of existing systems.

The College successfully introduced a new finance system, Agresso, during the year and will continue to ensure that the system drives efficiency and performance through its integration with other systems. New standards for the use of the College's virtual learning environment (VLE) have also been introduced for the coming academic year to enable increased independent study outside the classroom.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The College is assessed by the Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

## FINANCIAL POSITION

### Financial results

The College Financial Statements showed a deficit for the year of £292k. This included a charge to the income and expenditure account of £313k relating to FRS 102 pension adjustments (charge to salaries £205k and a net interest charge of £108k).

The surplus for the year before the Financial Reporting Standard 102 (FRS 102) pensions adjustments is £21k (2014/15 – deficit of £19k). This is less than the budgeted surplus (£172k) approved by the Corporation in July 2015 following underperformance in the farm, which included a reduced Single Farm payment. Expenditure exceeded budget in a number of areas including transport (£77k), catering (£46k), premises (£54k), insurance (£43k) and Health and Safety fine (£70k).

Bursaries support is a key cost within the College expenditure and the budget includes a substantial overspend in this area. The rural position of the College means that the cost of travel is a significant expense for most students and many take the option of living at the College. The bursary fund assists students in paying for travel, residence and college meals. In 2015/2016 the accounts included a significant bursary overspend but the SFA and EFA were able to provide additional financial support to cover some of this overspend.

Total income rose by 4.7% from £15.681m to £16,413m. We continued to meet our objective for funding diversification. Direct grant funding from SFA, EFA and HeFCE was only 51% (2014/15 - 50%) of our total income. 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 26% of total income.

In 2015/16 the College underwent a considerable restructure in order to meet future strategic demands and for this reason there was no pay award in that year. Plumpton's ratio of staff costs to turnover is 52% which is one of the lowest of all 15 independent land-based colleges, and well below the FE sector range of 60–75%.

Non-teaching costs have fallen from £4,125k to £3,536k although premises costs have risen predominantly because of insurance costs from the repairs undertaken as a result of a barn fire, utilities and increased maintenance expenditure from £876k to £1,318k.

After adjusting for depreciation, deferred capital grants included as income, interest, and working capital movements (Statement of Cash flows), this translates to a net cash inflow from operating activities of £1,041k (2014/15: £553).

The College continued to invest during the year to improve and extend its educational infrastructure. Capital expenditure for 2015/16 was £641k (2014/15 to £2.379m). This comprised of equipment partially funded by The Coast to Capital bid and Skills Funding Agency capital bid.

In terms of the Skills Funding Agency financial health indicators, the College is classified as Good as at July 2016. 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.

In accordance with FRS 102 transitional arrangements the College took the option of revaluing its land which at 1 August 2014 increased in value from the date of incorporation in 1992 by £2.6m. This has further strengthened the Balance Sheet position.

The College has been subject to an action by the Health and Safety Executive as a result of a student accident on the premises which occurred before the end of the academic year 15/16. The College was fined £100K in November 2016 which has been provided for in these accounts.

Total borrowings at July 2016, all unsecured, amounted to £4.777m (July 2015 - £5.015m). This was below the upper limit of the objective we have set for peak borrowing of £5m. Where borrowings are in excess of 40% of turnover this has been highlighted as a potential financial health risk factor. Plumpton's July 2016 borrowings represented 29% of annual turnover.

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

- £225k relating to a 2008 loan in respect of a development property at Robertsbridge with phased repayment over the period 2013 to 2028;
- £3,024k relating 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 2019. A new fixed rate contract has been agreed with the Bank at 3.12% until August 2028 to take effect as the current agreements expire. 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 £750k which is reviewed on a regular basis in conjunction working capital requirements. The College grant funding from the EFA and SFA is received on profile and can at certain times in the year mean the need for the College to temporarily increase this limit. For this reason £750k overdraft facility was increased to £1m for 3 months from February to May 2016.

#### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

#### **FUTURE DEVELOPMENT AND PERFORMANCE**

In light of the general election, the 2015 Spending Review, the inclusion of Plumpton in the first wave of area reviews and the appointment of a new Principal, the decision was made to delay a review of the College's strategic plan in 2015. Instead, and as a result of an extensive consultation process with governors and staff across the organisation, the college set out to establish its priorities for the academic year 2016/17 against each of the existing strategic objectives.

These culminated in the production of an Operational Development plan for 16/17 which clearly identifies performance targets for each strategic objective, as well as planned actions to ensure these are met.

Targets include:

##### **Strategic Aim 1 – Growth**

- Achieving £0.75m growth in income in 17/18, ensuring HNS student provision is capped depending on funding availability, achieving 60% internal progression between levels 1 and 3 and 20% from level 3 to HE

#### Strategic Aim 2 – Excellent teaching and training

- Minimum success rates for 16/17 learner outcomes – Apprenticeships 85%, HE 85%, Study Programmes 90%, minimum average attendance – 90%, to achieve positive value added scores for all level 3 study programmes, to maintain high levels of student progression into employment
- For teaching and learning observation grades to achieve minimum of 80% good and outstanding

#### Strategic Aim 3 – Ancillary businesses

- To achieve overall College growth in income of a minimum of 10% and 5% increase in margin for all ancillary activities for 16/17

#### Strategic Aim 4 – Financial performance

- To maintain current staff costs ratio below 52% over the two year period to July 2018, retain a restriction on peak net borrowing of £5m in 16/17 and 17/18 and achieve minimum targeted surplus of 3-5% of income for 17/18

#### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 96.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

#### Events after the end of the reporting period

The College has been subject to an action by The Health and Safety Executive as a result of an accident resulting in an injury to a student and following the year end has received a fine of £100k. The College has previously provided £30k in the financial statements against the potential fine.

Subsequent to the year end the College commenced the pumping out of the slurry pit below the dairy cowshed. It became apparent that there were problems in the process and the amount of slurry to be removed due to legacy issues with the types of bedding previously used. As such, this is a significantly higher risk and more time consuming process, which will incur a considerably higher cost. Furthermore this has inadvertently led to waste water and slurry running off the College fields and into one of the water courses. By working with the College Insurers, the College has rectified this situation. This may result in a fine which cannot be quantified at the date of signing.

#### Future prospects

Further to the outcome of the Area Review, the College had already identified further efficiencies in its operating practices across the organisation. Better use and full integration of systems previously invested in will enable efficiencies in data collection and utilisation, whilst improved usage of the virtual learning environment will enable students to continue to be supported to undertake independent learning to supplement that in college.

Whilst the College has not generated a cash surplus this year, it is able to meet its current liabilities and therefore remains a going concern in the current environment and at least for the period of the next 12 months. It has identified a range of opportunities to grow and in doing so protect its long term interests through the development of new and existing well-diversified income streams.



## **PRINCIPAL RISKS AND UNCERTAINTIES:**

Risk management is integral to planning and control across the College, and is firmly embedded into the planning/control and decision-making process. Responsibility for identifying, assessing and managing risks is devolved to those responsible for delivering the relevant aims and objectives. Specific mitigating actions initiated or intensified in response to a new or growing risk are planned and controlled in the same way as any other action designed to deliver the business objective, not as part of a standalone Risk Management Action Plan.

A single risk register is also used to capture both long-term strategic risks and shorter-term cross-college operational risks. This recognizes that for most long-term risks short-term mitigating action during the Operational Plan period is likely to be required. There may however be a few risks where any mitigating action lies beyond the Operational Plan period, which will be highlighted in the Register.

The Risk Register is tabled for collective Governor discussion each spring as part of the Strategic Plan review and reviewed frequently by Senior Management.

The current risks identified within the risk register include those relating to educational policy, government funding, fees and staffing. See risk register for more detail.

## **STAKEHOLDER RELATIONSHIPS**

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.

### **Equal opportunities**

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.

### **Disability statement**

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

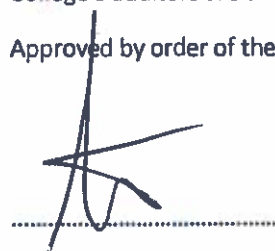
- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

#### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 9<sup>th</sup> December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R A Stanier', written over a horizontal dotted line.

R A Stanier

(Chair)



## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

It is 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 the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. 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 for 2015/16 as the Corporation had other pressing matters to attend to during 2015. Following a review the Corporation has chosen to adopt the AoC's 2015 Code for 2016/17.

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

## The Corporation

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

Name	Background	Date of appointment	Appointment expires	Committee Membership	Committee meetings attended	Corporation meetings attended
Claudette Atkinson	Academic Staff Governor	1 Mar 2016	1 Mar 2020	Academic Learning walks Other	2 Y 5	3
Mike Atkinson	Industry / civil service / accountancy	18 Dec 2002 Re-appointed 13 July 2010 Re-appointed 16 Dec 2012 Re-appointed 15 Dec 2014 Re-appointed 15 Dec 2015	14 Dec 2016	Audit Remuneration Learning walks Link meetings Other	3 Y Y 2 16	4
Bernard Booth	Estate Management	15 Dec 2015	18 Aug 2016	F&GP Learning walks Other	3 Y 6	3
Suzanne Craig	Finance	10 Dec 2013	9 Dec 2017	F&GP Audit Other	1 2 4	3
Zoe Deluca Hewetson	Student Governor (HE)	15 Dec 2015	31 July 2016	Academic	1	1
Julie Dougill	Local Authority	16 Dec 2014	15 Dec 2018	Academic Search Learning walks Link meetings Other	3 1 Y 2 5	3
David Evans (Vice-Chair of Corporation)	Rural land agent	1 Jan 2004 Re-appointed 31 Dec 2011 Re-appointed 14 Dec 2015	14 Dec 2016	Academic Audit Search Remuneration Learning walks Link meetings Other	3 3 2 Y Y 5 19	5
John Evans	Business Advice	1 Oct 2003 Re-appointed 1 Oct 2011 Re-appointed 15 Dec 2015	14 Dec 2016	F&GP Search Farm Advisory Link meetings Other	4 3 5 2 15	5
Pat Foster (Chair of Audit)	Local Authority / accountancy	1 April 2008 Re-appointed 1 April 2012	31 Mar 2016	Audit Search Other	1 2 2	2
Aprile Jackson	Student Governor (FE)	15 Dec 2015	31 July 2016	Academic Learning walks Other	1 Y 1	1
Jeremy Kerswell (Principal)	Plumpton College Principal	5 Oct 2015	N/A	Academic F&GP Search Farm Advisory	3 4 2 5	4
Sally Kinsey	Law	10 Dec 2013	09 Dec 2017	F&GP Search Other	1 1 4	2

Des Lambert (Principal)	Plumpton College Principal	6 Jan 2002	31 Oct 2015	Academic F&GP Search	N/A	1
John Moore-Bick	Armed Forces	15 Dec 2015	14 Dec 2019	Academic Learning walks Other	2 Y 12	3
Gavin Nevett	Staff Governor	8 July 2014	7 Dec 2015	Academic	1	1
Richard Partridge	Law	28 Mar 2006 Re-appointed 27 Mar 2014	27 Mar 2015	Audit Remuneration	1 y	3
Bill Pepper	Veterinary	17 Mar 2015	16 Mar 2019	Academic Farm Advisory Other	3 4 1	4
Suzanne Russell	Support Staff Governor	1 Mar 2016	1 Mar 2020	F&GP Other	3 4	1
Stan Stanier (Chair of Corporation)	IT / education	28 Mar 2006 Re-appointed 27 Mar 2014	26 Mar 2018	F&GP Search Remuneration Learning walks Link meetings Other	4 2 y Y 4 45	5
Sheena Sutton	Support Staff Governor	6 Dec 2011	6 Dec 2015	Academic	0	1
Jeff Trunkfield	Agriculture	15 Dec 2009 Re-appointed 15 Dec 2013	14 Dec 2017	F&GP Farm Advisory Other	3 4 2	3
Howard Wood	Agriculture / Education	10 Dec 2013	09 Dec 2017	Academic Learning walks Other	2 Y 9	5

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance and general purposes, academic, remuneration, search, farm advisory and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Plumpton College  
Ditchling road  
Nr Lewes  
BN7 3AE

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

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

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

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

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

#### **Appointments to the Corporation**

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

Under the statutory Instrument and Articles, governors may not be appointed or re-appointed for terms of more than four years. Four 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. 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, Mike Atkinson and John Evans 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 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. John Evans has taken on the role of a chair of a newly constituted Farm Advisory Board and provides valuable sector and commercial expertise to this vital area of college operation.

There were two external governor appointments during the year and two student governors (one elected by FE students, the other by HE students) and two staff governors (one elected by academic staff, the other by support staff).

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 2016 there were 17 governors in post, including the Principal, two staff governors and two student governors.

The Chair and Vice-Chair of the Corporation are elected or re-elected each December for a 12 month term. In December 2015 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. 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 little 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 2016 was 41% women and 59% men. The age distribution of governors at July 2016 is set out below:

16-18	6%
20-29	6%
30-39	0%
40-49	18%
50-59	24%
60-64	12%
65 or over	35%

The average length of service of continuing external governors is 3.9 years. (2014: 5.8 years).

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 Training and Development in 2015/16 included a 'Finance for non-finance governors', learning walks, briefing on new Common Inspection Framework and AoC Webinars.

### **Corporation performance**

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. 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 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.

### **Remuneration Committee**

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer, Vice Principal and Clerk.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

### **Audit Committee**

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

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

Management is responsible for the implementation of agreed audit recommendations and the Audit Committee (where appropriate through delegation to other committees) undertakes periodic monitoring to ensure such recommendations have been implemented.

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

### **The Finance & General Purposes Committee**

The Finance and General Purposes Committee comprises 7 members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.



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 comprises 10 members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

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 Farm Advisory Committee**

The Farm Advisory Committee comprises 4 members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Committee, through the Finance and General Purposes Committee, advises the Corporation on farm management issues including the farm's performance against annual operating priorities

#### **Internal control**

##### *Scope of responsibility*

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

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

##### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Plumpton College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

##### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

##### *The risk and control framework*

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



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

Plumpton College has retained ESCC as internal Auditors on a call off basis the year ended 31<sup>st</sup> July 2016. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included:

- Payroll Audit completed by East Sussex County Council
- Independent assessment and consultancy regarding the dairy and arable enterprise of the farm
- such additional Independent assessment and consultancy advice as is seen necessary to address specific risks
- SFA Audit Assurance review
- Matrix (Information, Advice and Guidance)
- Review of use of MIS system

The Audit Committee we have reviewed the internal audit arrangements, feel that they are appropriate, and recommend that they should continue.

At the request of the Audit Committee there are plans to consolidate into a single Financial Manual the material which is currently covered between the Financial Regulations, the Finance Procedures and related policies with Financial implications.

It is envisaged that assurance work for 2016/17 will include assurance on the new accounting system and Health and Safety.

#### *Contingent Liabilities*

The Audit Committee are aware of the risk of additional contingent liabilities which include those relating to environmental issues, employment and elements of our operational practice, such as compliance with terms of external agreements. The College will establish a register of these which will also include contingent assets/rights where appropriate.

#### *Fraud*

In June 2016 the Principal and Vice Principal advised the Audit Committee of the following investigations:

- A member of teaching staff was disciplined following a deception regarding teaching hours.
- A member of staff is no longer employed in relation to forgery of health and safety documentation.
- A member of staff is no longer employed following a theft from the dining room. This was considered to be immaterial.

The External Auditors were advised of the above. A review of the Anti Fraud and Corruption Policy has been added to the schedule of business for the Audit Committee.

#### *Changes to internal control*

#### *Health and Safety*

The college were prosecuted in November 2016 by the HSE as the result of an accident in which a student was injured. The focus on internal controls to prevent a further legislative breach within the H&S at Work Act 74 actually began 14 months ago.

Our culpability as an organisation was attributed to a lack of managerial control over college activities and an over reliance upon an individual manager for assurance over H&S compliance.

We now have the following in place which didn't exist prior to the accident to which the fine relates:

- A Safety Team with a direct link to SMT – this represents around 3.5 times the capacity of previous safety staff.
- A new H&S Management Cycle to allow better vision of safety activity.
- Revised risk assessment processes
- Risk Assessment training and 1-2-1 consultancy for all safety managers
- H&S drop-in clinics for both ongoing and induction type activity.
- H&S action plan which is reviewed termly.
- Reliable safety data for internal and external comparisons.
- Assurance through undertaking a full staff competency audit (paper based) that staff are suitably qualified to undertake their roles.

### *Farm*

The unplanned costs associated with emptying the Farm's slurry lagoon are as a result of a failure of the aeration system fitted when the main cow shed was built some five years ago. It is likely that the attributable cause of this is related to the type of bedding used. Once the slurry lagoon is fully emptied, the college will be working with the company who supplied the original aeration system to ensure that a new system is refitted that is fit for purpose for the bedding that is now being used and that revised guidelines are produced regarding the future management and maintenance of the system. Regular monitoring that these guidelines are being adhered to will be the responsibility of the new Farm Manager, and who will be required to provide half termly updates to the College's Farm Advisory Committee.

### *Review of effectiveness*

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

- the programme of assurance
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

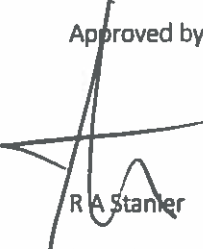
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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


#### Going concern

The bank continues to support the College. The College has budgeted for a 2.7% surplus for 16/17 which is in accordance with the Area Based Review guidelines. The College maintains tight financial control. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 9<sup>th</sup> December 2016 and signed on its behalf by:



R A Stanier  
(Chair)



J Kerswell  
(Accounting Officer)

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

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

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

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

Signed



J Kerswell

Accounting Officer

9<sup>th</sup> December 2016

Signed



R A Stanier

Chair of Governors

9<sup>th</sup> December 2016

## Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

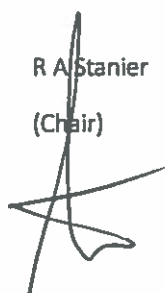
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 9<sup>th</sup> December 2016 and signed on its behalf by:

R A Stanier  
(Chair)

A handwritten signature in black ink, appearing to be 'R A Stanier', written over the printed name and title.

# 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 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows, 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 24, 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](http://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 2016 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 21st December 2016



PLUMPTON COLLEGE

Statement of Comprehensive Income  
For the Year Ended 31 July 2016

	Notes	2016 £'000	2015 £'000
<b>Income</b>			
Funding body grants	2	8,412	7,966
Tuition fees and education contracts	3	3,769	3,836
Research grants and other contracts	4	85	65
Other income	5	4,147	3,812
Investment income	6	-	2
<b>Total income</b>		<b>16,413</b>	<b>15,681</b>
<b>Expenditure</b>			
Staff costs	7	8,623	7,994
Fundamental restructuring costs	7	105	-
Other operating expenses	9	5,951	6,004
Depreciation	12	1,731	1,749
Interest and other finance costs	10	187	180
<b>Total expenditure</b>		<b>16,597</b>	<b>15,927</b>
Operating Deficit before defined benefit pension costs		(184)	(246)
Pension finance costs	10	108	104
Deficit before other gains and losses		(292)	(350)
Profit on disposal of assets		-	-
(Deficit)/Surplus before tax		(292)	(350)
Taxation	11	-	-
Deficit for the year		(292)	(350)
Actuarial loss in respect of pension schemes		(2,193)	(639)
Return on assets		1,002	507
<b>Total Comprehensive Income for the year</b>		<b>(1,483)</b>	<b>(482)</b>

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

**PLUMPTON COLLEGE**

**Statement of Changes in Reserves  
For the Year Ended 31 July 2016**

	Income and Expenditure account Restated	Revaluation reserve Restated	Total
	£'000	£'000	£'000
<b>College</b>			
Restated balance at 1st August 2014	6,748	3,701	10,449
Surplus/(deficit) from the income and expenditure account	(350)	-	(350)
Other comprehensive income (Note 19)	(132)	-	(132)
Transfers between revaluation and income and expenditure reserves	150	(150)	-
	<hr/>	<hr/>	<hr/>
	(332)	(150)	(482)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31st July 2015</b>	6,416	3,551	9,967
Surplus/(deficit) from the income and expenditure account	(292)	-	(292)
Other comprehensive income	(1,191)	-	(1,191)
Transfers between revaluation and income and expenditure reserves	150	(150)	-
<b>Total comprehensive income for the year</b>	<hr/> (1,263) <hr/>	<hr/> (150) <hr/>	<hr/> (1,413) <hr/>
<b>Balance at 31st July 2016</b>	<hr/> 5,083 <hr/>	<hr/> 3,401 <hr/>	<hr/> 8,484 <hr/>

PLUMPTON COLLEGE

Balance Sheet at 31 July 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	12	24,631	25,765
Current assets			
Stock		1,156	1,093
Debtors	13	1,151	810
Cash at bank and in hand		3	23
		2,310	1,926
Creditors: Amounts falling due within one year	14	(2,974)	(2,873)
Net current liabilities		(664)	(947)
Total assets less current liabilities		23,967	24,818
Creditors: Amounts falling due after more than one year	15	(10,976)	(11,918)
		12,991	12,900
Provisions			
Defined benefit obligations	17	(4,407)	(2,903)
Other provisions	17	(100)	(30)
Net assets including pension liability		8,484	9,967
Unrestricted Reserves			
Income and Expenditure account		5,083	6,416
Revaluation reserve		3,401	3,551
Total unrestricted reserves		8,484	9,967

The financial statements on pages 26 to 52 were approved by the Corporation and authorised for issue on 9<sup>th</sup> December 2016, and were signed on its behalf on that date by:

 R A Stanier (Chairman)

 J Kerswell (Principal)

**PLUMPTON COLLEGE**

**Statement of Cash Flows  
For the Year Ended 31 July 2016**

**Consolidated Statement of Cash Flows**

	2016 £'000	2015 £'000
<b>Cash Inflow from operating activities</b>		
Surplus/(deficit) for the year	(292)	(350)
<b>Adjustment for non cash items</b>		
Depreciation	1,731	1,749
(Increase)/decrease in stocks	(63)	113
(Increase)/decrease in debtors	(341)	43
Increase/(decrease) in creditors due within one year	(283)	(756)
Increase/(decrease) in creditors due after one year	(254)	(676)
Net Pension interest cost	108	104
Pensions costs less contributions payable	205	148
<b>Adjustment for investing or financing activities</b>		
Investment income	-	(2)
Interest payable	187	180
Loss on sale of fixed assets	43	-
<b>Net cash flow from operating activities</b>	<u>1,041</u>	<u>553</u>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of fixed assets	-	-
Capital grant receipts	-	1,003
Investment income	-	2
Payments made to acquire fixed assets	(641)	(2,562)
	<u>(641)</u>	<u>(1,557)</u>
<b>Cash flows from Financing activities</b>		
Interest paid	(187)	(177)
New unsecured loans	91	1,292
Repayments of amounts borrowed	(642)	(325)
	<u>(738)</u>	<u>790</u>
<b>Repayments of amounts borrowed</b>	<u>(338)</u>	<u>(214)</u>
<b>Increase/(decrease) in cash equivalents in the year</b>		
Cash and cash equivalents at the beginning of the year	(52)	(162)
Cash and cash equivalents at the end of the year	(390)	(52)
<b>Movement</b>	<u>(338)</u>	<u>(214)</u>

## PLUMPTON COLLEGE

### Notes to the Financial Statements For the Year Ended 31 July 2016

#### 1 ACCOUNTING POLICIES

##### 1) 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 2015 (the 2015 FE HE SORP) the College Accounts Direction for 2015-16 financial statements and in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

##### Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The governors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 25.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- The College has taken advantage of FRS 102 and has elected to revalue land. The revaluation was carried out and is based on values at 1st August 2014. The revalued amount is treated as 'deemed cost' at 1<sup>st</sup> August 2014.
- The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

##### (b) Basis of accounting

The financial statements are prepared under the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

1. ACCOUNTING POLICIES (continued)

(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 £4.8M 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 13 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. Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

Any under achievement of the 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.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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.



## PLUMPTON COLLEGE

### Notes to the Financial Statements For the Year Ended 31 July 2016

#### 1 ACCOUNTING POLICIES (continued)

##### (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 19, 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 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 other 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 or deemed 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. 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. On adoption of FRS 102, the College followed the transitional provision to retain the market value of land at the date of transition (1<sup>st</sup> August 2014) as deemed cost, but not to adopt a policy of revaluation of land in the future.

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 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.

Notes to the Financial Statements  
For the Year Ended 31 July 2016

1 ACCOUNTING POLICIES (continued)  
Land and buildings (continued)

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
Machinery	-	4 years on a straight line basis
Computer equipment	-	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.

## PLUMPTON COLLEGE

### Notes to the Financial Statements For the Year Ended 31 July 2016

#### 1 ACCOUNTING POLICIES (continued) Leased assets (continued)

##### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum 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.

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 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the Financial Statements  
For the Year Ended 31 July 2016

**2 FUNDING BODY GRANTS**

	2016 £'000	2015 £'000
<b>Recurrent grants</b>		
Education Funding Agency	6,033	5,513
Skills Funding Agency	1,318	1,750
Higher Education Funding Council	281	97
<b>Specific grants</b>		
Skills Funding Agency	40	120
Education Funding Agency	144	-
Releases of government capital grants	596	486
<b>Total</b>	<b>8,412</b>	<b>7,966</b>

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

**3 TUITION FEES AND EDUCATION CONTRACTS**

	2016 £'000	2015 £'000
Adult Education fees	780	1,165
Apprenticeship fees and contracts	140	124
Fees for FE Loan supported courses	111	82
Fees for HE Loan supported courses	2,055	1,844
International students fees	-	-
	<b>3,086</b>	<b>3,215</b>
Education Contracts	683	621
	<b>3,769</b>	<b>3,836</b>

**Tuition Fees funded by bursaries**

Included within the above amounts are Higher Education tuition fees supported by bursaries of £69k (2014/15 - £84,000). Included within Education Contracts is £430k Relating to High Needs students contracts with various Local Authorities and £205k contracts with individual schools for 14-16 year olds (14/15 - £156k)

**4 RESEARCH GRANTS AND OTHER CONTRACTS**

	2016 £'000	2015 £'000
Other grants and contracts	85	65

This includes University of Brighton research grant of £12k .

PLUMPTON COLLEGE

Notes to the Financial Statements  
For the Year Ended 31 July 2016

5 OTHER INCOME

	2016 £'000	2015 £'000
Catering and residence operations	1,131	1,361
Farming activities	1,162	1,309
Other income generating activities	851	554
Rents and lettings	95	107
Non government capital grants	69	-
Other income	963	481
	<u>4,147</u>	<u>3,812</u>

6 INVESTMENT INCOME

	2016 £'000	2015 £'000
Bank interest receivable	-	2
	<u>-</u>	<u>2</u>

7 STAFF COSTS

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

	Number of employees	
	2016 No.	2015 No.
Teaching staff	110	96
Non teaching staff	141	145
	<u>251</u>	<u>241</u>

Staff costs for the above persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	6,759	6,426
Social security costs	494	427
Other pension costs (note 25) (including FR5102 adjustments of £205,000 cost, 2015 - £148,000 cost)	1,146	960
	<u>8,399</u>	<u>7,813</u>
Payroll sub total	8,399	7,813
Contracted out staffing costs*	224	181
	<u>8,623</u>	<u>7,994</u>
Restructuring costs – contractual payments	105	-
	<u>8,728</u>	<u>7,994</u>

\* None of the staff involved in the restructuring were members of the Senior Management Team. The College restructure and associated costs were reviewed and discussed by the Finance and General Purposes Committee.

Notes to the Financial Statements  
For the Year Ended 31 July 2016

8 EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

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

The number of:

	2016 Number	2015 Number
The number of key management personnel including the Accounting Officer was	<u>4</u>	<u>4</u>

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

	Key management personnel	
	2016 No.	2015 No.
£60,001-£70,000	2	2
£70,001-£80,000	1	1
£80,001-£90,000	-	-
£120,001-£130,000	1	1
	<u>4</u>	<u>4</u>

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Senior post-holders' emoluments are made up as follows:		
Salary	354	340
Other Emoluments	<u>18</u>	<u>17</u>
	372	357
Pension contributions	<u>54</u>	<u>53</u>
Total emoluments	<u>426</u>	<u>410</u>

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer and the Principal) of:

	2016 £'000	2015 £'000
Salary	110	110
Other Emoluments	18	17
Pension contributions	<u>21</u>	<u>18</u>
Total emoluments	<u>149</u>	<u>145</u>



Notes to the Financial Statements  
For the Year Ended 31 July 2016

8 EMOLUMENTS OF KEY MANAGEMENT PERSONNEL (continued)

The pension contributions in respect of the Accounting Officer 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 Accounting Officer 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 reassessed 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.

A new Accounting Officer was appointed and commenced on 1 October 2015 and the previous principal retired on 31 October 2015.

The members of the Corporation other than the Principal and staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 OTHER OPERATING EXPENSES

	2016 £'000	2015 £'000
Teaching costs	762	752
Non teaching costs	3,606	4,125
Examination cost	265	251
Premises costs	1,318	876
	<u>5,951</u>	<u>6,004</u>
Other operating expenses include:		
Auditor's remuneration:		
Financial statements and regularity audit	18	15
Internal audit and assurance	1	4
Hire of plant and machinery - operating leases	185	170
	<u>184</u>	<u>189</u>

10 INTEREST PAYABLE

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	187	180
	<u>187</u>	<u>180</u>
Pension finance costs (note 19)	108	104
	<u>295</u>	<u>284</u>

Notes to the Financial Statements  
For the Year Ended 31 July 2016

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.

12 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
<b>COST OR VALUATION</b>					
At 1 August 2015	280	35,958	-	4,102	40,340
Transfer	-	(368)	-	368	-
Additions	-	141	-	500	641
Less: Disposals	-	(43)	-	(95)	(138)
At 31 July 2016	<u>280</u>	<u>35,688</u>	<u>-</u>	<u>4,875</u>	<u>40,843</u>
<b>DEPRECIATION</b>					
At 1 August 2015	31	10,949	-	3,596	14,576
Transfer	-	(156)	-	156	-
Charge for year	9	1,286	-	436	1,731
Less: Disposals	-	-	-	(95)	(95)
At 31 July 2016	<u>40</u>	<u>12,079</u>	<u>-</u>	<u>4,093</u>	<u>16,212</u>
<b>NET BOOK VALUE</b>					
At 31 July 2016	<u>240</u>	<u>23,609</u>	<u>-</u>	<u>782</u>	<u>24,631</u>
At 31 July 2015	<u>249</u>	<u>25,009</u>	<u>-</u>	<u>506</u>	<u>25,764</u>

Inherited buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost and subsequently under the transitional provisions of FRS102 inherited land was revalued at 1<sup>st</sup> August 2014. Both revaluations were undertaken by firms 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.

Land and buildings include land at valuation of £2,516,000 (2015 - £2,516,000) which is not depreciable.

PLUMPTON COLLEGE

Notes to the Financial Statements  
For the Year Ended 31 July 2016

13 DEBTORS

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	701	295
Prepayments and accrued income	367	230
Other taxation and social security	10	22
Amounts owed by the SFA	24	39
Other	49	224
	<u>1,151</u>	<u>810</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Bank loans and overdrafts (see Note 16)	1,073	724
Payments received in advance	-	259
Trade creditors	412	384
Other tax and social security	274	212
Payments on account	25	-
Other creditors	139	88
Accruals and deferred income	611	678
Deferred income – government capital grants	440	485
Amounts owed to the SFA	-	43
	<u>2,974</u>	<u>2,873</u>

15 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Bank loans (see Note 16)	3,703	4,291
Deferred income – government capital grants	7,273	7,627
	<u>10,976</u>	<u>11,918</u>

Notes to the Financial Statements  
For the Year Ended 31 July 2016

16 MATURITY OF DEBT

	2016 £'000	2015 £'000
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less	1,073	724
Between one and two years	714	665
Between two and five years	1,149	1,471
In five years or more	1,841	2,155
	<u>4,777</u>	<u>5,015</u>

The College has three loans from Lloyds Bank which are unsecured and repayable quarterly by instalments.

West Wing Redevelopment balance now £2,835K – 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. A new fixed rate contract has been agreed with the Bank at 3.12% until August 2028 and to take effect as the current agreements expire. The remainder of the loan has a variable rate of 0.50% above 3 month LIBOR.

Green Oak Purchase balance now £283K - is due to be repaid in March 2028 and attracts an interest rate of 0.30% above Base Rate.

IT & Fishery Development balance now £1,263K – is due to be repaid in March 2019 and the whole balance has three fixed rate contacts of £358K rates at 3.66%, £642K at 3.255% and £263K at 3.13%

17 PROVISIONS

	Defined benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2015	(2,903)	(30)	(2,933)
Expenditure in the period	(3,147)	-	(3,147)
Additions in the period	1,643	(70)	1,573
<b>At 31 July 2016</b>	<u>(4,407)</u>	<u>(100)</u>	<u>(4,507)</u>

The College has been subject to an action by the Health and Safety Executive as a result of a student accident on the premises which occurred before the end of the academic year 15/16. The College was fined £100K in November 2016 which has been provided for in these accounts.

Notes to the Financial Statements  
For the Year Ended 31 July 2016

**18 CASH AND CASH EQUIVALENTS**

	At 31 July 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	23	(20)	3
Overdraft	(75)	(318)	(393)
	—	—	—
	(52)	(338)	(390)
	—	—	—

**19 DEFINED BENEFIT OBLIGATION**

This note should be read in conjunction with the Accounting Policy on pensions and Other Retirement Benefits on pages 32.

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 347 eligible employees at July 2016, 139 were members of the TPS and 132 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

## DEFINED BENEFIT OBLIGATION (continued)

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;

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 £455k (2015: £444k). For the period August 2015 to July 2016 the employer contribution was set at 16.450% increasing from 14.1% of salary. The employee rate for the period August 2015 to July 2016 varied between 7.4% and 11.7%, depending on the member's salary.

### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

### 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) 1/60<sup>th</sup> 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.



Notes to the Financial Statements  
For the Year Ended 31 July 2016

**19 DEFINED BENEFIT OBLIGATION (continued)**

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 2015 the contribution rate was 17.00%, the year to 31 March 2016 17.5% and for the year to 31 March 2017 18.2%. 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 2016 was £483k. (2015: £504k) of which employer contributions totalled £336k (2014: £368k) and employee contributions totalled £147k (2015: £136k).

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 £8k.

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

	2016 £'000	2015 £'000
Teachers Pension Scheme Contributions paid	530	444
Local Government Pension Scheme:		
Contributions paid	411	368
FRS 102(28) charge	205	148
	<u>        </u>	<u>        </u>
Charge to statement of Comprehensive income (staff costs)	616	516
	<u>        </u>	<u>        </u>
Total Pension cost for the year within staff costs (Note 7)	<u>1,146</u>	<u>960</u>

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 £49k (2015: £45k) were payable to the schemes at 31 July and are included within creditors.

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are:

**Employer Service costs**

The cost of current year service and past service costs is charged, together with the Employer Contribution to the TPS, to the Statement of Comprehensive Income as staff costs (Note 7) and is calculated as follows

	2016 £'000	2015 £'000
Employer service cost (net of employee contributions)	616	516
	<u>        </u>	<u>        </u>
Total	616	516

~ 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

Notes to the Financial Statements  
For the Year Ended 31 July 2016

19 DEFINED BENEFIT OBLIGATION (continued)

~The 2015/16 Current Service Cost represents 26.5% of the relevant payroll (2014/15 24.2%). It includes an allowance for administration expenses of 0.4% of payroll: this amounted to £9k in 2015/16 (2014/15 £9k). The actuary has advised that the cost of current year service for 2015/16 is projected at £715k.

*Net Interest*

~the change during the period in the net defined benefit liability that arises from the passage of time. This includes an allowance for interest on the current service cost. The net pension Finance cost in the year is £108k (2015 £104k) and is calculated as follows:

	2016 £'000	2015 £'000
Interest income on plan assets	347	340
Interest on pension liabilities	(455)	(444)
	—	—
Pension Finance credit/(cost)	(108)	(104)
	<u>—</u>	<u>—</u>

~When it is a net credit then it is credited to the Statement of Comprehensive Income 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 Statement of Comprehensive Income as Interest and Other Finance Costs (Note 10).

~in 2016/17 the Return on the Scheme's assets was £1,002k (2014/15: £507). This was based on the College's expectation, based on actuarial advice, at the beginning of the period of an overall 4.0% 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 £455k in 2015/16 (2014/15: £444k).

Amounts recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on pension plan assets	1,002	507
Experience losses arising on defined benefit obligations	125	88
Changes in assumptions underlying the present value of plan liabilities	(2,318)	(727)
Pension Finance credit/(cost)	<u>(1,191)</u>	<u>(132)</u>

## PLUMPTON COLLEGE

### Notes to the Financial Statements For the Year Ended 31 July 2016

#### 19 DEFINED BENEFIT OBLIGATION (continued)

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 £11,124 at 31 July 2016 (July 2015: £9,481k). Fair values are expressed at bid prices as required by FRS17, and are made up as follows:

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £'000
Equities	4.0%	8,009	3.6%	6,731
Bonds	4.0%	1,669	3.6%	1,517
Property	4.0%	1,224	3.6%	1,043
Cash	4.0%	222	3.6%	190
<b>Total market value of assets</b>		<b>11,124</b>		<b>9,481</b>

The actual return on Scheme assets attributable to the College during 2015/16 was £1,002k, equivalent to 9.0%; the corresponding figures for 2013/14 were £847k and 8.9%. 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 17th percentile (22nd percentile 2014/15 (source East Sussex Pension Fund Report and Accounts 2015/16)).

The Expected returns shown 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 4%. 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.

#### Reconciliation of Assets

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:

	2016 £'000	2015 £'000
Assets at start of period	9,481	8,387
Interest income	347	340
Return on assets b(excluding amounts included in net interest)	1,002	507
Employer contributions	411	368
Employee contributions	148	136
Benefits paid	(265)	(257)
<b>Assets at end of period</b>	<b>11,124</b>	<b>9,481</b>

Notes to the Financial Statements  
For the Year Ended 31 July 2016

19 DEFINED BENEFIT OBLIGATION (continued)

Scheme Liabilities

The Present Value of liabilities is based (in accordance with FRS102) 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 table below reconciles the present value of the funded liability between July 2015 and July 2016

Reconciliation of liabilities	2016 £'000	2015 £'000
Liabilities at start of period	12,384	10,906
Service Cost	616	516
Interest Cost	455	444
Employee Contributions	148	136
Actuarial Loss/ (Gain)	2,193	639
Benefits paid	(265)	(257)
Liabilities at end of period	15,531	12,384
Funded	15,504	12,367
Unfunded	27	27

Principal Actuarial Assumptions

The present value of the liabilities shown at July 2016 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:

Local Government Pension Scheme

- 1 Inflation assumption (CPI) decreased from 2.6% to 1.9% 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.
- 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 2.4%, down from the 3.6% used in 2015.
- 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 2016	Males 2015	Females 2016	Females 2015
Current Pensioners	22.2	22.2	24.4	24.4
Future Pensioners	24.2	24.2	26.7	26.7

# PLUMPTON COLLEGE

## Notes to the Financial Statements For the Year Ended 31 July 2016

### 19 DEFINED BENEFIT OBLIGATION (continued)

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.

#### 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.

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
College's Pension Fund Assets	11,124	9,481	8,387	7,759	6,316
College's Pension Fund Liabilities	(15,531)	(12,384)	(10,906)	(8,541)	(8,232)
Net Pension Deficit	(4,407)	(2,903)	(2,519)	(782)	(1,916)

#### Movement In (deficit) during year

	2016 £'000	2015 £'000
Net defined (liability) in scheme at 1 August	(2,903)	(2,519)
Movement in year:		
Current Service cost	(616)	(516)
Employer contributions	411	368
Net (interest)/return on assets	(108)	(104)
Actuarial gain/(loss)	(2,193)	(639)
Return on assets	1,002	507
Net defined (liability) at 31 July	<u>(4,407)</u>	<u>(2,903)</u>

### 20 CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Authorised and contracted for at 31 July	<u>47</u>	<u>97</u>

Notes to the Financial Statements  
For the Year Ended 31 July 2016

21 FINANCIAL COMMITMENTS

	2016 £'000	Restated 2015 £'000
At 31 July the College had annual commitments (under non-cancellable operating leases) as follows:		
Land and buildings		
Expiring within one year	64	64
Expiring between two and five years	73	95
Expiring in over five years	29	44
	—	—
	<u>166</u>	<u>203</u>
Equipment		
Expiring within one year	85	77
Expiring between two and five years	132	151
	—	—
	<u>217</u>	<u>228</u>

22 POST BALANCE SHEET EVENTS

Subsequent to the year end the College commenced the pumping out of the slurry pit below the dairy cowshed. It became apparent that there were problems in the process and the amount of slurry to be removed due to legacy issues with the types of bedding previously used. As such, this is a significantly higher risk and more time consuming process, which will incur a considerably higher cost. Furthermore this has inadvertently led to waste water and slurry running off the College fields and into one of the water courses. By working with the College Insurers, the College has rectified this situation. This may result in a fine which cannot be quantified at the date of signing.

23 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 and, 14.

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 £14,000 in respect of WEL. The College has no other interests in active subsidiaries or joint ventures.



## PLUMPTON COLLEGE

### Notes to the Financial Statements For the Year Ended 31 July 2016

#### 24 AMOUNTS DISPERSED AS AGENT

	2016 £'000	2015 £'000
<b>Discretionary Support Funds</b>		
Funding body grants – hardship support	438	420
Funding body grants – childcare	-	25
Funding body grants – residential bursaries	165	176
Funding body grants – free meals in FE	49	45
	<u>652</u>	<u>666</u>
Balance brought forward	11	-
Disbursed to students	(720)	(845)
Administration costs	(29)	(29)
Amount consolidated in financial statements	<u>67</u>	<u>219</u>
	<u>(19)</u>	<u>(11)</u>

Grants from our Funding bodies are made available solely for students and in the majority of instances, the College acts only as a paying agent. In these circumstances the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

The college attracts students from a wide range of backgrounds and strives to be inclusive, ensure progress & achievement despite specific barriers such as disability, financial hardship and ethnicity. Meeting the aim has historically led to us overspending the grants funds, the figures shown as 'consolidated' in the College's financial statements reflect this cost. In 2015/16 bursaries granted exceeded grants received by £64k (14/15 - £109k). The vast majority of the funds distributed are dedicated to 'in-house services' such as room accommodation, bus passes and lunch vouchers.

The balance carried forward as at 31 July relates to unspent grant funding for 'free meals in FE' and this will be distributed in the following year.

#### 25 TRANSITION TO FRS 102 AND THE 2015 HE FE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

Notes to the Financial Statements  
For the Year Ended 31 July 2016

25 TRANSITION TO FRS 102 AND THE 2015 FE HE SORP (continued)

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014 Restated £'000	31st July 2015 Restated £'000
<b>Financial Position</b>			
Total reserves under previous SORP		7,094	6,802
Employee leave accrual		-	-
Release of non-government capital grants	(b)	789	599
Changes to measurement of net finance cost on defined benefit plans		-	-
Revaluation of fixed assets	(e)	2,566	2,566
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<b>3,355</b>	<b>3,165</b>
<b>Total reserves under 2015 FE HE SORP</b>		<b>10,449</b>	<b>9,967</b>
<b>Financial Performance</b>			
		Year ended 31st July 2015 £'000	
Surplus for the year after tax under previous SORP		19	
Release of non-government grants received	(b)	(190)	
Reversal of capital grants amortisation			
Changes to measurement of net finance cost on defined benefit plans	(c)	(179)	
Actuarial loss	(d)	(132)	
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<b>(501)</b>	
<b>Total comprehensive income for the year under 2015 FE HE SORP</b>		<b>(482)</b>	

25 TRANSITION TO FRS 102 AND THE 2015 HE FE SORP (continued)

a) Recognition of short term employment benefits

The College has for a number of years provided for accrued holiday pay (as agreed with the auditors) and therefore no additional adjustments or disclosures have been made in these accounts.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

d) Fixed assets revaluation

The College took opted to revalue Inherited Land under the transitional provisions of FRS 102. The land was revalued at the year end but based on land values at the date of implementation of FRS102 being 1st August 2014.

**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 2015 to 31 July 2016 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 2015 to 31 July 2016 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 2015 to 31 July 2016 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: *21st December 2016*

