



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

SUSSEX DOWNS COLLEGE

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 2015/16:

Mike Hopkins	Principal and CEO; Accounting officer (from September 2015)
Melanie Hunt	Principal and CEO: Accounting Officer (left August 2015)
Jane Laslett	Executive Officer to the Principal & Chief Executive
Jonathan Morris	Vice Principal (left October 2015)
Wayne Wright	Vice Principal (left April 2016)
Martin Connolly	Assistant Principal Finance (started December 2015)
Eve Johnson	Assistant Principal Operations (started December 2015)
Rebecca Taylor	Interim Assistant Principal, Curriculum and Student Support (started December 2015)
Clare Westbrey-Tong	Interim Assistant Principal – Improvement, Innovation & Engagement (started December 2015)
Ra Hamilton-Burns	Clerk to the Corporation
Tim Coleman	Director of Human Resources (started May 2016)

Board of Governors

A full list of Governors is given on page 13 of these financial statements.
Ra Hamilton-Burns acted as Clerk to the Corporation 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

CONTENTS

	Page No.
Strategic Report	4
Statement of Corporate Governance of Internal Control	13
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	19
Statement of Responsibilities of the Governors	20
Independent Auditor's Report to the Governing Body of Sussex Downs College	21
Statement of Comprehensive Income	22
College Statement of Changes in Reserves	23
Balance Sheet as at 31 July	24
Statement of Cash Flows	25
Notes to the Accounts	26
Reporting Accountant's Assurance Report on Regularity	47

SUSSEX DOWNS COLLEGE

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

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

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 the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England (from 9 November 2016 the 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
- To 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

SUSSEX DOWNS COLLEGE

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

Performance indicators

In 2015/16 the College was below its main contract headcount target for 16-18 year olds, but close to its adult learners' contract (ASB). The College discusses its performance on key contracts at appropriate intervals with its lead funder, the Skills Funding Agency (SFA).

Ofsted judged the College's overall effectiveness as "requires improvement" following a full inspection in November 2015.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. In terms of financial performance "financial health" was self-assessed on the basis of the July 2016 SFA Financial Plan, which included a forecast outturn for 2015/16, as satisfactory. The financial results for the year 2015/16 now show the College as having good "financial health".

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £639,000 (2014/15 £393,000), with total comprehensive income of (£6,566,000), (2014/15 – (£1,567,000)). The total comprehensive income in 2015/16 is stated after accounting for Actuarial loss in respect of the Local Government Pension Scheme of (£5,927,000), (2014/15 - £1,174,000).

The College has accumulated reserves of £6,719,000 and cash balances of £3,419,000 at 31 July 2016. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £950,000. This was split between Land and Buildings of £406,000, Equipment of £409,000 and assets in construction at year end of £135,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 77% 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 £1.5 million (2014/15 £1.5 million), net cash flow from operating activities was reasonably strong. The College's liquidity is reasonable but balance sheet cash and liquidity ratios still need to be rebuilt over the medium term in line with financial objectives.

SUSSEX DOWNS COLLEGE

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £22,421k in funding body grant income (2014/15 - £24,201k). The College had approximately 9,129 funded and 2,211 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 2015/16 the College had around 11,819 class room based learners in total with the majority fully or partly funded by EFA and SFA contracts. However, there are also significant numbers of HE learners 235, apprentices 1,167 and other work based learners 88 and those attending full-cost courses funded by their employers. In addition to this we also have International learners from across the world.

16-18 numbers at the College have been 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 15/16, there was a 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.

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 whilst reducing advertising costs. Despite the significant demographic fall in prospective students to the College for 2015/16, anticipates applications during the year have increased.

Student Achievements

Sussex Downs College Performance Report Headlines

Qualification Achievement (formally Success)

Overall

1. Overall achievement rates have increased over the three-year period from 83.8% to 85.1%. This is now above both the GFE and All provider national averages.
2. 16-18 overall achievement has increased over the same period and is now at 84.0% above both the national averages.
3. Overall achievement at 19+ has fallen over the three-year period from 89.4%, to 87.7%, however this is marginally above both the national averages.

SUSSEX DOWNS COLLEGE

Achievement by age and level

1. 16-18 achievement at all levels has improved over the three-year period and is above both national averages for all levels.
2. 19+ level 1 and 2 experienced a decline in achievement rates over the same period but the rate remains above both the national averages. However, level 3 19+ achievement fell over the period and is below both the national averages.

Achievement by Qualification Type

16-18

1. Performance for A and AS level has improved over the three-year period and is now above both national averages.
2. For Awards and Certificates there are significant performance issues at L1 & L2 characterised by falling performance and achievement is below both the national averages.
3. For L3 Diplomas, the performance at L1 & L2 fell over the three-year period but remains above the national averages. At L3 performance has improved over the same period and is above the national averages.

19+

1. There is poor performance for the Access provision which has falling performance over the three-year period and is below both the national averages.
2. A level performance for 19+ has improved over the same period but remains below the national averages.
3. There is strong performance for Awards and Diplomas with all levels being above national averages and in general improving rates over the three year period.
4. There is poor performance for 19+ Certificates with rates remaining below the national averages but with some improvement over the three years at level 2 & 3.

Overall A level performance against the Sixth Form College National Average

AS Achievement (79.4%) is below the Sixth Form College (SFC) national average (83%) and the All national average (80.9%). A level Achievement (95.1%) is below the SFC national average (95.7%) and The All national average (95.7%)

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

There is poor performance for all ages in Maths with falling performance and achievement remaining below the national averages. English GCSE both 16-18 and 19+ achievement rates are strong with improving rates for 16-18.

Apprenticeship Framework Achievement

The College's achievement of Intermediate Apprenticeships (Level 2) requires improvement. 16-18 year olds engaged in an Intermediate Apprenticeship (Level 2) did not achieve in line with the overall GFE National Average (-9.4%) and their achievement rates have reduced compared to 14/15 by 4.1%. The majority of these 16-18 Apprentices are work based learners. There is a similar pattern for 19-23 year olds studying at Intermediate level where achievement rates have decreased between 2014/15 and 2015/16 by 7.1% and are 1.7% below the overall GFE National Average. The timely achievement of Advanced Apprenticeships (Level 3) also requires improvement. Whilst the Advanced Apprentices perform in line with the GFE National Average at 16-18 the College's performance is showing a 3-year declining trend.

Value added at A level and BTEC

The College's value added Alps grade increased from 6 (below average) to Alps grade 4 (very good). The interim Alps grade for BTECs remains at 5 (satisfactory to good) However, not all data has been submitted and therefore this grade may change.

Initial Key risks

Key risks remain in terms of outcomes and are:

1. A level performance although improving remains marginally below both the SFC and All national averages
2. GCSE Maths and English
3. Apprenticeship provision
4. Access provision
5. Falling trend in 19+ achievement
6. Achievement on smaller qualifications (Awards and Certificates) at 16-18
7. Certificates at 19+

Key Performance Indicators

The Executive team and managers have 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 will be recorded and measured on a revised KPI Framework document which will allow governors to more systematically monitor performance and success measures. Governors and the senior management team will know where performance is good and where it needs to be improved. We will understand the risks and what actions need to be taken.

Self-Assessment Report and process

The College has been working with Tony Davis from the Centre for Creative Quality Improvement on developing a new process for self-assessment. We have worked intensively with Tony during the period to create a set of Gold Standards across the Learner Journey. Our progress against these Gold Standards will be measured during the year as a 'live' self-assessment. The gold standards include:

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

Management Accountability & target setting

New middle management Structure

Towards the end of the academic year the College implemented plans to re-introduce a curriculum management 'spine' to the College. A new management role of a cross campus Programme Manager was introduced. The post holders are responsible for a curriculum area across the College sites (Eastbourne, Newhaven and Lewes.) These post holders are accountable for the performance of their teams and the achievement of their learners.

Course Level Target setting

To maintain improvements in student achievements the College will, in 2016/17, be asking teachers to set course level targets. These course level targets will monitor progress throughout the year with any 'at risk' courses being identified early so that the right support can be implemented. This will ensure student outcomes are of the highest possible order. From the autumn members of the Executive Team and central Quality team will continue 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 will complement substantial 'Teaching, Learning & Assessment Reviews' that will be held in November, late February and May.

SUSSEX DOWNS COLLEGE

Teaching Learning and Assessment

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

Maths and English

The College recognises 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 has;

- 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 will last for 6 weeks during 16/17, we are planning a specific Maths & English induction.

Work experience and work related Learning

During the latter part of this academic year the College has appointed to two new posts – a Learner Journey Manager and an Employability Manager. Both of these posts are integral to ensuring students receive all aspects of their Study Programme entitlement including work experience and work related learning. The Director of Learner Services is overseeing the launch of an Employability Hub at each campus and the delivery of a clear employability entitlement. The College is particularly proud of our 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 will continue to lead the coaching and development of all staff but will have a clear focus on supporting those staff who need more intensive support to improve the service we provide to our learners.

Professional Development

The College has reinstated the role of Professional Development Manager. This post is responsible for planning and implementing a professional development programme for 16/17, which includes a menu of training sessions every Wednesday afternoon.

Tracking and Monitoring Student Progress and Student Target Setting

The College has invested in ProMonitor, a software package, to improve the tracking and monitoring of students' progress including student target setting. This has been rolled out from the start of the academic year to enable all students to have target set, have these targets regularly reviewed and interventions recorded to improve performance.

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 2015 to 31 July 2016, the College paid 80 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

SUSSEX DOWNS COLLEGE

Events after the end of the reporting period

There are no significant material post balance sheet events.

Future prospects

The ambition for the College is to be recognised as amongst the best providers of A-level, vocational and professional courses across East Sussex and greater Brighton. The vision is led by 'Four Pillars of Excellence' which will ensure that the College delivers excellence in all that it does. The Pillars focus on the Sixth Form 'A' Level provision; Vocational Professional and Technical education and training; Adult Learning and Skills Solutions including Apprenticeships. The initiative also addresses the Government's recently published White Paper 'Post-16 Skills Plan'. The arrival of the new Principal and Chief Executive and the OFSTED visit in November 2015 has acted as a catalyst for creative development and innovation leading to improvement and success.

The College undertakes an annual Financial Planning exercise that looks forward two financial years. The plan self-assess the Colleges 'Financial Health' based on the Skills Funding Agency criteria. For the two years to July 2018 the College 'self-assesses' itself as 'Good' Financial Health which SFA class as 'An organisation that appears to have sufficiently robust finances to fulfil its contractual obligations, and to respond successfully to most opportunities or adverse circumstances'. The College regularly monitors its Cash Flow, principal risks and assumptions made in its financial plans.

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.

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 £6.7m, and long term debt of under £0.7m. More than 100 per cent of the net assets figure is made up of fixed assets, with around 95 per cent of this being land and buildings (by net book value).

People

The College employs 530 people (expressed as full time equivalents) of whom 330 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

SUSSEX DOWNS COLLEGE

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.

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.

A risk management training programme to raise awareness of risk throughout the College is to be introduced in 2016/17.

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

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 19 December 2015 and signed on its behalf by:

Henry Ball,

Chair

SUSSEX DOWNS COLLEGE

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 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i) In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ii) 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 2014 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 practise.

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 2016. 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 issues 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;

<i>Name</i>	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of Resignation or end of term</i>	<i>Status of appointment</i>	<i>Committees Served on</i>	<i>Attendance % 1 August 15 – 31 July 16</i>
Henry Ball (Chair)	01.09.13	4 yrs	31.08.17	Independent	Remuneration (Chair) S&G C&S	100%
Graham Marsden (Vice-Chair)	11.12.06 11.12.10 11.12.14	4 yrs 4 yrs 2 yrs	10.12.10 10.12.14 10.12.16	Independent	F&HR (Chair) Remuneration S&G	80%

SUSSEX DOWNS COLLEGE

Tom Wilson (Vice-chair)	24.04.13	4 yrs	23.04.17	Independent	F&HR C&S	60%
Mike Hopkins	01.09.15	Ongoing	-	Principal and Chief Executive	F&HR S&G C&S	100%
Natasha Duursma	05.09.16	1 yr	31.07.17	Student Sabbatical Officer	C&S	n/a
Emily Bruzon-Edwards	07.09.15	1 yr	06.09.16	Student		100%
Charlotte Edwards	07.09.15	1 yr	06.09.16	Student		80%
Elizabeth Funge	01.10.15	4 yrs	30.09.19	Independent	C&S	60%
Sally Gausden	01.08.07 01.08.11 01.08.15	4 yrs 4 yrs 4 yrs	31.07.11 31.07.15 31.07.19	Independent	Audit (Chair) Remuneration	80%
Peggy Hall	28.09.07 28.09.11 28.09.15	4 yrs 4 yrs 4 yrs	27.09.11 27.09.15 27.09.19	Independent	F&HR Remuneration	100%
Jamie Harris	12.09.16	1 yr	30.07.17	Student	C&S	n/a
Jeff Hayes	11.07.15	4 yrs	10.07.19	Staff		100%
Russell Higginbotham	01.10.15	4 yrs	30.09.19	Independent	F&HR	60%
Brian Higgins	17.12.03 17.12.07 17.12.11	4 yrs 4 yrs 4 yrs	16.12.07 16.12.11 16.12.15	Independent	F&HR, S&G (Chair), S&G (Chair)	100%
Mark Hilder	17.12.15	4 yrs	16.12.19	Staff	Audit	100%
Ian Jungius	17.12.03 17.12.07 17.12.11 17.12.15	4 yrs 4 yrs 4 yrs 4 yrs	16.12.07 16.12.11 16.12.15 16.12.19	Independent	C&S	80%
Jeremy Leggett	01.10.15	4 yrs	30.09.19	Independent	Audit	80%
Gene Payne	01.10.15	4 yrs	30.09.19	Independent	Sabbatical from 8.12.15 to 7.10.16	50%
Gill Short	01.10.15	4 yrs	30.09.19	Independent	Audit	100%
Nicola Smith	08.10.08	4 yrs	07.10.12	Independent	Audit	20%

SUSSEX DOWNS COLLEGE

	08.10.12	4 yrs	07.10.16			
Fi Taylor	17.12.12	3 yrs	16.12.15	Staff		0%
Alan Wenham	01.10.15	4 yrs	30.09.19	Independent	F&HR	100%
Nicki Whitehead	01.10.15	4 yrs	30.09.19	Independent	Audit	80%
Jonathan Reid	06.12.16	4 yrs	30.11.20	Independent	Audit	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	20.10.18	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 three times a year, and often five or six times a year.

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;

Clerk to the Board of Governors
Sussex Downs College
Cross Levels Way
Eastbourne
BN21 2UF

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

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

SUSSEX DOWNS COLLEGE

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 a 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 Clerk. Details of remuneration of staff for the year ended 31 July 2016 are set out in note 7 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 Joint 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 SFA 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 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 2016 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 2016 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 EFA/SFA Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the 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 2016 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2016.

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 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

After making appropriate enquiries, the Governors consider that the College has adequate resources to continue in operational existence for the foreseeable future and especially in the 12 months from the date of signing the financial statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Signed



Henry Ball

Chair

19 December 2016

Signed



Mike Hopkins

Accounting Officer, Principal and Chief Executive

19 December 2016

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

We confirm, on behalf of the 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 Skills Funding Agency.

Approved by order of the Board of Governors on 19 December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'H Ball', with a small dot at the end.

Henry Ball

Chair

19 December 2016

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 Review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; the College Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency. These give a true and fair view of the state of affairs of the College and of the College's surplus 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 also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College. The 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.

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

Approved by order of the Board of Governors on 19 December 2016 and signed on its behalf by:



Henry Ball
Chair

SUSSEX DOWNS COLLEGE

Independent Auditor's Report to the Governing Body of Sussex Downs College

We have audited the College financial statements ('the financial statements') on pages 22 to 46. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), "FRS102 The Financial Reporting Standard in the UK and Republic of Ireland" as set out in our engagement letter dated 12 November 2015.

This report is made solely to the Governors, as a body, in accordance with the Financial Memorandum published by the Chief Executive of the Skills Funding Agency and our engagement letter dated 22 November 2015. Our audit work has been undertaken so that we might state to the Governors, as a body, those matters we are required under our engagement letter dated 12 November 2015, to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governors of Sussex Downs College and Auditor

As explained more fully in the Statement of the Responsibilities of the Governors (set out on page 20), the Governors are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 12 November 2015, Audit Code of Practice issued by the funding body, and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept;
- 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.

RSM UK Built up

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

Date: 29/12/16

SUSSEX DOWNS COLLEGE

Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
		College £'000	College £'000
INCOME			
Funding body grants	2	22,421	24,201
Tuition fees and education contracts	3	4,130	4,834
Other grants and contracts	4	101	4,796
Other income	5	2,226	2,761
Investment income	6	16	14
Total income		28,894	36,606
EXPENDITURE			
Staff costs	7	18,169	20,701
Restructuring costs	7	641	654
Other operating expenses	8	8,785	13,691
Depreciation	11	1,466	1,512
Interest and other finance costs	9	472	441
Total expenditure		29,533	36,999
(Deficit) before tax		(639)	(393)
Taxation	10	-	-
(Deficit) for the year		(639)	(393)
Actuarial loss in respect of pensions schemes	22	(5,927)	(1,174)
Total Comprehensive Income for the year		(6,566)	(1,567)

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2014	5,059	9,793	14,852
(Deficit) from the income and expenditure account	(393)		(393)
Actuarial loss in respect of pensions schemes	(1,174)		(1,174)
Transfers between revaluation and income and expenditure reserves	237	(237)	-
Total comprehensive income for the year	(1,330)	(237)	(1,567)
Balance at 31st July 2015	3,729	9,556	13,285
(Deficit) from the income and expenditure account	(639)	-	(639)
Actuarial loss in respect of pensions schemes	(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

Balance sheet as at 31 July

Notes

		2016 £'000	2015 £'000
Fixed assets			
Tangible Fixed assets	11	32,494	33,011
		<u>32,494</u>	<u>33,011</u>
Current assets			
Stocks		33	29
Debtors	12	1,051	2,070
Cash at bank and in hand	17	3,419	3,150
		<u>4,503</u>	<u>5,249</u>
Less: Creditors – amounts falling due within one year	13	(4,719)	(6,075)
Net current liabilities		<u>(216)</u>	<u>(826)</u>
Total assets less current liabilities		32,278	32,185
Creditors – amounts falling due after more than one year	14	(5,376)	(5,779)
Provisions			
Defined benefit obligations	16	(19,617)	(12,585)
Other provisions	16	(566)	(536)
Total net assets		<u>6,719</u>	<u>13,285</u>
Unrestricted Reserves			
Income and expenditure account		(2,600)	3,729
Revaluation reserve		9,319	9,556
Total unrestricted reserves		<u>6,719</u>	<u>13,285</u>

The financial statements on pages 22 to 46 were approved and authorised for issue by the Corporation on 19 December and were signed on its behalf on that date by:

Henry Ball

Chair



Mike Hopkins

Accounting Officer



Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
(Deficit) for the year		(639)	(393)
Adjustment for non-cash items			
Finance Costs		472	441
Depreciation		1,466	1,512
Pension Scheme non-cash adjustments		1,105	1,058
Provision movements		30	(55)
(Increase)/decrease in stocks		(4)	1
Decrease/(increase) in debtors		1,019	(1,184)
(Decrease)/(increase) in creditors		(1,475)	535
Adjustment for investing or financing activities			
Interest paid		(472)	(441)
Net cash flow from operating activities		<u>1,502</u>	<u>1,474</u>
Cash flows from investing activities			
Payments made to acquire fixed assets		(950)	(578)
		<u>(950)</u>	<u>(578)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(283)	(387)
		<u>(283)</u>	<u>(387)</u>
Increase in cash and cash equivalents in the year		<u>269</u>	<u>509</u>
Cash and cash equivalents at beginning of the year	17	3,150	2,641
Cash and cash equivalents at end of the year	17	3,419	3,150

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 preparation

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 2015 to 2016* 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 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.

Transition to the 2015 FE HE SORP

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

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

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

The application of first time adoption allows certain exemptions from the full requirements of FRS102 in the transition period. The following exemptions have been taken in these financial statements:

- Revaluations as deemed cost: At 1 August 2014 the college has retained the carrying values under previous UK GAAP as deemed cost.

Basis of accounting

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 Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

The College currently has £0.6m of loans outstanding with bankers repayable on instalments up to 2018. All borrowings are secured on portions of the freehold land and buildings of the College. The college has prepared cash flow forecasts to December 2017 and these support that accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the SOCI. 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.

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

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

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

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.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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 qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. 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 other recognised gains and losses.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

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.

Non-current Assets - 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

Land and buildings inherited from the Local Education Authority were stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use was not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings previously revalued, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Building improvement made or land or buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of up to 50 years. The College has a policy of depreciating any major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the SOCI over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

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.

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.

Inventories

Inventories are 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 assets and liabilities

Financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price.

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.

SUSSEX DOWNS COLLEGE

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

SUSSEX DOWNS COLLEGE

2 Funding body grants

	Year ended 31 July	
	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	4,114	5,008
Education Funding Agency	17,080	18,052
Higher Education Funding Council	156	74
Specific grants		
Skills Funding Agency	829	837
Releases of government capital grants	228	210
HE grant	14	20
Total	22,421	24,201

3 Tuition Fees and Education Contracts

	Year ended 31 July	
	2016	2015
	£'000	£'000
Adult education fees	442	443
Apprenticeship fees and contracts	78	64
Fees for FE loan supported courses	1,065	1,097
Fees for HE loan supported courses	1,144	1,554
European (Excluding UK) Students	240	419
International students fees	737	768
Total tuition fees	3,706	4,345
Education contracts	424	489
Total	4,130	4,834

4 Other grants and contracts

	Year ended 31 July	
	2016	2015
	£'000	£'000
European Commission	16	4,698
Other grants and contracts	85	98
Total	101	4,796

SUSSEX DOWNS COLLEGE

5 Other Income

	Year ended 31 July	
	2016	2015
	£'000	£'000
Catering and residences	679	1,175
Other income generating activities	839	780
Non-Funding Body capital grants	20	32
Miscellaneous income	688	774
	<hr/>	
Total	2,226	2,761
	<hr/>	

6 Investment Income

	Year ended 31 July	
	2016	2015
	£'000	£'000
Other interest receivable	16	14
	<hr/>	
Total	16	14
	<hr/>	

SUSSEX DOWNS COLLEGE

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016	2015
	No.	No.
Teaching staff	330	397
Non-teaching staff	200	212
	<hr/>	<hr/>
	530	609
Staff costs for the above persons		
	2016	2015
	£'000	£'000
Wages and salaries	14,466	16,999
Social security costs	1,006	1,015
Other pension costs (including FRS102 adjustment £641,000 (2015 £576,000))	2,697	2,687
	<hr/>	<hr/>
Payroll sub total	18,169	20,701
Restructuring costs - Contractual	641	654
	<hr/>	<hr/>
Total Staff costs	18,810	21,355
	<hr/> <hr/>	<hr/> <hr/>

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	11	5
	<hr/> <hr/>	<hr/> <hr/>

SUSSEX DOWNS COLLEGE

The number of Key management holders and other staff who received annual emoluments, excluding pension contributions 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)	
	2016	2015	2016	2015
	No.	No.	No.	No.
£20,001 to £30,000 p.a	1	-	-	-
£30,001 to £40,000 p.a	-	1	-	-
£40,001 to £50,000 p.a	1	1	-	-
£50,001 to £60,000 p.a	3	-	-	-
£60,001 to £70,000 p.a.	2	-	2	2
£70,001 to £80,000 p.a.	-	-	1	1
£100,001 to £110,000 p.a.	2	1	-	-
£130,001 to £140,000 p.a	-	1	-	-
£140,001 to £150,000 p.a	1	-	-	-
£160,001 to £170,000 p.a.	1	1	-	-
	11	5	3	3

Three Key Management Personnel left the College during the year. They have been included in the above table using their annual equivalent salary. As at 31 July 2016 the number of Key Management Personnel was 8.

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	489	480
Benefits in kind	1	2
Employers National Insurance	54	51
	544	533
Pension contributions	57	66
Total key management personnel compensation	601	599

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:

	2016	2015
	£'000	£'000
Salaries	138	164
Benefits in kind	-	1
Employer National Insurance	18	20
	156	185
Pension contributions	-	23
Total Emoluments	156	208

SUSSEX DOWNS COLLEGE

Compensation for loss of office paid to former key management personnel

	2016	2015
	£	£
Compensation paid to the former post-holder - contractual	48	34

One member of the key management personnel was paid compensation for loss of office.

Due to the additional demands currently made on the Chair of the Governors by the Area Review process the Governors are minded that a nominal amount is given as remuneration in recognition of this additional work. £8,000 has been accrued into the Financial Statements for the year ended 31 July 2016 but the payment has not been made as the College is seeking Charity Commission approval. No other member of the Board, 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.

8 Other Operating expenses

	2016	2015
	£'000	£'000
Teaching costs	1,727	1,723
Non-teaching costs	4,887	9,104
Premises costs	2,171	2,864
Total	8,785	13,691

Other operating expenses include:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	24	24
Internal audit	24	27
Other services provided by the financial statements auditor	2	-
Hire of assets under operating leases	96	112

9 Interest and other finance costs

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	8	13
Pension finance costs (note 22)	464	428
Total	472	441

10 Taxation

The Governors consider that the College was not liable for any Corporation Tax arising out of its activities during this and the prior period.

SUSSEX DOWNS COLLEGE

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 2015	47,791	8,437	-	56,228
Additions	406	409	135	950
Disposals	-	(1)	-	(1)
At 31 July 2016	48,197	8,845	135	57,177
Depreciation				
At 1 August 2015	15,549	7,668	-	23,217
Charge for the year	990	476	-	1,466
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	16,539	8,144	-	24,683
Net book value at 31 July 2016	31,658	701	135	32,494
Net book value at 31 July 2015	32,242	769	-	33,011

12 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables	521	304
Prepayments and accrued income	453	520
Amounts owed by the Skills Funding Agency	77	1,246
Total	1,051	2,070

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdrafts	276	292
Trade payables	545	744
Other taxation and social security	569	572
Accruals and deferred income	2,693	3,974
Deferred income - government capital grants	290	310
Amounts owed to the Skills Funding Agency	346	183
Total	4,719	6,075

SUSSEX DOWNS COLLEGE

14 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans	392	659
Deferred income - government capital grants	4,984	5,120
Total	5,376	5,779

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016	2015
	£'000	£'000
In one year or less	276	292
Between one and two years	392	273
Between two and five years	-	386
Total	668	951

The above borrowing represent bank loans, the majority of 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.

16 Provisions

	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	12,585	511	25	13,121
Expenditure in the period	1,105	-	(25)	1,080
Additions in period	5,927	55	-	5,982
At 31 July 2016	19,617	566	-	20,183

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

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:

	2016	2015
Price inflation	1.30%	1.71%
Discount rate	3.46%	3.46%

17 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,150	269	-	3,419
Total	3,150	269	-	3,419

18 Capital and other commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	517	-

19 Lease obligations

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

	2016 £'000	2015 £'000
Future minimum lease payments due		
Other		
Not later than one year	7	7
	7	7

The College has the following financial instruments:

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Financial assets measured at amortised cost	763	1,720
Financial liabilities measured at amortised cost	4,132	5,852

20 Contingent liabilities

There are no significant contingent liabilities of which the College is aware.

21 Events after the reporting period

There are no events after the reporting period.

SUSSEX DOWNS COLLEGE

22 Defined benefit obligations

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	2016 £000	2015 £000
Teachers' Pension Scheme: contributions paid	1,076	1,091
Local Government Pension Scheme:		
Contributions paid	926	994
FRS 102 (28) charge	641	576
Charge to the Statement of Comprehensive Income	1,567	1,570
Enhanced pension charge to Statement of Comprehensive Income	54	26
Total Pension Cost for Year within staff costs	2,697	2,687

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 2013.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS was implemented in September 2015.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,076,000 (2015: £1,091,000)

FRS 102 (28)

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

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

SUSSEX DOWNS COLLEGE

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 2016 were £1,270,000, of which employer's contributions totalled £926,000 and employees' contributions totalled £344,000. 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.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.9%	3.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2016	At 31 July 2015
	years	years
<i>Retiring today</i>		
Males	22.20	22.20
Females	24.40	24.40
<i>Retiring in 20 years</i>		
Males	24.20	24.20
Females	26.70	26.70

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

	Fair Value at 31 July 2016	Fair Value at 31 July 2015
	£'000	£'000
Equity instruments	28,514	24,342
Debt instruments	5,940	5,485
Property	3,961	3,771
Cash	1,188	686
Total fair value of plan assets	39,603	34,284

SUSSEX DOWNS COLLEGE

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	39,603	34,284
Present value of plan liabilities	(59,157)	(46,806)
Present value of unfunded liabilities	(63)	(63)
Net pensions (liability)	(19,617)	(12,585)

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,595	1,610
Past service cost	47	32
Total	1,642	1,642

Amounts included in interest cost

Net interest expense	464	428
	464	428

Amount recognised in Other Comprehensive Income

Return on pension plan assets	3,598	1,839
Changes in assumptions underlying the present value of plan liabilities	(9,525)	(3,013)
Amount recognised in Other Comprehensive Income	(5,927)	(1,174)

SUSSEX DOWNS COLLEGE

Movement in net defined benefit (liability) during year

	2016	2015
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(12,585)	(10,407)
Movement in year:		
Current service cost	(1,595)	(1,610)
Employer contributions	1,001	1,066
Past service cost	(47)	(32)
Net interest on the defined (liability)	(464)	(428)
Actuarial gain or loss	(5,927)	(1,174)
Net defined benefit (liability) at 31 July	(19,617)	(12,585)

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	46,869	40,952
Current service cost	1,595	1,610
Interest cost	1,707	1,662
Contributions by Scheme participants	353	393
Changes in financial assumptions	9,525	3,013
Estimated benefits paid	(872)	(789)
Past Service cost	43	28
Defined benefit obligations at end of period	59,220	46,869

Changes in fair value of plan assets

	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	34,284	30,545
Interest on plan assets	1,243	1,234
Return on plan assets	3,598	1,839
Employer contributions	997	1,062
Contributions by Scheme participants	353	393
Estimated benefits paid	(872)	(789)
Fair value of plan assets at end of period	39,603	34,284

SUSSEX DOWNS COLLEGE

23 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £2,102; (2015: £1,907). 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 the Governors are minded that a nominal amount is given as remuneration in recognition of this additional work. £8,000 has been accrued into the Financial Statements for the year ended 31 July 2016 but the payment has not been made as at year end as the College are seeking Charity Commission approval. No other Governor has received any remuneration or waived payments from the College in the year (2015: None).

24 Amounts disbursed as agent Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – bursary support	290	516
Funding body grants – discretionary learner support	772	713
	<hr/> 1,062	<hr/> 1,229
Disbursed to students	(1,008)	(1,171)
Administration costs	(54)	(58)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<hr/> -	<hr/> -

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

SUSSEX DOWNS COLLEGE

25 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	31 st July 2015 £'000	1 August 2014 £'000
Financial Position			
Total reserves under previous SORP		12,446	14,070
Employee leave accrual	(a)	(916)	(1,027)
Release of non-government capital grants	(b)	1,755	1,809
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>839</u>	<u>782</u>
Total reserves under 2015 FE HE SORP		<u>13,285</u>	<u>14,852</u>
Financial performance			
Surplus for the year after tax under previous SORP		199	
Release of non-government grants received	(b)	(54)	
Employee leave accrual	(a)	111	
Changes to measurement of net finance cost on defined benefit plans	(c)	(649)	
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(393)</u>	
Total comprehensive income for the year under 2015 FE HE SORP		<u>(1,567)</u>	

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 310 days unused leave for teaching staff and 214 unused leave for non-teaching staff. An accrual of £1,027,000 was recognised at 1 August 2014, and £916,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £40,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

d) Presentation of actuarial gains and losses within Total Comprehensive Income

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

SUSSEX DOWNS COLLEGE

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

In accordance with the terms of our engagement letter dated 12 November 2015 and our supplementary engagement letter dated 14 November 2016 and further to the requirements of the financial memorandum with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Sussex Downs College during the period 01 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Respective responsibilities of Sussex Downs College and the reporting accountant

The corporation of Sussex Downs College is responsible, under the SFA 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.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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 including high level financial control areas where we identified areas where a material irregularity is likely to

including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the 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 on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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