



**Report and Financial Statements
for the year ended 31 July 2017**

Key Management Personnel, Board of Governors and Professional advisers**Key management personnel**

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2016/17:

Mike Hopkins	Principal and CEO; Accounting officer
Martin Connolly	Assistant Principal Finance (left October 2017)
Eve Johnson	Assistant Principal Operations
Rebecca Taylor	Interim Assistant Principal, Curriculum and Student Support
Clare Westbrey-Tong	Interim Assistant Principal – Improvement, Innovation & Engagement
Ra Hamilton-Burns	Director of Governance
Tim Coleman	Director of Human Resources
Tim O'Brien	Vice Principal (interim from April 2016 and staff from November 2016)
Anna Fitch	Finance Director (from October 2017)
Board of Governors	

A full list of Governors is given on page 13-15 of these financial statements.

Ra Hamilton-Burns was Director of Governance throughout the period.

Professional Advisers**Financial Statements auditors and reporting accountants:**

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

Internal Auditors:

Mazars LLP
London E1W 1DD

Bankers

Lloyds TSB plc
25 Gresham Street
London EC2V 7HN

Solicitors

Mayo Wynne Baxter
3 Bell Lane
Lewes BN7 1JU

SUSSEX DOWNS COLLEGE

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STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The Governors present their report and audited financial statements for the year ended 31 July 2017.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 (as updated by the Learning & Skills Act 2000 and the Education Act 2011) for the purpose of conducting the business of Sussex Downs College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Sussex Downs College on 1 November 2001.

Mission

The College's mission is 'to grow by establishing a reputation as the best provider of post-16 education and training in the region' and the College's vision is to 'provide outstanding teaching and learning, ensuring that students and apprentices are well educated, trained, employable – and successful'.

Public Benefit

Sussex Downs College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by Secretary of State for Education). The Governors, who are trustees of the Charity are disclosed on pages 13 to 15.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce

The ways that the College delivers the public benefit is covered throughout the Strategic Report.

Implementation of the Strategic Plan

In April 2016 the College adopted a strategic plan for the period 2016/17. The Board monitors the performance of the College against the plan. The strategic objectives are;

- Students will experience excellence in all that they do and will recognise the College as the best in the region
- The College will provide an inclusive curriculum which inspires and innovates, helping both shape and respond to local, regional and national priorities
- The College will work collaboratively with colleges, employers and other organisations to drive economic growth in East Sussex and the wider region
- The College will work as 'one team, one College' embedding values which create high-performance and a culture underpinned by honesty and trust
- The College will create growth which results in a financially secure College which is able to invest in the future
- The College will provide a high-quality, inspirational learning environment

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

The Executive team and managers set a new and comprehensive range of Key Performance Indicators (KPIs) for 2016/17. These KPIs are matched to the Key Strategic Priorities and Objectives. The Governors also agreed a new set of Key Performance Indicators (KPIs) to support the strategic aims and objectives. In order to further embed clear accountability, during 16/17 these KPIs were recorded and measured on a revised KPI Framework document which has allowed governors to more systematically monitor performance and success measures. Governors and the senior management team know where performance is good and where it needs to be improved, understanding the risks and what actions need to be taken.

The main performance indicators are:

Performance indicator	Target 2016/17	Actual 2016/17
Enrolment headcount 16-18	3,825	3,754
Apprenticeship enrolments	2,000	1,346
Student attendance	95%	85%
16-18 retention	93%	89%
19+ retention	95%	93%
16-18 achievement	86%	80%
19+ achievement	90%	87%
Adjusted current ratio	>/=1.6	0.46
EBITDA (Education Specific) as a % of income	>/=4%	-5.72%

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 Education and Skills Funding Agency. In terms of financial performance "financial health" was self-assessed on the basis of the July 2017 ESFA Financial Plan, which included a forecast outturn for 2016/17, as inadequate. The financial results for the year 2016/17 corroborate that assessment.

FINANCIAL POSITION**Financial results**

The College generated a deficit before other gains and losses in the year of £4,128,000 (2015/16 £639,000), with total comprehensive income/(expenditure) of £2,130,000 (2015/16 – (£6,566,000)). The total comprehensive income in 2016/17 is stated after accounting for an Actuarial gain/(loss) in respect of the Local Government Pension Scheme of £6,258,000, (2015/16 – (£5,927,000)).

Although much of the deficit shown in these accounts can be attributed to high staff costs in a climate of falling income, the College made various strategic decisions which impacted on the financial results for 2016/17. The first was to invest in improving quality of provision, which involved procuring external expertise and building capacity within the curriculum and quality teams. The second was to pursue the merger with Sussex Coast College Hastings. Merger costs were partially funded by the Transition Grant from the ESFA.

The College has accumulated reserves of £8,851,000 and cash balances of £1,182,000 at 31 July 2017.

Tangible fixed asset additions during the year amounted to £1,078,000. This was split between Land and Buildings of £556,000 and Equipment of £552,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 78% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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 Regulations.

Cash flows and liquidity

At (£0.4) million (2015/16 £2.0 million), the net cash outflow from operating activities, reflected the difficult trading conditions. The College's liquidity has weakened throughout the year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £21,984k in funding body grant income (2015/16 - £22,421k). The College had approximately 9,330 funded and 2,749 non-funded students.

Curriculum development

The College has five cross-campus curriculum faculties for: Academic Studies, Creative and Digital Studies, Professional Studies, Progression Studies and Vocational Studies. In addition, there is a separate faculty known as the International College, which offers learners from over 40 countries specialist English Language programmes alongside a mainstream curriculum offer.

Each of the faculties provides a broad range of classroom-based courses. In addition, the Vocational Studies faculty delivers apprenticeships and employer training. Relevant and related apprenticeships are also offered in the Professional Studies and Creative and Digital Studies faculties. The College's community-based provision is delivered by the Progression Studies faculty. Finally, the HE offer is managed centrally by an executive member, although HE provision is delivered by most faculties.

Student Numbers

In 2016/17 the College had around 10,524 class room based learners in total with the majority fully or partly funded by ESFA contracts. However, there are also significant numbers of HE learners 229, apprentices 1,309 and other work based learners 17 and those attending full-cost courses funded by their employers. In addition to this the College also has International learners from across the world.

16-18 numbers at the College have continued to be affected by the growth of new post 16 providers and the changing reputation of the college. A local academy opened a sixth form in September 2014 and in 2015/16, there was new additional sixth form provision in Eastbourne delivered by a free school as well as new provision in Newhaven offered by a University Technology College. In addition to this, the 16-18 demographic continues to fall.

To effectively challenge the new post 16 competition, the College has rebranded its A level offer through the introduction of an A Level Centre at each main campus. The A level Centre for Eastbourne has been operational from September 2015 and three local schools: The Eastbourne Academy, The Causeway School and Willingdon School, continue to be members of the A level Centre Governing Council.

The College has also refreshed its marketing and communication strategy to respond to the increase in competition. This has proved effective. College open events during the autumn proved very popular with excellent attendance, the schools liaison events have been strengthened and introductory and taster events, particularly at both campuses,

were popular with Year 10 and Year 11 students. The College ran a number of social media campaigns which successfully targeted more students.

Student Achievements

Sussex Downs College Performance Report Headlines

Qualification Achievement (formally Success)

Overall

1. Overall achievement rates have decreased to 82.4%, which is 0.3 percentage points (pp) above the GFE average
2. Whilst overall 16-18 achievement has fallen it remains above the GFE national average
3. The decline in adult achievement has been stemmed and it remains above the GFE national average

Achievement by Qualification Type

16-18

1. Students aged 16-18 achieve in a timely manner at 78.8%, 0.4pp above the GFE national average
2. Diploma achievement rate at all levels is 85.2%; level with GFE national rate. Within this it can be seen that the largest proportion of learners are on level 3 which at 88.5% is 2pp above GFE national average. Level 1&2 diplomas are below the national average.
3. Value Added ALPs grade for BTEC courses has increased to a 4 (scoring between the 60th and 64th percentile), which is in the range 'very good'. It can be seen within this that 52% of courses scored at least a 3 which is 'excellent'

19+

1. Achievement at all levels is at 86.8%; this is 0.7pp above GFE national average and 3.2pp above South East (LEP) average.
2. There is strong performance for Certificates and Diplomas with all levels being above national averages and in general improving rates over the three year period.

Overall A level performance against the Sixth Form College National Average

Retention and achievement rates on Linear A levels are a concern. In comparison to the A 2 levels there have been falls in both pass and retention. This in turn has impacted on overall A level achievement and value added.

GCSE Maths and English by age (A* to C)

16-18

A*- C achievement for English is at 35.2%; 13pp above the GFE national average
A*- C achievement for maths is at 16.3%; 3.7pp below the GFE national average

19+

A*- C achievement for English is at 52.8%; 10.6pp above the GFE national average
A*- C achievement for maths is at 46.4%; 3.6pp above the GFE national average

Apprenticeship Framework Achievement

1. Overall achievement at all levels and ages is at 76.8%; 7.9pp above GFE national average
2. Timely achievement at all levels and ages is at 71.1%; 11.1pp above GFE national average
3. 16-18 overall achievement is at 69.6%; 0.3pp below the GFE national average. However, 16-18 timely achievement is at 67%; 5.3pp above the GFE national average

4. 19-23 overall achievement is at 76.5%; 6.8pp above the GFE national average. 19-23 timely achievement is at 74.2%; 13.6pp above the GFE national average.
5. 24+ overall achievement is at 84.3%; 16.8pp above the GFE national average. 24+ timely achievement is at 74.7%; 16.4pp above the GFE national average

Key risks

Key risks remain in terms of outcomes and are:

- 16-18 achievement rates at level 3
- Adult achievement at level 3
- 16-18 achievement at awards level 1&2, Certificates at level 2 and Diplomas at level 2
- 16-18 *retention* rates and attendance
- Achievement rates for linear A levels
- Value added for A level courses (linear)
- GCSE Maths *achievement* at A* - C /grade 4
- *Continuing to narrow the achievement* of students with a declared learning difficulty or disability
- *Achievement* of Looked after Children and those on free college meals.

Self-Assessment Report and process

The College developed a new process for self-assessment and measured its progress against the following Learner Journey Gold Standards throughout the year as a 'live' self-assessment:

- Recruitment
- Induction
- Learning
- Learner Support
- Learning Management
- Achievement
- Progression
- Curriculum management

Management Accountability & target setting

Course Level Target setting

To maintain improvements in student achievements the College, in 2016/17, has asked teachers to set course level targets. These course level targets have been used to monitor progress throughout the year with any 'at risk' courses being identified early so that the right support could be implemented. This ensured that student outcomes were of the highest possible order. Members of the Executive Team and central Quality team continued to meet each Programme Manager and their Faculty Director on a cyclical basis to review students and courses at risk and to address key themes (e.g. employability, student achievement and progression). These meetings known as Teaching and Learning Impact reviews complemented substantial 'Teaching, Learning & Assessment Reviews' that were held in November, late February and May.

Teaching Learning and Assessment

Between September and December 2016 all teaching staff received a full lesson observation with an agreed Development Plan. The new Programme Managers led on these observations alongside their Faculty Directors. These observations were complemented by themed learning walks and drop-ins.

Maths and English

The College recognised the continued need to equip all teachers with the skills and confidence to develop learners' English and mathematical skills and to improve the quality of teaching on GCSE English and Maths courses. The College:

- Appointed an Advanced Practitioner for English and Maths
- Created a set of Maths & English champions to work with the Advanced Practitioners and be the main 'go to' person within departments; there are approximately 15, one for each curriculum programme area
- Delivered specific training e.g. Super Charged Evaluation Skills by Tony Davis designed to develop students' higher order thinking and evaluative language and bespoke planning half days where Maths and English teachers were assigned to vocational teams (initially) to support the promotion and development of Maths and English and a session on Embedding English
- During the induction period, which lasted for 6 weeks during 16/17, there was a specific Maths & English induction.

Work experience and work related Learning

During the latter part of the 2015/16 year the College appointed to two new posts – a Learner Journey Manager and an Employability Manager. Both of these posts have been integral to ensuring students receive all aspects of their Study Programme entitlement including work experience and work related learning. The Director of Learner Services has overseen the launch of an Employability Hub at each campus and the delivery of a clear employability entitlement. The College is particularly proud of its emerging digital badges including an employability badge. The employability badge framework recognises sixteen transferrable skills that make up an employability passport.

Advanced Practitioners

The team of advanced practitioners have continued to lead the coaching and development of all staff but have had a clear focus on supporting those staff who need more intensive support to improve the service that the College provides to its learners.

Professional Development

The College reinstated the role of Professional Development Manager. This post was responsible for planning and implementing a professional development programme for 2016/17, which included a menu of training sessions every Wednesday afternoon.

Payment performance

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 and 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 2016 to 31 July 2017, the College paid 37 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

Due to the operating deficit incurred in 2016/17, the College forecasts that it will need external support to continue to meet its liabilities during the period under review. The College is currently in discussions with the ESFA, who have indicated strongly that they will provide Exceptional Financial Support funding until the date of merger, which is anticipated to be 29 March 2018. At that point, the College will dissolve, and its assets and liabilities will be transferred to Sussex Coast College Hastings. The merger will be funded through Restructuring Facility funding, the quantum of which is in the process of being agreed.

Future prospects

In July 2015, the government announced a rolling programme of around 40 local area reviews to be completed by March 2017, covering all general further education and sixth form colleges in England. The reviews were designed to ensure that colleges are financially stable into the longer-term, that they are run efficiently, and are well-positioned to meet the present and future needs of individual students and the demands of employers. The final report recommended that Sussex Coast College and Sussex Downs College form a legally binding federation and undertake a feasibility study to explore all models of joint working, including merger.

This feasibility study recommended that merger with Sussex Coast College Hastings would ensure that learners in East Sussex have access to a cohesive education and skills offer, and would safeguard the future financial stability of both colleges. As a result, the two colleges are working together to meet an anticipated merger date of 29th March 2018, subject to final approval by both Corporations.

A Joint Working Group, comprising Governors from both colleges, has met monthly in 2017 to consider the strategic implications of a merger. This group has now been replaced by a Transition Board, which comprises Governors from both colleges and three members from key external stakeholders. This Board is driving the merger forward and setting the strategic direction for the internal joint working groups within the colleges. An application to the Transactions Unit within the DfE has been submitted, and agreement on government funding from the Restructuring Facility is expected in late 2017 or early 2018. Legal and financial due diligence have been undertaken, and formal consultation within the local area is underway.

RESOURCES

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

Financial

The College has net assets of £8.9m, and long-term debt of under £0.4m. More than 100 per cent of the net assets figure is made up of fixed assets, with around 97 per cent of this being land and buildings (by net book value).

People

The College employs 534 people (expressed as full time equivalents) of whom 334 are teaching staff.

Reputation

With the results discussed above the College is building its reputation both locally and nationally. Improving the College's quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

- 1 Government funding
- 2 Budgetary control is maintained
- 3 Funding of pension liabilities is adequate
- 4 Student Numbers growth
- 5 Teaching, Learning & Assessment Quality is maintained
- 6 Staff morale is maintained

The College monitors communications from the ESFA, on which it has high reliance for funding, and other relevant stakeholders, and modifies its curriculum to meet Government priorities.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, Sussex Downs College has many stakeholders. These include;

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The Local community
- Other Education institutions
- Trade Unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them by various means including the College's website, local media, meetings, College Panels, Governor and management activity and various publications.

Equal opportunities

Sussex Downs College is committed to ensuring equality of opportunity and to promoting positive attitudes towards all people regardless of disability (and other protected characteristics including age, gender, gender identity, race, religion or belief, sexual orientation, pregnancy and maternity, marriage and civil partnership). This commitment is expressed as a key value within the College's Strategic Statement: "We embrace, celebrate and promote diversity of all and aim to be a truly inclusive College where individual differences are respected and where all staff and students have fair opportunities to fulfil their potential."

The College has in place an equality and diversity policy which sets out the College's commitment to ensuring that no learners, members of staff, visitors or others who come into contact with the College receive less favourable treatment on the grounds of a protected characteristic. The policy is shared with staff, learners and others via a number of channels, including induction and the tutorial programme, and is also published on the College website.

To inform the setting of equality and diversity targets and the measurement of our progress in achieving them, the College Governing Body ensures that relevant staff and student data are regularly collected and monitored by protected characteristics e.g. student achievements and staff recruitment by gender, race, disability and age. The

College publishes an annual equality and diversity report which sets out achievements against the action plan. The report is made available to a wide audience, including all staff and learners via a number of channels including the College website.

The College recognises its responsibilities under the Equality Act 2010 with regard to the employment of people with disabilities and has formally adopted a range of pro-active commitments enabling it to use the nationally recognised "Two Ticks" disability symbol. The College has adopted a specific "Policy on Disability Equality for Staff", covering key areas of employment such as recruitment, selection, appointment, career development, and retention.

Disability statement

The list below highlights some of the College's key achievements:

- The College holds the prestigious Quality Mark from the British Dyslexia Association
- On-going offer of training for local employers - contributing to removal of barriers to employment for disabled learners
- On-going support for part-time and evening learners as well as mainstream day learners
- Improved curriculum offer for students with learning difficulties and/or disabilities via Foundation Learning
- The development of guidance and resources for teaching staff, enabling them to support learners with a range of disabilities
- The College holds Mindful Employer status in recognition of our commitment to supporting staff with mental health issues
- On-going consideration of building accessibility during any capital projects
- Improved computer equipment accessibility/specialist facilities in Learning Support areas
- On-going consideration of College website use e.g. for visually impaired learners
- On-going training for curriculum and support staff in the use of Assistive Technology for learners with learning difficulties and disabilities
- Improved marketing materials and methods of student disclosure to help increase the uptake of Learning Support
- Improved methods of sharing individual learner support needs using the iLearn platform

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 5 December 2017 and signed on its behalf by:

Henry Ball,

Chair



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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 August 2016 to 31 July 2017 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) Taking full account of the English Colleges' Foundation Code of Governance issued, ("the Code") by the Association of Colleges.
- iii) Having due regard to the UK Corporate Governance Code 2017 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted, and therefore do not apply, the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in October 2015.

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 Board of Governors

The Governors who served on the Board during the year and up to the date of signature of this report are listed below;

Name	Date of Appointment	Term of Office	Date of Resignation or end of term	Status of appointment	Committees Served on	Attendance %
Henry Ball (Chair)	01.09.13 01.9.17 01.09.17	4 yrs 4yrs 2yrs	31.08.17 31.08.19 31.08.21	Independent	Remuneration (Chair) S&G C&S	1 August 16 – 31 July 17
Graham Marsden (Vice-Chair)	11.12.06 11.12.10	4 yrs 4 yrs	10.12.10 10.12.14	Independent	F&HR (Chair) Remuneration	90%

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	11.12.14 17.10.16	2 yrs 2 yrs	10.12.16 16.10.18		S&G	
Tom Wilson (Vice-chair)	24.04.13 26.04.17	4 yrs 4 yrs	23.04.17 25.04.21	Independent	F&HR C&S	75%
	17.10.16	2 yrs	16.10.18			
Mike Hopkins	01.09.15	Ongoing	-	Principal and Chief Executive	F&HR S&G C&S	100%
Luca Dancyger-Stevens	01.09.17	1 yr	31.08.18	Student	C&S	n/a
Natasha Duursma	05.09.16	1 yr	31.07.17	Student Sabbatical Officer	C&S	73.5%
Mark Fisher	18.09.17	4 yrs	17.09.21	Independent	F&HR	100%
Elizabeth Funge	01.10.15	4 yrs	30.09.19	Independent	C&S	83.5%
Sally Gausden	01.08.07	4 yrs	31.07.11	Independent	Audit (Chair)	90%
	01.08.11	4 yrs	31.07.15		Remuneration	
	01.08.15	4 yrs	30.09.17			
Peggy Hall	28.09.07	4 yrs	27.09.11	Independent	F&HR	70%
	28.09.11	4 yrs	27.09.15		Remuneration	
	28.09.15	4 yrs	27.09.19			
Jamie Harris	12.09.16	1 yr	30.07.17	Student	C&S	56.5%
Jeff Hayes	11.07.15	4 yrs	10.07.19	Staff	C&S	100%
Russell Higginbotham	01.10.15	4 yrs	30.09.19	Independent	F&HR	73.5%
Mark Hilder	17.12.15	4 yrs	16.12.19	Staff	Audit	100%
Ian Jungius	17.12.03	4 yrs	16.12.07	Independent	C&S	100%
	17.12.07	4 yrs	16.12.11			
	17.12.11	4 yrs	16.12.15			
	17.12.15	4 yrs	16.12.19			
Jeremy Leggett	01.10.15	4 yrs	30.09.19	Independent	Audit S&G	90%
Jonathan Reid	06.12.16	4 yrs	5.12.20	Independent	Audit (Chair)	87.5%
Gill Short	01.10.15	4 yrs	30.09.19	Independent	Audit	56.5%
Nicola Smith	08.10.08	4 yrs	07.10.12	Independent	Audit	n/a

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	08.10.12	4 yrs	07.10.16			
Alan Wenham	01.10.15	4 yrs	30.09.19	Independent	F&HR	83.5%
Nicki Whitehead	01.10.15	4 yrs	30.09.19	Independent	Audit S&G	50%
Rebecca Wilson	01.09.17	1 yr	31.08.18	Student	C&S	n/a

Below are the Co-opted members of Sub-committees who served during the year and up to the date of signature of this report:

Name	Date of Appointment	Term of Office	Date of resignation or end of term	Status of Appointment	Committees served on
Sue Foster	02.12.14	4 yrs	01.12.18	Independent	Audit
Andrew Wilson	21.10.14	4 yrs	21.3.17	Independent	F&HR
Keith Ridley	19.11.15	4 yrs	18.11.19	Independent	S&G
David Russell	01.09.16	4 yrs	31.08.20	Independent	C&S

Committee abbreviations: F&HR = Finance and Human Resources, S&G = Search and Governance, C&S = Curriculum and Standards.

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

The Board 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 Governing Body meets formally at least five times a year, and recently more due to the proposed merger with Sussex Coast College Hastings.

The Board conducts its business through a number of committees. Each committee has terms of reference, which has been approved by the Board. These Committees are: Audit, Curriculum and Standards; Finance and Human Resources; Remuneration; Search and Governance.

Minutes of all meetings, except items deemed confidential to the Board, are available on the College's website and also from;

Director of Governance
 Sussex Downs College
 Cross Levels Way
 Eastbourne
 BN21 2UF

The Director of Governance 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 Director of Governance who is responsible to the Board for ensuring that all applicable

procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Board 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 Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or 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 Chairman and Accounting Officer are separate.

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Search and Governance (S&G) Committee (members detailed on previous pages) which is responsible for the selection and nomination of any new member for the Board's consideration. An induction programme is in place and the Board is responsible for ensuring that further appropriate training is provided as required. Members of the Board are appointed for a term of office not exceeding four years (in the first instance i.e. for a first term of office). Sub-committees often include a co-opted external member who is not a full member of the Board, but who has relevant specialist expertise.

Finance & Human Resources Committee; Remuneration Committee

The College has an F&HR Committee (membership detailed on previous pages) and the Committee's responsibilities include making recommendations to the Principal and Board on the pay and conditions of College staff. The separate Remuneration Committee (on behalf of the Board) considers the pay and conditions of the Principal, any other Senior Post Holders and the Director of Governance. Details of remuneration of staff for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee Board membership is detailed on previous pages (the Principal and Chair are excluded from being potential members). The Committee operates in accordance with written terms of reference approved by the Board and in accordance with the Post 16 Audit Code of Practice.

The Audit Committee meets at least three times a year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management if necessary. The Committee also receives and considers reports from the ESFA as they affect the College's business.

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

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

The Audit Committee also advises the Board on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control:

Scope of responsibility

The Board 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 Board 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 the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the Education and Skills Funding Agency. The Accounting Officer is also responsible for reporting to the Board 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 on-going 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, to manage them efficiently, effectively and economically. The system of internal control has continued in place in Sussex Downs College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board 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 Board is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

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 Governors and senior executive team of periodic and annual financial reports that 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.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governors on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Governors with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- The work of the internal auditors
- The work of the senior managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and regularity auditors in their management letters and other reports together with any comments made by appointed funding auditors as and when such audits occur

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor. A plan to address any weaknesses and ensure continuous improvement of the system is in place via management responses to internal audit points raised.

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, and which are reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal auditors, 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 Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from senior management and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July and December meetings, the Governors carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2017.

The College's Internal Auditors as part of their in year work have highlighted some significant weaknesses and exceptions in the College's governance, risk management and internal control arrangements which if not addressed could result in the College not achieving its objectives. They have made recommendations for improvement and these have been or are in the process of being addressed.

Based on the continued operation of the controls and processes outlined above, together with improvements being made by senior management, the Board considers that the arrangements for governance, risk management and control enable it to fulfil its statutory duty for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets.*"

Going Concern

Following the conclusion of the Sussex Coast Area Review, the College has been working towards implementation of the recommendation that it should explore merger with Sussex Coast College Hastings. The merger is planned to be delivered through the dissolution of the Sussex Downs College Corporation and the transfer of its assets and liabilities to Sussex Coast College Hastings. The planned merger date is 29 March 2017.

During the year ended 31 July 2017 the College had a cash outflow of £2m and a net current liability position of £3m at 31 July 2017. A recovery plan has been produced by the college and Exceptional Financial Support is required from the ESFA so that the College can continue to pay its debts as they fall due up to the date of merger. Based on discussions with the ESFA the College is confident that appropriate support will be forthcoming.

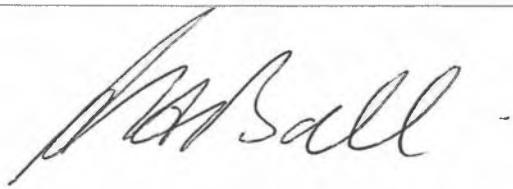
Transactions Unit support will be required to be provided to Sussex Coast College Hastings in order to facilitate the merger. The Transactions Unit prepared its case to provide support, approval of which was given, subject to Ministerial approval, at internal and external committees during the week commencing 4 December 2017. Cases are not put forward to the Minister of State unless there is a high probability of approval, therefore the governors consider that the merger is highly likely to occur.

SUSSEX DOWNS COLLEGE

The financial statements are therefore prepared on a basis other than going concern on the assumption that the College will cease to trade after 29 March 2017.

Signed

Signed



Henry Ball

Chair

12th December 2017

Mike Hopkins

Accounting Officer, Principal and Chief Executive

12th December 2017

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

The Governors have considered their responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education and 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 Governing Body, 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 Education and Skills Funding Agency.

Approved by order of the Board of Governors on 5 December 2017 and signed on its behalf by:



Henry Ball

Chair

12th December 2017

SUSSEX DOWNS COLLEGE

Statement of the Responsibilities of the Governors

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Governing Body of the College, requires the Governors to prepare financial statements and the Strategic Report for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; the College Accounts Direction 2016 to 2017 issued jointly by the Education and Skills Funding Agency and which give a true and fair view of the state of affairs of the College and of the College's deficit of income over expenditure for that period.

In preparing the financial statements, the Governors are 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 Governing Body 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 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 assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Sussex Downs College website is the responsibility of the Governors 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 funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the Board of Governors on 5 December 2017 and signed on its behalf by:



Henry Ball
Chair

SUSSEX DOWNS COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF SUSSEX DOWNS COLLEGE

Opinion

We have audited the financial statements of Sussex Downs College (the "College") for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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" as set out in our engagement letter dated 5 July 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Non going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements. As described in note 1, the College governors are pursuing a merger which would result in the transfer of Sussex Downs College's trade, assets and liabilities to another entity and the dissolution of Sussex Downs College. It is expected that this process will be completed within 12 months of the date of the signing of these financial statements. For this reason the financial statements have been drawn up on a basis other than that of going concern.

No material adjustments arose as a result of ceasing to apply the going concern basis.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Strategic Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

SUSSEX DOWNS COLLEGE

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

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

Responsibilities of the Governing Body of Sussex Downs College

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 21, the Governing Body is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities> this description forms part of our auditor's report.

This report is made solely to the Governing Body, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 5 July 2017. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required under our engagement letter dated 5 July 2017 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

Chartered Accountants

Portland

25 High Street

Crawley

West Sussex, RH10 1BG

Date: 15/2/17

SUSSEX DOWNS COLLEGE

Statement of Comprehensive Income

For the year ended 31 July 2017

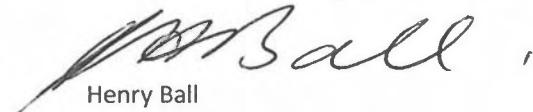
	Notes	2017	2016
		College £'000	College £'000
INCOME			
Funding body grants	3	21,984	22,421
Tuition fees and education contracts	4	3,879	4,130
Other grants and contracts	5	78	101
Other income	6	2,309	2,226
Investment income	7	5	16
Total income		28,255	28,894
EXPENDITURE			
Staff costs	8	19,782	18,169
Restructuring Costs	8	130	641
Other operating expenses	9	10,557	8,785
Depreciation	11	1,428	1,466
Interest and other finance costs	10	486	472
Total expenditure		32,383	29,533
(Deficit) before other gains and losses		(4,128)	(639)
Loss on disposal of tangible fixed assets		-	-
(Deficit) for the year		(4,128)	(639)
Remeasurement of net defined benefit pension liability	22	6,258	(5,927)
Other comprehensive income for the year		6,258	(5,927)
Total Comprehensive Income for the year		2,130	(6,566)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		2,130	(6,566)
		2,130	(6,566)
Deficit for the year attributable to:			
Corporation of the College		(4,128)	(639)
Non-controlling interest		-	-
Total Comprehensive Income for the year attributable to:			
Corporation of the College		2,130	(6,566)
Non-controlling interest		-	-

SUSSEX DOWNS COLLEGE

Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	11	32,057	32,494
		<u>32,057</u>	<u>32,494</u>
Current assets			
Stocks		22	33
Debtors	12	1,028	1,051
Cash at bank and in hand	17	1,182	3,419
		<u>2,232</u>	<u>4,503</u>
Current Liabilities			
Creditors – amounts falling due within one year	13	(5,088)	(4,719)
		<u>(2,856)</u>	<u>(216)</u>
Total assets less current liabilities		29,201	32,278
Creditors – amounts falling due after more than one year	14	(5,113)	(5,376)
Provisions for liabilities			
Defined benefit pension schemes	16	(14,700)	(19,617)
Other provisions	16	(539)	(566)
		<u>8,849</u>	<u>6,719</u>
Reserves			
Unrestricted Reserves			
Income and expenditure reserve		(233)	(2,600)
Revaluation reserve		9,082	9,319
		<u>8,849</u>	<u>6,719</u>

The financial statements on pages 24 to 45 were approved and authorised for issue by the Corporation on 5 December and were signed on its behalf on 12 December by:


Henry Ball

Chair


Mike Hopkins

Accounting Officer

SUSSEX DOWNS COLLEGE

Statement of Changes in Reserves

	Income and Expenditure Account	Revaluation Reserve	Total
Balance at 1 August 2015	3,729	9,556	13,285
(Deficit) from the income and expenditure account	(639)	-	(639)
Other comprehensive income	(5,927)	-	(5,927)
Transfers between revaluation and income and expenditure reserves	237	(237)	-
Total comprehensive income for the year	(6,329)	(237)	(6,566)
Balance at 31 July 2016	(2,600)	9,319	6,719
(Deficit) from the income and expenditure account	(4,128)	-	(4,128)
Other comprehensive income	6,258	-	6,258
Transfers between revaluation and income and expenditure reserves	237	(237)	-
Total comprehensive income for the year	2,367	(237)	2,130
Balance at 31 July 2017	(233)	9,082	8,849

SUSSEX DOWNS COLLEGE

Statement of Cash Flows

For the year ended 31 July 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
(Deficit) for the year	(4,128)	(639)
Adjustment for non-cash items		
Depreciation	1,428	1,466
Pension costs less contributions payable	1,341	1,105
Finance costs	6	8
Investment income	(5)	(16)
Loss on sale of fixed assets	87	-
Operating cash flow before movement in working capital	(1,271)	1,924
(Increase)/decrease in stocks	11	(4)
(Increase)/decrease in debtors	23	1,019
Increase/(decrease) in creditors due within one year	369	(1,339)
Increase/(decrease) in creditors due after one year	33	(136)
Increase/(decrease) in provisions	(27)	30
Net cash flow from operating activities	(862)	1,494
Cash flows from investing activities		
Payments made to acquire fixed assets	(1,078)	(950)
Interest received	5	16
	(1,073)	(934)
Cash flows from financing activities		
Repayments of amounts borrowed	(296)	(283)
Interest paid	(6)	(8)
	(302)	(291)
(Decrease)/Increase in cash and cash equivalents in the year	(2,237)	269
Cash and cash equivalents at beginning of the year	17	3,419
Cash and cash equivalents at end of the year	17	1,182

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.

General Information

Sussex Downs College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is Ecat House, Cross Levels Way, Eastbourne, BN21 2UF. The nature of the College's operations are set out in the Strategic Report.

Basis of accounting

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

Following the conclusion of the Sussex Coast Area Review, the College has been working towards implementation of the recommendation that it should explore merger with Sussex Coast College Hastings. The merger is planned to be delivered through the dissolution of the Sussex Downs College Corporation and the transfer of its assets and liabilities to Sussex Coast College Hastings. The planned merger date is 29 March 2017.

During the year ended 31 July 2017 the College had a cash outflow of £2m and a net current liability position of £3m at 31 July 2017. A recovery plan has been produced by the college and Exceptional Financial Support is required from the ESFA so that the College can continue to pay its debts as they fall due up to the date of merger. Based on discussions with the ESFA the College is confident that appropriate support will be forthcoming.

Transactions Unit support will be required to be provided to Sussex Coast College Hastings in order to facilitate the merger. The Transactions Unit prepared its case to provide support, approval of which was given, subject to Ministerial approval, at internal and external committees during the week commencing 4 December 2017. Cases are not put forward to the Minister of State unless there is a high probability of approval, therefore the governors consider that the merger is highly likely to occur.

The financial statements are therefore prepared on a basis other than going concern on the assumption that the College will cease to trade after 29 March 2017.

Recognition of income

Revenue grant funding

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 measured in line with best-estimates-for-the-period-of-what-is-receivable-and-depend-on-the-particular-income-stream-involved.-Any under achievement for the Adult Education Budget 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 following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

Capital grant funding

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

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Retirement benefits

Retirement benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a

defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

East Sussex Local Government Pension Scheme

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured-at-fair-value-and-liabilities-are-measured-on-an-actuarial-basis-using-the-projected-unit-credit method. 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actual gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £750 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Computers are normally capitalised, even if the individual piece of equipment costs less than £750 (as usually sets of such machines costing several thousand pounds are purchased at the same time).

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life which is deemed to be between 4 to 10 years.

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. 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 1 August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Stock

Stock is stated at the lower of their cost and net realisable value (being selling price less costs to complete and sell). Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 income in the period in which they arise.

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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions and contingent liabilities

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

2. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Other key sources of estimation uncertainty

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Bad Debts*

Provision for bad debt is made on an appropriate basis, taking into account the age of the debt, the nature of the debtors and the likely probability of recovering the debt. Therefore the revised basis is:

Condition	Level of provision (%)
Items greater than one year old	100
Individual balances less than £500	100
Items between six months and one year old	75

The bad debt charge to the SOCI has been disclosed in note 9.

Notes to the accounts

For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

3 Funding body grants	Year ended 31 July	
	2017	2016
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – adult	3,264	2,633
Education and Skills Funding Agency – 16-18	16,120	17,080
Education and Skills Funding Agency – apprenticeships	2,086	1,481
Higher Education Funding Council	140	156
Specific grants		
Skills Funding Agency	80	829
Education Funding Agency	50	-
Releases of government capital grants	244	228
HE grant	-	14
Total	21,984	22,421

4 Tuition Fees and Education Contracts	Year ended 31 July	
	2017 £'000	2016 £'000
Adult Education Fees	655	442
Apprenticeship fees and contracts	93	78
Fees for FE loan supported courses	980	1,065
Fees for HE loan supported courses	1,135	1,144
European (excluding UK) students	241	240
International students' fees	429	737
Total tuition fees	3,533	3,706
Education contracts	346	424
Total	3,879	4,130

5 Other grants and contracts	Year ended 31 July	
	2017	2016
	£'000	£'000
European Commission	-	16
Other grants and contracts	78	85
Total	78	101

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

	Year ended 31 July	
	2017	2016
	£'000	£'000
Catering and residences	967	679
Other income generating activities	554	839
Non-government capital grants	-	20
Miscellaneous income	788	688
Total	2,309	2,226
7 Investment Income	Year ended 31 July	
	2017	2016
	£'000	£'000
Other interest receivable	5	16
8 Staff costs		
The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:		
	2017	2016
	No.	No.
Teaching staff	334	330
Non-teaching staff	200	200
	534	530
Staff costs for the above persons		
	2017	2016
	£'000	£'000
Wages and salaries	14,672	14,466
Social security costs	1,213	1,006
Other pension costs	2,946	2,697
	18,831	18,169
Payroll sub total		
Contracted out staffing services	951	-
	19,782	18,169
Restructuring costs – Contractual	62	641
Restructuring costs – Non-contractual	68	-
Total Staff costs	19,912	18,810

The restructuring costs relate to redundancies and severance payments during the year.

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

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 College Executive Team and are listed on page 2 of these Financial Statements. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	8	10
	<hr/>	<hr/>

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employers' national insurance but including benefits in kind, which, on an annualised basis were in the following ranges was:

	Key management personnel		Other staff (bands over £60,000)	
	2017	2016	2017	2016
	No.	No.	No.	No.
£20,001 to £30,000 p.a.	-	-	-	-
£40,001 to £50,000 p.a.	1	1	-	-
£50,001 to £60,000 p.a.	2	3	-	-
£60,001 to £70,000 p.a.	2	2	1	2
£70,001 to £80,000 p.a.	2	-	-	1
£100,001 to £110,000 p.a.	-	2	-	-
£140,001 to £150,000 p.a.	-	1	-	-
£160,001 to £170,000 p.a.	1	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8	10	1	3
	<hr/>	<hr/>	<hr/>	<hr/>

As at 31 July 2017 the number of key management personnel was 8.

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries	580	463
Benefits in kind	-	1
Employers National Insurance	71	52
	<hr/>	<hr/>
Pension contributions	72	52
Total key management personnel compensation	723	568
	<hr/>	<hr/>

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2017 £'000	2016 £'000
Salaries	160	138
Employer National Insurance	21	18
	<hr/> 181	<hr/> 156
Pension contributions	-	-
	<hr/>	<hr/>
Total Emoluments	181	156
	<hr/>	<hr/>

Compensation for loss of office paid to former key management personnel

	2017 £'000	2016 £'000
Compensation paid to the former post-holder – contractual	-	48

Due to the additional demands currently made on the Chair of the Governors by the Area Review process and subsequent merger work for 2016 and 2017 the Governors have agreed a total amount of £28,000 as remuneration in recognition of this additional work for both 2016 and 2017. Official permission was sought from and given by the Charity Commission under the power given in section 105 of the Charities Act 2011. The Board approved these payments on 7 February 2017. No other members of the Corporation other than the Accounting officer and staff members received any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other Operating expenses

	2017 £'000	2016 £'000
Teaching costs	1,943	1,727
Non-teaching costs	6,015	4,846
Bad debt expense	433	41
Premises costs	2,166	2,171
Total	10,557	8,785
Other operating expenses include:	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit	32	24
Internal audit	24	24
Other services provided by the financial statements auditor	2	2
 Hire of assets and operating leases	 102	 96

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

10 Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	6	8
	<hr/>	<hr/>
Net interest on defined pension liability (note 22)	480	464
	<hr/>	<hr/>
Total	486	472
	<hr/>	<hr/>

11 Tangible Fixed Assets

	Land and buildings	Equipment	Assets in the course of construction	Total
Freehold				
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	48,197	8,845	135	57,177
Additions	556	522	-	1,078
Transfers	135	-	(135)	-
Disposals	(1,239)	(7,480)	-	(8,719)
Reclassification	(264)	999	-	735
At 31 July 2017	47,385	2,886	-	50,271
Depreciation				
At 1 August 2016	16,539	8,144	-	24,683
Charge for the year	1,006	422	-	1,428
Elimination in respect of disposals	(1,239)	(7,409)	-	(8,648)
Reclassification	(104)	855	-	751
At 31 July 2017	16,202	2,012	-	18,214
Net book value at 31 July 2017	31,183	874	-	32,057
Net book value at 31 July 2016	31,658	701	135	32,494

Following a review of fixed asset records, management identified a number of historical assets which had either been disposed of or were considered to no longer bring economic benefit to the College. A number of assets have therefore been reflected as disposals in the year.

12 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	477	521
Other debtors	154	-
Prepayments and accrued income	299	453
Amounts owed by the ESFA	98	77
Total	1,028	1,051

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdrafts	276	276
Trade creditors	971	545
Other taxation and social security	614	569
Accruals and deferred income	2,477	2,693
Deferred income - government capital grants	226	290
Amounts owed to the ESFA	524	346
Total	5,088	4,719

14 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	96	392
Deferred income - government capital grants	5,017	4,984
Total	5,113	5,376

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	276	276
Between one and two years	96	392
Total	372	668

The above borrowing represent bank loans which incur interest at 0.85% above Lloyds base rate and are repayable by instalments falling due between 1 August 2010 and 2018. All borrowings are secured on portions of the freehold land and buildings of the College.

Loan 1 Term 15 Years Interest Rate 0.85% above base rate re £845k
 Loan 2 Term 13 years Interest Rate 0.85% above base rate re £3 m

16 Provisions for liabilities

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	19,617	566	20,183
Amounts utilised	(1,020)	(39)	(1,059)
Additions/(deductions) in period charged to income and expenditure account	(3,897)	12	(3,885)
At 31 July 2017	14,700	539	15,239

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

17 Notes to cash flow statement

Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,419	(2,237)	-	1,182
Total	3,419	(2,237)	-	1,182

18 Capital and other commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	134	517

19 Commitments under operating leases

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Future minimum lease payments due		
Other		
Not later than one year	102	102
Total lease payments due	102	102

20 Financial instruments

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Financial assets measured at amortised cost	1,267	763
Financial liabilities measured at amortised cost	4,317	4,132

21 Events after the reporting period

The college is in merger discussions with Sussex Coast College Hastings and other stakeholders with a view to a merger in Spring 2018. While the college has not yet merged, details on progress towards merger are included in the Strategic Report under the heading *Future Prospects*.

22 Retirement benefits

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by East Sussex County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2017 £'000	2016 £'000
Teachers' Pension Scheme: contributions paid	1,111	1,076
Local Government Pension Scheme:		
Contributions paid	962	926
FRS 102 (28) charge	<u>861</u>	<u>641</u>
Charge to the Statement of Comprehensive Income	1,823	1,567
Enhanced pension charge to Statement of Comprehensive Income	12	54
Total Pension Cost for Year within staff costs	<u>2,946</u>	<u>2,697</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. The TPS is an unfounded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, and are credited to the Exchequer.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ('GA'), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

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

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.9%	3.9%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%

The pension costs paid to TPS in the year amounted to £1,111,000 (2016: £1,076,000)

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by East Sussex County Council. The total contributions made for the year ended 31 July 2017 were £1,368,000 of which employer's contributions totalled £1,020,000 and employees' contributions totalled £348,000. The agreed contribution rates for future years are 17.2% for employers and range from 5.5% to 7.5% for employees, depending on salary.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2017	At 31 July 2016
	Years	years
<i>Retiring today</i>		
Males	22.1	22.2
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	23.8	24.3
Females	26.3	26.7

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

The College's share of the assets in the plan at the balance sheet date were:

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equity instruments	30,081	28,514
Debt instruments	5,849	5,940
Property	4,178	3,961
Cash	1,671	1,188
Total fair value of plan assets	41,779	39,603
Actual return on plan assets	1,943	4,841

Amounts recognised in the Statement of Comprehensive income in respect of the plan are as follows:

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,881	1,595
Past service cost	-	47
Total	1,881	1,642
Amounts included in interest cost		
Net interest expense	480	464
Total	480	464
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	990	3,598
Changes in assumptions underlying the present value of plan liabilities	5,268	(9,525)
Amount recognised in Other Comprehensive Income	6,258	(5,927)

Notes to the accounts
For the year ended 31 July 2017

SUSSEX DOWNS COLLEGE

Movement in net defined benefit (liability) during year

	2017 £'000	2016 £'000
Net defined benefit (liability) in scheme at 1 August	(19,617)	(12,585)
Movement in year:		
Current service cost	(1,881)	(1,595)
Employer contributions	1,020	1,001
Past service cost	-	(47)
Net interest on the defined (liability)	(480)	(464)
Actuarial gain or (loss)	6,258	(5,927)
Net defined benefit (liability) at 31 July	(14,700)	(19,617)

Asset and Liability Reconciliation

	2017 £'000
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Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	59,220
Current service cost	1,881
Interest cost	1,433
Contributions by Scheme participants	348
Changes in financial assumptions	(5,268)
Estimated benefits paid	(1,135)
Past Service cost	-
Defined benefit obligations at end of period	56,479

Changes in fair value of plan assets

Fair value of plan assets at start of period	39,603
Interest on plan assets	953
Return on plan assets	990
Employer contributions	1,020
Contributions by Scheme participants	348
Estimated benefits paid	(1,135)
Fair value of plan assets at end of period	41,779

23 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £2,710 (10 governors); (2016: £2,102 (8 governors)). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Due to the additional demands currently made on the Chair of the Governors by the Area Review process and subsequent merger discussions, the Governors have approved the payment of £28,000 in total for 2016 and 2017 as recognition for the additional work. No other Governor has received any remuneration or waived payments from the College in the year (2016: None). The authorisation process for payment of the Chair of the Governors is described in note 8.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF SUSSEX DOWNS COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 5 July 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Sussex Downs College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of Sussex Downs College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Governing Body of Sussex Downs College for regularity

The Governing Body of Sussex Downs College is responsible, under the financial memorandum and 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. The corporation of Sussex Downs College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities

SUSSEX DOWNS COLLEGE

including the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the corporation of Sussex Downs College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Sussex Downs College and the Secretary of State for Education acting through the Department for Education 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 Sussex Downs College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

Chartered Accountants

Portland

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Date: 15/12/17

