



Sussex Coast College Hastings

For the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Clive Cooke	- Principal and CEO; Accounting officer
James Mettyear	- Deputy Principal Curriculum and Quality
Biram Desai	- Vice Principal Corporate Services
Dan Shelley	- Vice Principal Enterprise, Employment and Skills

Board of Governors

A full list of Governors is given on pages 14 and 15 of these financial statements.

Mrs S Connerty acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditor and regularity reporting accountants:	BDO LLP 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 OPA
Internal auditors	RSM UK 2 nd floor, Springpark House, Basing View, Basingstoke, RG21 4HG
Solicitors	Veale Wasbrough Vizards LLP Barnards Inn, 86 Fetter Lane, London, EC4A 1AD
Bankers	Barclays Bank plc, Business Banking, Level 28, 1 Churchill Place, London, E14 5HP

Members' report and financial statements

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Corporation Members' Report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation of Sussex Coast College Hastings was established under the Further and Higher Education Act 1992 and is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011. The College's former name was Hastings College of Arts and Technology and the name was changed from 30th March 2008.

Vision and Mission

The College's vision and mission are reviewed annually.

- The vision is : "Inspiring futures: Changing lives"
- The mission is "Everything we do at Sussex Coast College Hastings is to ensure that our students become qualified, find jobs, keep them and progress in their lives and careers."

Public Benefit

Sussex Coast College Hastings is an exempt charity under the Part 3 of the Charities Act 2011 and from 9th November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England (previously Secretary of State for Business, Innovation and Skills). The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 and 15. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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.

Implementation of strategic plan

The current interim strategic plan covers the period 2015-18 and the Corporation monitors the performance of the College against this plan. The College's strategic aims are:

1. To secure Station Plaza, Ore Valley and the AITC as financially resilient learning centres that meet the needs of local people and employers in Hastings and Rother.
2. To provide outstanding skills provision that is in high demand from the local and regional community and meets national priorities.

The College's specific objectives for 2015-16 and achievement of these objectives is addressed below:

- Negotiate and secure a strategic option that may involve one or more college corporations by completion of the area review for Sussex on Monday 29th February 2016. This may involve collaboration, federation or merger.
- Ensure the College maximises any opportunities for sustainable financial growth to offset reductions in core funding.
- Ensure the College continues to improve value for money from public funding.
- Develop a curriculum offer that provides pathways from foundation to higher level technical and professional skills in areas that meet local, regional and South East LEP priorities.
- Develop outstanding and good learning, assessment and teaching for students at all levels.
- Deliver outcomes for our students that are outstanding and good and place the college in the top 20% of all providers in the country.

Financial objectives

The College was an active participant in the Sussex Coast Area Review and the final report concluded that "Sussex Coast College Hastings and Sussex Downs College to form a legally binding federation (in September/October 2016)."

As a result of this, a Feasibility Study report was completed by KPMG in August 2016 regarding the development of a collaborative approach to better meet local and regional education and skills needs and future proof their Colleges.

In August 2016, both colleges announced the launch of Sussex Skills Solutions, a joint project which brings an innovative approach to the delivery of apprenticeships and employer focused skills training in the South East.

This set of accounts delivers Satisfactory Financial Health at July 2016 under the new Skills Funding Agency financial health methodology, which is effective from 2015-16. The College reported Good Financial Health at July 2015 under the previous financial health methodology.

Other Financial Objectives include:

- a) Providing financial and non-financial returns on time and in the agreed format.
- b) Ensuring all returns requiring certification by auditors are unqualified.
- c) Providing advice, guidance and training to staff, management and governors on funding, funding methodologies, budgeting and the College's financial position.
- d) Providing adequate information to ensure that staff, management and governors are kept up to date with the financial position of the College.
- e) Generating sufficient funds to ensure that the College can invest in the new technologies and equipment required to support learning programmes and College administration.
- f) Generating sufficient funds to ensure that the College's specified programme of planned maintenance can be undertaken.
- g) Ensure adequate procedures are in place to protect assets from loss, theft and neglect.

These objectives are consistent with and support the interim strategic plan.

Performance indicators

Learner Number growth and achievement of funding targets:

The College achieved 107.3% of its funding allocation for 16-18 learners and achieved 106.2% of its Adult Skills Budget.

Learner Success rates:

The College achieved a headline timely success rate of 79.1% in 2015-16, a decrease on the previous year which recorded 83.7%.

Headline timely success rates for 16-18 for 2015-16 stands at 79.9% compared to 83.8% in the previous year, whilst headline timely success rates for 19+ for 2015-16 stand at 77.8% compared to 83.4% in the previous year.

Teacher qualifications:

The College requires all teaching staff, whether established or sessional, to be appropriately qualified. The policy for unqualified staff joining the College in a teaching role is to support them in the achievement of a Post-Graduate Certificate in Education (PGCE) within two years of commencing work with the College.

Employer engagement:

The College focuses on employer engagement and tailors educational provision to meet employer needs. One of the main increases in funding going forwards is in relation to Apprenticeships. The College views this area as vital for the UK economy and skills for the future. It therefore continues to focus on achieving growth in this area, with growth in the internal delivery of apprenticeships, but a significant proportion of the allocation is delivered via our sub-contract partners.

The College works with many local employers providing Apprenticeships, Advanced Apprenticeships and customised bespoke training. Links with local businesses are strong and the College continues to successfully host the Lets Do Business seminar which attracts some 100 employers from the local area.

Commercial activities continue to form a small but important part of the overall plan to deal with potential reductions in, and hence reliance on, grant funding. The College and its subsidiary company, Plaza Trading Hastings Limited („the Group”), continue to operate outlets such as a Subway franchise, coffee shops and an Art Shop, raising revenue and giving work opportunities to students.

The College continued to use a number of partners to deliver funding streams during 2015-16, with the focus on retaining those high quality partners from the previous year who had demonstrated the best academic and financial performance. The highest standards of due diligence and controls over delivery continue to be applied.

Financial position

The Group generated an operating deficit before other gains /(losses) in the year of (£90k) (2014/15 surplus £1,039k).

Included in the final result is a charge of £542k in respect of accounting for pensions (see note 8 and 11).

On 31 July 2016 the College's general reserve, excluding pension reserve, stood at £1,090k (2014/15 £1,961k). The bank and cash balances totalled £595k (2014/15 £924k).

Tangible fixed asset additions during the year amounted to £432k.

The College has reduced its reliance slightly on the Skills Funding Agency and Education Funding Agency for its principal funding source at 74% of total income from 76% last year.

The College continues to operate a wholly owned limited company subsidiary called Plaza Trading Hastings Limited which was incorporated in August 2011. These accounts have been prepared on a consolidated basis.

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 treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements were restricted by limits in the Financial Memorandum with the SFA until 1 April 2012. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the SFA.

Creditors payment policy

It is the College's policy to pay all of its suppliers within 30 days (or per other agreed credit terms) of the later of the date of supplier invoice or supply of goods or services, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions of a proper authorised purchase order. The College does not follow any code or standard on payment practice, but does strive to adhere to the Government guidelines whenever possible.

Taxation

The College's trading activities within Plaza Trading Hastings Limited are eligible to be charged to Corporation tax but no charge is applicable for 2015-16 as the company had no taxable profits.

Cash flows

Operating cash flow was a £603k inflow (2014/15: £2,201k inflow) for the year. This reduction in cash generated from operating activities reflects the downturn in general operating conditions.

Liquidity

The College's commitments to the building of the new College and some commercial investment mean that residual loans of £7.568m (2015: £7.933m) are outstanding at the year end. Of this total, loans outstanding on commercial activities with an educational focus total £0.187m.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £10,024k (2015: £9,551k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Curriculum developments

The Common Inspection Framework was published by Ofsted in August 2015 and looks primarily at four key areas

- a) Effectiveness of Leadership and Management.
- b) Quality of Teaching, Learning and Assessment.
- c) Personal development, behaviour and welfare.
- d) Outcomes for learners.

The new framework continues to place particular emphasis on the participation and attainment of 16-18 year olds in English and maths. The College received a "Good" grade for Overall effectiveness in the January 2014 Ofsted inspection.

The College self-assessed itself rigorously against these key criteria during the year, and as a result the overall effectiveness was revised to "Requires Improvement".

16-18 learners at the College for 2015-16 achieved an overall success rate of 79.9%, which is some 1.5% above the 2014-15 national average. The College successfully increased the number of learners in key target groups, for example in hard to reach and NEET learners. The provision of appropriate English and Maths learning for 16-18 year olds was also extended once again during the year, with basic Functional skills for 16-18 year olds at 12.9% above 2014-15 national averages.

Further growth was achieved once again in delivering against the key government apprenticeship agenda, with some 479 new 16-18 apprenticeships and 1,779 new adult apprenticeships delivered during the year. Sub-contract partners continued to deliver volume and high quality apprenticeships in a range of disciplines. Success rates for apprenticeships are well above national averages, with timely success of 67.4% which is 9.7% above 2014-15 national averages.

Curriculum planning and development for 2016-17 has been informed by close analysis of local and national priorities together with the need to continue to improve the efficiency of delivery. The 2016-17 offer continues to provide opportunities at advanced level while further expanding provision at lower and intermediate levels and apprenticeship learning. Planned average group sizes for 2016-17 are 18, an increase from 16 in 2015-16.

Events after the balance sheet date

On the 18th October 2016, following the completion of a feasibility study undertaken by KPMG, the Sussex Coast College Hastings' Corporation approved the preferred option contained in this report. The preferred option is to adopt a phased approach to developing arrangements over the next two to three years with Sussex Downs College, with the intended outcome being a Group Structure model.

In late November the College was notified that Acquire Learning Uk, which supplies students for the College's distance learning business, had applied for voluntary liquidation. A provision of £188,000 has been made in these accounts in relation to this, against the total indebtedness of £260,000 at 31st July 2016.

Future developments

The College continues to focus on a student first culture whilst enhancing cash generation, achieving value for money and delivering benchmark efficiency in all its operations. Furthermore the management team is exploring the opportunities within the existing estate for fitting out expansion spaces, and also implementing better use of current spaces. Work has commenced on the Business Planning Cycle for 2017-18, and in particular the Curriculum Strategy, which must meet the challenges of the next few years in the diverse disciplines in which the College operates. The management team continue to closely monitor local, national and international updates from a variety of sources including funding bodies, government departments, FE sector experts, audit firms, the media etc.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible fixed asset additions in the year amounted to £432k (2014-15: £140k)

Financial

The College has £1.1 million of net assets (incorporating a £8.9 million pension liability) (2014-15: £2.0m incorporating a £7.6m pension liability).

People

The College employs 301 people (expressed as full time equivalents), of whom 163 are teaching staff (2014-15: 332 people of whom 196 were teaching staff).

Reputation

The College continues to strive to build upon its recent successes in improving its reputation locally and nationally. Achieving and maintaining a quality brand is essential for the College's success at attracting students and developing external relationships, as well as maximising the value realised from the investment in new buildings.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has embedded a system of internal controls, including financial, operational and risk management which is designed to protect the College's assets and reputation. The College operates an online system for recording and reporting Risk which formalises this process across all the areas of the College.

The system comprises a strategic risk register with 21 key risks. The register is reviewed and updated by risk owners right across the College with electronic date prompts. The register assists the College in documenting the identification of 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.

High, Medium and Low Level Concerns are summarised on the KPI Dashboard presented to Corporation. Outlined below is a description of the principal risk factors that may affect the College, and which are reported as High level concerns to Corporation on the KPI Dashboard. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Increased competition reduces student numbers and income

The College must remain vigilant to the increasing competition in the local area from new post-16 providers, which includes school 6th forms and private training providers. This increased competition is compounded by demographic changes which is seeing a reduction in the number of 16-18 year olds in East Sussex over the next few years.

This risk is mitigated in a number of ways:

- Improved marketing materials and investment in social media
- Revision of the 16-18 course offer to better meet local need and demand
- Expansion of School liaison activities
- Expanding the catchment area via online learning
- A series of Open Evenings that showcase the College and curriculum.

2. Changes in government funding or policy not foreseen or acted upon

The Further Education sector remains subject to a rapidly changing environment and it is vital that these changes to funding and policy are understood, and mitigating actions implemented. For example, the introduction of the Apprenticeship Levy is a significant change where routes of funding are directed to employers, who take more ownership of skills.

This risk is mitigated in a number of ways:

- Develop a three year curriculum strategy that includes study programmes, apprenticeships, and loan provision
- Subscription to key sector update publications from the AoC, EFA, SFA and other sector bodies
- Proactive approach to attending sector update seminars, conferences and workshops
- Regular briefings to key management staff.

3. Failure to improve English & Maths participation and success rates (Functional skills and GCSE)

The delivery of English & Maths remains a condition of funding and represents a challenge in operational terms, as it encompasses a significant proportion of our learners being timetabled across the year. Given the challenges that students have faced in achieving these qualifications at school, there remains a risk that without specific measures and intervention the pattern of outcomes would continue, with a subsequent impact on success rates overall.

This risk is mitigated in a number of ways:

- All students are registered to take exams or assessments by June
- Additional observations and visits scheduled
- Re-focus of curriculum management in English & Maths areas

4. Failure to achieve Apprenticeship income target

The College continues to focus on this area of national priority and historically has placed considerable reliance on sub-contract provision to deliver its allocation for apprenticeships. The delivery of 16-18 and adult targets have separate internal and sub-contract targets and are resourced to deliver in this proportion. In meeting these challenging targets, the high quality of current delivery must not be compromised.

This risk is mitigated in a number of ways:

- Increased sales and marketing capacity for internal target
- Development of robust supply chain for external target
- Planned starts across the year to ensure carry-in levels remain high
- Increase in range of frameworks available
- Monthly income tracking meetings with key staff.

5. Failure to achieve Subcontractor income target

The College has focused on a strategy of significant levels of sub-contracting with high quality partners, which is planned within the business planning cycle. Income from subcontractors forms a material part of the College's annual income, and close liaison with partners is needed to identify any issues in a timely fashion.

This risk is mitigated in a number of ways:

- Dedicated partnership team with robust processes
- Regular announced and unannounced visit schedule to partners
- Robust due diligence processes
- Partners included in the Principal's Performance Review (PPR) process
- Monthly income tracking meetings and interventions from key staff.

6. High Levels of Staff turnover and sickness absence affect the College finances

As the sector continues to be required to deliver greater levels of efficiency, Colleges must strive to ensure that pay costs are controlled; they represent the largest single category of spend. The risk is particularly significant therefore where costs of cover, including agency costs, are required.

This risk is mitigated in a number of ways:

- Robust Job Descriptions and Person Specifications for all posts
- Local and corporate induction programme
- Reward for nil sickness absence
- Robust absence and pay processes.

7. Low success rates on e-learning provision depresses overall success rates and affects future Ofsted inspections

With challenges to core government funding income, the College continues to focus on diversifying income streams and as a result, reducing risk with a portfolio of businesses. E-learning represents one such business initiative but care is required that with the high volumes of learners and new modes of delivery, overall success rates are not significantly affected.

This risk is mitigated in a number of ways:

- Clear entry requirements of at least a Level 2 qualification or equivalent
- A no obligation trial period allowing both parties to assess suitability
- Regular tracking and communication during the course, including unit completion confirmations.

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with universities, Sussex Coast College Hastings has many stakeholders. These include:

- Students
- Funding agencies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/ Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

The Vertical Education Partnership is an agreement between the College, University of Brighton (UoB) and two UoB sponsored secondary academies that focuses upon working more closely together for the good of educational outcomes for young people, their parents and the wider local population in general. We are focused upon improving:

- Information, Advice and Guidance (IAG) and support to encourage young people to continue in education
- The quality of Teaching and Learning with joint CPD and other training initiatives
- Pathways to develop educational pathways from entry to Higher Education.

Equality, Diversity and Inclusion

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Equality, Gender Equality and Disability Equality, are published on the College's internet site.

The College is an agreed Disability Symbol User (Two Ticks) and we shortlist all applications from disabled persons who meet the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. An annual confidential review is offered to each person with a disability to discuss the support they receive, the progress of their condition and if necessary make changes in the support. The individual has a choice of who carries out this review: their line manager or an adviser from Human Resources. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

The College implemented a Single Equality Scheme in advance of the Public Equality Duty which became law in April 2011.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005:

- a. The new capital build programme which delivered the buildings at Station Plaza and Ore Valley are fully compliant with all relevant legislation.
- b. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- c. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

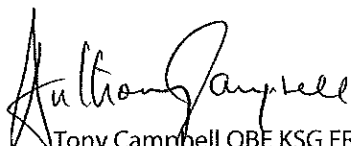
Staff and student involvement

The College holds the Investor in People accreditation. Termly staff development days and other events are held to ensure effective communication with staff on College strategy and direction. Students attend course boards and focus groups to provide feedback on curriculum to the College. Formal systems are in place to collect student views and deliver them to the Corporation and executive management of the College. Staff and students are represented on the Corporation.

Disclosure of Information to Auditor

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

Approved by order of the members of the Corporation on 8th December 2016 and signed on its behalf by:

 OBE KSG FRSA
Tony Campbell OBE KSG FRSA
Chairman

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. In full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"), and
- iii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the board has complied with the Foundation Code and adopted for 2016 The Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code in 2014-15. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Further Education Sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31st July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities it takes full account of the Code issued by the Association of Colleges in March 2015, which was adopted by the College on 27th April 2016.

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

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Individual attendance
Tony Campbell OBE KSG FRSA <i>Chairman from April 2013</i>	07.07.10 (CT) 06.07.14	Four years (term of office as Chair :Three years)	n/a	External	Curriculum, Quality and Standards (CQS) (Ex-officio (EO) Finance & HR (F&HR) (: EO) Remuneration (Rem) (EO Chair)) Search and Governance Development (SGD) (EO)	90%

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Individual attendance
Patrick Farmer <i>Vice Chairman from April 2013</i>	27.3.02 Current term (CT)26.3.14	Four years (term of office as Vice Chair: Three years)	n/a	External	CQS (Chair) F&HR Rem	95%
Clive Cooke	26.03.12	n/a (ex officio)	n/a	Ex officio (Principal)	All Committees (EO) except Audit, Special and Rem	70%
Roger Dennard	01.06.98 (CT) 24.6.15	One year	n/a	External (co-opted)	Audit	100%
Paul Evans	22.9.10. (CT) 24.06.15	One year	n/a	External (co-opted)	F&HR	100%
Dr Diana Garnham	05.12.12	Four years	n/a	External	CQS Rem SGD	83%
James Harris	10.12.14	Four years	n/a	External		67%
Graham How	20.03.13	Four years	n/a	External	SGD	84%
Simon Hubbard	02.05.12 (CT)02.05.16	Four years	n/a	External	CQS	79%
Vic Kempner	3.2.06 (CT) 2.2.14	Four years	n/a	External	Audit CQS SGD (Chair) Special (Chair)	79%
Ken Melsom MBE JP	1.10.89 (CT) 04.07.12	Four years	n/a	External	F&HR (Chair) Rem SGD	92%
Professor Chris Pole	29.06.15	Four years	23.03.16	External	CQS	34%
Derek Stevens	04.07.12 (CT) 04.07.16	Four years	n/a	External	Audit (Chair)	92%
Caroline McKiddie	29.16.15	One year	n/a	External (co-opted)	CQS	67%
Susan Walton	14.03.2012 (CT) 14.03.16	Four years	n/a	External	F&HR	80%
Wendy Bennett	23.02.12	Staff	n/a	Staff (teaching)	F&HR	100%
Karen Cunnington	11.02.16	Staff	n/a	Staff (teaching)	Audit	84%
Debbie Baldock-Apps	07.10.15	Staff Staff		Staff (support) Staff (support)		100%
Lawrence Calton	07.05.15	One year	31.07.15	Student Governor	All committees as attendee	100%
Reef Atkinson	10.12.15	One year	31.07.15	Student Governor	All committees as attendee	20%

Governance Framework

Sarah Connerty was appointed as Clerk to the Corporation with effect from 10th September 2013.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation, and which are reviewed annually. These committees are: Audit; Curriculum, Quality and Standards; Finance and Human Resources; Remuneration; Search and Governance Development; and Special.

The number of meetings of the Corporation and its committees during the year to 31 July 2016 were: Corporation (6); Audit (3), CQS (4), FHR(5), Search (3), together with a number of meetings attended by individual governors. Overall governor attendance for 2015-16 was in line with target at 88%. The Search and Governance Development Committee is responsible for monitoring individual governor attendance.

The Corporation self-assesses its performance annually and provides an assessment on its own effectiveness. The Search and Governance Development Committee is responsible for oversight and analysis of Corporation self-assessments. Each Committee is responsible for annually reviewing its terms of reference and monitoring its performance against these criteria.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at: sconnerty@sussexcoast.ac.uk or:

Sarah Connerty, Sussex Coast College Hastings, Station Plaza, Station Approach, Hastings, East Sussex, TN34 1BA.

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

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

Formal agendas, papers and reports are supplied to members seven days prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Development Committee comprising five members which is responsible for the selection and nomination of any new member (save the staff and student governors, and Accounting Officer) for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate induction and ongoing training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

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

Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Accounting Officer, Chair and members of the Finance & Human Resources Committee). The Committee operates in accordance with written terms of reference approved by the Corporation and consistent with the Joint Audit Code of Practice. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Skills Funding Agency and Education Funding Agency, as they affect the College's business.

The College's internal auditors monitor 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the Skills Funding Agency. They are also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with requirements of the EFA and 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 Corporation on the recommendation of the Audit Committee.

Review of effectiveness

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and regularity auditors in their management letters and other reports.

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

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

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

Going Concern

The College has made an assessment of the appropriateness of the going concern basis for the preparation of financial statements, taking into account operational profits, capital investment plans and loan arrangements.

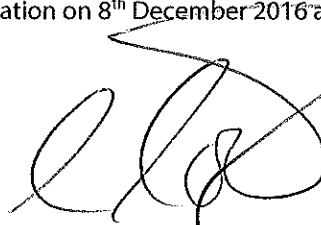
The College budgeted for £1.25m of e-learning income in 2016-17, with new learners planned to be sourced from Acquire Learning UK, a company that subsequently applied for voluntary liquidation in late November 2016. The College is looking to mitigate this primarily by identifying other sources of learners for its distance learning programmes, but also by identifying other solutions and possible opportunities in 2016-17.

The College has long term loan facilities agreed with their finance providers and in addition there is an overdraft facility of £1.5m which reduced to £1.25m in November 2016. These loans total £7.6m and are repayable over a 20 year period. The College has prepared cash flow forecasts for the period to 31 July 2018 and on the basis of these forecasts the College has concluded that it can continue to operate within the terms of the agreed facilities for the foreseeable future.

In the absence of material uncertainties related to events or conditions that cast significant doubt on the ability of the College to continue as a going concern and because the Corporation considers that College has adequate resources to continue in operational existence for the foreseeable future, the College continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 8th December 2016 and signed on its behalf by:


Tony Campbell OBE KSG FRSA
Chairman


Clive Cooke
Accounting Officer

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


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

During the year, one instance of material irregularity has been identified. Payments on account were made to Acquire Learning UK, a company which provided enrolments onto the College's distance learning programme. These payments exceeded the level at which the Financial Regulations required notification to and pre-approval by the Finance and Human Resources Committee and amounted to £260,000 at 31 July 2016. This breach has been notified to all relevant stakeholders including the internal and external auditors, and the Skills Funding Agency. The College has reviewed the incident and is undertaking a full refresh of the existing Financial Regulations to ensure that they continue to protect the College's resources whilst maintaining a safe level of commercial risk.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, other than the instance noted above we were not able to identify any other 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 further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 8th December 2016 and signed on its behalf by:



OBE KSG
FRSA

Tony Campbell OBE KSG FRSA
Chairman



Clive Cooke
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

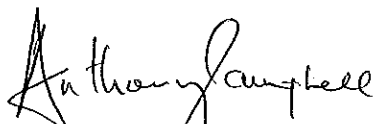
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 8th December 2016 and signed on its behalf by:


Tony Campbell OBE KSG FRSA
Chairman

Independent auditor's report to the Corporation of Sussex Coast College, Hastings

We have audited the College financial statements ("the financial statements") of Sussex Coast College, Hastings for the year ended 31 July 2016 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Sussex Coast College, Hastings and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council Ethical Standards.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

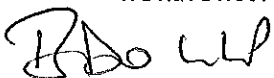
In our opinion the financial statements:

- give a true and fair view of the state of the Group and College's affairs as at 31 July 2016 and of the Group and College's income and expenditure, recognised gains and losses, and statement of cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

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.



William Lumsden, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom

Date: 29th December 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

To: The corporation of Sussex Coast College, Hastings and the Secretary of State for Education acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 26 October 2015 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 anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Sussex Coast College, Hastings during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Sussex Coast College, Hastings and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Sussex Coast College, Hastings and the Skills Funding Agency and 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 Coast College, Hastings and the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Sussex Coast College, Hastings and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;

- Review of the books and records of the College Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the College Corporation's completed Self-assessment Questionnaire (Annex C of the JACOP) for the College Corporations responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds and Governors' and Senior Management Team's expenses.

Conclusion

In the course of our work, except for the matters listed below, 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.

As noted on page 20 in the Corporation's statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding, between 1 August 2015 and 31 July 2016 the College has made payments on account to Acquire Learning UK, a supplier of education services to the college which totalled £260,000 at 31 July 2016. On 17 November 2016, the supplier has entered voluntary liquidation and the College has made full provision against the amounts still outstanding at that date. The College did not appropriately authorise these payments in line with its Financial Regulations.



BDO LLP
Chartered Accountants
Gatwick

Date: 29th December 2016

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

Sussex Coast College, Hastings
Consolidated statement of comprehensive income
For the year ended 31 July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	16,557	16,557	17,783	17,783
Tuition fees and education contracts	3	4,148	4,148	4,004	4,004
Other grants	4	40	40	-	-
Other income	5	1,604	1,058	1,611	1,133
Investment income	6	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total income		22,350	21,804	23,399	22,921
EXPENDITURE					
Staff costs	7	10,356	10,153	10,749	10,565
Other operating expenses	9	9,297	8,962	8,803	8,491
Depreciation	12	2,358	2,329	2,354	2,317
Interest and other finance costs	10	424	424	405	405
Total expenditure		22,435	21,868	22,311	21,778
Surplus before other gains and losses		(85)	(64)	1,088	1,143
Loss on disposal of assets		<u>(5)</u>	<u>(5)</u>	<u>(49)</u>	<u>(49)</u>
Surplus before tax		(90)	(69)	1,039	1,094
Taxation	11	-	-	-	-
Surplus for the year		(90)	(69)	1,039	1,094
Actuarial loss in respect of defined benefit pension schemes	22	<u>(801)</u>	<u>(801)</u>	<u>(418)</u>	<u>(418)</u>
Other comprehensive income for the year		(801)	(801)	(418)	(418)
Total comprehensive income for the year		(891)	(870)	621	676

Sussex Coast College, Hastings
Consolidated and College Statement of Changes in Reserves
For the year ended 31 July 2016

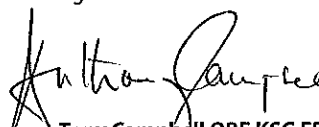
	Share Capital £'000	Endowment funds £'000	Income & exp account £'000	Total £'000
Group				
Restated Balance at 1 August 2014	-	411	773	1,184
Period ended 31 July 2015:				
Surplus from I&E	-	-	1,039	1,039
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	-	-	(418)	(418)
Total comprehensive income for the year	-	-	621	621
Transfers	-	(411)	411	-
Balance at 31st July 2015	-	-	1,805	1,805
Period ended 31 July 2016:				
Surplus from I&E	-	-	(90)	(90)
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	-	-	(801)	(801)
Total comprehensive income for the year	-	-	(891)	(891)
Balance at 31 July 2016	-	-	914	914

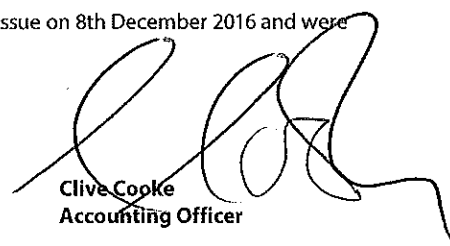
	Share Capital £'000	Endowment funds £'000	Income & exp account £'000	Total £'000
College				
Restated Balance at 1 August 2014	-	411	873	1,284
Period ended 31 July 2015:				
Surplus from I&E	-	-	1,094	1,094
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	-	-	(418)	(418)
Total comprehensive income for the year	-	-	676	676
Transfers	-	(411)	411	-
Balance at 31st July 2015	-	-	1,960	1,960
Period ended 31 July 2016:				
Surplus from I&E	-	-	(69)	(69)
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	-	-	(801)	(801)
Total comprehensive income for the year	-	-	(870)	(870)
Balance at 31 July 2016	-	-	1,090	1,090

Sussex Coast College, Hastings
Balance sheets as at 31st July

	Notes	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Non-current assets					
Tangible fixed assets	12	91,237	91,127	93,178	93,048
Total non-current assets		91,237	91,127	93,178	93,048
Current assets					
Stocks	15	26	20	38	28
Debtors	16	2,125	2,409	1,281	1,586
Cash and cash equivalents		595	557	924	870
Total current assets		2,746	2,986	2,243	2,484
Less: Creditors – amounts falling due within one year	17	(5,210)	(5,164)	(5,018)	(4,974)
Net current liabilities		(2,464)	(2,178)	(2,775)	(2,490)
Total assets less current liabilities		88,773	88,949	90,403	90,558
Less: Creditors – amounts falling due after more than one year	18	(78,375)	(78,375)	(80,457)	(80,457)
Less: Provisions for liabilities	19	(550)	(550)	(550)	(550)
Net assets excluding pension liability		9,848	10,024	9,396	9,551
Net pension liability	22	(8,934)	(8,934)	(7,591)	(7,591)
NET ASSETS		914	1,090	1,805	1,960
Reserves					
Income and expenditure account excluding pension reserve		9,848	10,024	9,396	9,551
Pension reserve	22	(8,934)	(8,934)	(7,591)	(7,591)
TOTAL RESERVES		914	1,090	1,805	1,960

The financial statements on pages 25 to 51 were approved by the Corporation and authorised for issue on 8th December 2016 and were signed on its behalf on that date by:


 Tony Campbell OBE KSG FRSA
 Chair


 Clive Cooke
 Accounting Officer

Sussex Coast College, Hastings
Consolidated Statement of Cash Flows
For the year ended 31 July 2016

	2016	2015
	£'000	£'000
Cash flow from operating activities		
Surplus after tax for the year	(90)	1,039
Adjustment for non-cash items:		
Depreciation	2,358	2,354
Decrease/(increase) in stocks	12	(8)
Increase in debtors	(845)	(94)
Increase in creditors	138	209
Pensions costs less contributions payable	542	453
Release of government deferred capital grants	(1,662)	(1,933)
Adjustment for investing or financing activities:		
Interest receivable	(1)	(1)
Interest payable	146	133
Loss on disposal of tangible asset	5	49
Net cash flows from operating activities	<u>603</u>	<u>2,201</u>
Cash flows from investing activities		
Payments made to acquire fixed assets	(432)	(140)
Proceeds from sale of fixed assets	10	124
Interest received	1	1
Government capital grants received	-	6
Net cash generated from investing activities	<u>(421)</u>	<u>(9)</u>
Cash flows from financing activities		
Interest paid	(146)	(133)
Repayments of bank loans	(365)	(1,246)
Net cash flow from financing activities	<u>(511)</u>	<u>(1,379)</u>
Net (decrease)/increase in cash and cash equivalents in the year	<u>(329)</u>	<u>813</u>
Cash and cash equivalents at beginning of year	924	111
Cash and cash equivalents at end of year	<u><u>595</u></u>	<u><u>924</u></u>

Notes

(forming part of the financial statements)

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

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 the 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 28.

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

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

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition;
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of accounting

The consolidated financial statements include the College and its subsidiary, Plaza Trading Hastings Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going Concern

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

The College faces challenges similar to most other colleges in the Further Education sector including falling demographics, introduction of the Apprenticeship Levy, other funding volatility, and increases in pension costs and the minimum wage. The College has been an active participant in the Area Review programme which seeks to deliver more sustainable long term finances for the sector, and is exploring working more closely with Sussex Downs College, another General Further Education College in East Sussex. In August 2016, Sussex Skills Solutions was launched, a joint project which brings an innovative approach to the delivery of apprenticeships and employer focused skills training in the South East.

The College budgeted for £1.25m of e-learning income in 2016-17, with new learners planned to be sourced from Acquire Learning UK, a company that subsequently applied for voluntary liquidation in late November 2016. The College is looking to mitigate this primarily by identifying other sources of learners for its distance learning programmes, but also by identifying other solutions and possible opportunities in 2016-17.

The College has long term loan facilities agreed with their finance providers and in addition there is an overdraft facility of £1.5m which reduced to £1.25m in November 2016. These loans total £7.6m and are repayable over a 20 year period. The College has prepared cash flow forecasts for the period to 31 July 2018 and on the basis of these forecasts the College has concluded that it can continue to operate within the terms of the agreed facilities for the foreseeable future. Consequently these accounts have been prepared on a going concern basis.

Notes (continued)

1 Statement of accounting policies (continued)

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

Other discrete Skills Funding Agency (SFA) and Education Funding Agency (EFA) funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the organisations.

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

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds.

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 recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service.

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.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Accounting for post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS) and the assets are held separately from those of the College.

The TPS is an unfunded pension scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured using closing fair values and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on 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/asset 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 other recognised gains and losses.

Short term employment benefits

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

Notes (continued)

1 Statement of accounting policies (continued)

Non-current Assets – Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold land is not depreciated. Each freehold building is depreciated on a straight-line basis over the estimated useful life to the College (currently up to sixty years for some buildings). Building improvements are depreciated over a 3 or 10-year period.

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 income and expenditure account 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.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the costs of those assets. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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. Shortfalls between the carrying value of the fixed assets and their recoverable amounts, are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets certain criteria, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

Computer equipment	-	3 years
Motor vehicles and general equipment	-	5 years
Furniture and fittings	-	7 years
Short Life accommodation	-	10 years
Plant	-	15 years

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

Investments

Fixed asset endowment investments are carried at valuation on the basis of depreciated replacement cost. The building concerned is depreciated on a straight line basis over its estimate useful life.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Endowment fund

The endowment fund related to a separate charity that was controlled by the Corporation, and comprised funds where any income were to be used for the charity's purposes, but the capital must be retained.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group as 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 costs, however the Group has calculated that the difference between 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.

Notes (continued)

1 Statement of accounting policies (continued)

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

Cash and cash equivalents

Cash includes cash in hand, deposits which have a maturity of less than three months and overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related income received from the Main Funding Body and subsequent disbursements to students and other further education colleges are excluded from the income and expenditure account (and are shown separately in note 28), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

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 leases. 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 group's tangible assets, including goodwill. 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, other than investment properties, 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.

- *Provision for balances with Acquire Learning UK*

The College has provided £188,000 in relation to balances outstanding with Acquire Learning UK, which applied for voluntary liquidation in late November 2016. The provision reflects the sums owed by Acquire at 31st July 2016, reduced by commission payments withheld from August 2016 onwards to the date of application for voluntary liquidation. Until settlement is reached with the insolvency practitioners, resolution of the parent company guarantee is finalised, and the existing distance learning students are supported to complete their courses, the exact financial impact of this issue will not be known.

- *Provision for Compulsory Purchase Order for land at Ore Valley*

A provision has been held in the balance sheet for £550,000 since the inception of the new capital build in 2010, in relation to a compulsory purchase order (CPO) of land at Ore Valley. The land was acquired with an existing electricity sub-station, and following a number of government changes, the Department for Business, Innovation and Skills settled the total CPO liability at £659,000 with the electricity company during 2015-16. The CPO was in relation to a number of plots of land and the final liability for the College is yet to be determined, negotiations are on-going with the Department for Business, Energy and Industrial Strategy. For this reason, the exact value of the liability continues to be held at the value stated in the balance sheet, but will be subject to the finalisation of negotiations.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

2 Funding body grants

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Recurrent grants				
Skills Funding Agency recurrent grant	6,830	6,830	6,329	6,329
Education Funding Agency recurrent grant	7,745	7,745	9,226	9,226
Higher Education Funding Council recurrent grant	100	100	82	82
Specific grants				
Skills Funding Agency non recurrent grant	328	328	328	328
Releases of deferred government capital grants	1,554	1,554	1,818	1,818
Total	16,557	16,557	17,783	17,783

3 Tuition fees and education contracts

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Tuition fees	3,478	3,478	3,082	3,082
Education contracts	670	670	922	922
Total	4,148	4,148	4,004	4,004

4 Other grants and contracts

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Non-funding body government grants	40	40	-	-
Total	40	40	-	-

5 Other income

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Catering operations	847	338	853	412
Other income	649	612	643	606
Release of non-funding body government deferred capital grants	108	108	115	115
Total	1,604	1,058	1,611	1,133

6 Investment income

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Other interest receivable	1	1	1	1
Total	1	1	1	1

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

7 Staff numbers and costs

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

	2016 No.	2015 No.
Teaching staff	163	196
Non teaching staff	<u>138</u>	<u>136</u>
	<u>301</u>	<u>332</u>

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	8,362	8,682
Social security costs	580	542
Other pension costs (including defined benefit pension scheme adjustments of £264,000 – (2015: £181,000))	<u>1,329</u>	<u>1,151</u>
Payroll sub total	10,271	10,375
Contracted out staffing services	<u>41</u>	<u>172</u>
	10,312	10,547
Restructuring costs - Contractual	44	164
Restructuring costs - Non-Contractual	<u>-</u>	<u>38</u>
	<u>10,356</u>	<u>10,749</u>

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 Senior Leadership Team which comprises the Principal, Deputy Principal, Vice Principal Corporate Resources and Vice Principal Enterprise, Employment and Skills. Staff costs include compensation paid to key management personnel for loss of office.

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

	Key Management Personnel		Other Staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000	-	-	2	3
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	2	2	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £140,000	-	-	-	-
£140,001 to £150,000	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>4</u>	<u>4</u>	<u>2</u>	<u>3</u>

Compensation for loss of office totalling £14,000 was paid to one former member of key management personnel in addition to the salary shown.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

8 Compensation of Key Management Personnel

Key Management Personnel are defined as the Principal and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the College.

	2016	2015
	No.	No.
The number of key management personnel including the Principal was:	4	4
	<u>4</u>	<u>4</u>

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	367	351
Employers NI	47	42
Benefits in kind	<u>2</u>	<u>2</u>
	416	395
Pension contributions	<u>66</u>	<u>66</u>
Total emoluments	<u>482</u>	<u>461</u>

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

Accounting Officer	2016	2015
	£'000	£'000
Salaries	150	150
Benefits in kind	<u>1</u>	<u>2</u>
	151	152
Pension contributions	18	21
Total emoluments	<u>169</u>	<u>173</u>

The contributions to the Teachers' Pension Scheme and LGPS in respect of key management personnel are paid at the same rate as for other employees.

Benefits in Kind comprise subscriptions to Private Health Insurance.

Compensation for loss of office paid to former key management personnel

	2016	2015
	£'000	£'000
Compensation paid to former key management personnel - contractual	14	30
Estimated value of other benefits, including provisions for pension benefits	<u>-</u>	<u>-</u>
Total	<u>14</u>	<u>30</u>

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

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

9 Other operating expenses

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Teaching costs	5,414	5,414	4,893	4,888
Non teaching costs	2,366	2,050	2,624	2,335
Premises costs	<u>1,517</u>	<u>1,498</u>	<u>1,286</u>	<u>1,268</u>
Total	<u>9,297</u>	<u>8,962</u>	<u>8,803</u>	<u>8,491</u>

Other operating expenses include:

	2016 £'000	2015 £'000
Auditors' remuneration:		
Financial statements audit*	29	31
Internal audit**	34	26
Taxation advice provided by the financial statements auditors	2	2
Hire of plant and machinery – operating leases	81	83
Hire of other assets – operating leases	<u>87</u>	<u>85</u>

* includes £27,000 in respect of the College (2014/15 £29,000)

** includes £34,000 in respect of the College (2014/15 £25,610)

10 Interest and other finance costs

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	7	10
Repayable wholly or partly in more than five years	<u>139</u>	<u>123</u>
	<u>146</u>	<u>133</u>
Net interest on defined pension liability (note 21)	<u>278</u>	<u>272</u>
Total	<u>424</u>	<u>405</u>

11 Taxation

The members believe that the College and Group was not liable for any Corporation Tax arising out of its activities during the year

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

12 Tangible fixed assets (Group)

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2015	100,707	6,915	107,622
Additions	54	378	432
Disposals	-	(25)	(25)
At 31 July 2016	100,761	7,268	108,029
Depreciation			
At 1 August 2015	8,833	5,611	14,444
Charge for the year	1,617	741	2,358
Eliminated on disposal	-	(10)	(10)
At 31 July 2016	10,450	6,342	16,792
Net book value at 31 July 2016	90,311	926	91,237
Net book value at 31 July 2015	91,874	1,304	93,718

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

12 Tangible fixed assets (College only)

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2015	100,545	6,831	107,376
Additions	54	369	423
Disposals	-	(25)	(25)
At 31 July 2016	100,599	7,175	107,774
Depreciation			
At 1 August 2015	8,774	5,554	14,328
Charge for the year	1,601	728	2,329
Eliminated on disposal	-	(10)	(10)
At 31 July 2016	10,375	6,272	16,647
Net book value at 31 July 2016	90,224	903	91,127
Net book value at 31 July 2015	91,771	1,277	93,048

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

13 Investments

In August 2011 the College acquired 100% of Plaza Trading Hastings Limited on incorporation for £100. The principal activity of Plaza Trading Hastings Limited is the operation of commercial activities on behalf of the College. The activities of Plaza Trading Hastings Limited are consolidated in these accounts.

14 Endowment investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Balance at 1 August	-	-	411	411
Transfer to income and expenditure reserve	-	-	(411)	(411)
Depreciation charge for the year	-	-	-	-
Balance at 31 July	-	-	-	-

Endowment investments relate to a building sold during 2013/14 for which the proceeds were held in trust. In April 2015 the Charities Commission approved a scheme which replaced the former trusts of the charity, and enabled the College to utilise all or some of the proceeds, at its discretion, for the furtherance of the object of the charity.

15 Stock

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Finished goods and goods for resale	<u>26</u>	<u>20</u>	<u>38</u>	<u>28</u>

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

16 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade debtors	1,162	1,161	657	657
Other debtors	6	3	19	2
Amounts owed by group undertakings	-	302	-	322
Prepayments and accrued income	492	478	449	449
Amounts owed by the Skills Funding Agency	465	465	156	156
Total	<u>2,125</u>	<u>2,409</u>	<u>1,281</u>	<u>1,586</u>

Amounts owed by group undertakings includes £100,000 (2015: £120,000) that is due in more than one year.

17 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	543	543	366	366
Payments received on account	254	254	427	421
Trade creditors	214	193	317	295
Other taxation and social security	359	344	205	190
Accruals and deferred income	1,961	1,951	1,637	1,636
Deferred income - Government Capital Grants	1,539	1,539	1,662	1,662
Amounts owed to Skills Funding Agency	-	-	105	105
Amounts owed to Education Funding Agency	340	340	299	299
Total	<u>5,210</u>	<u>5,164</u>	<u>5,018</u>	<u>4,974</u>

18 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Deferred Income	4,182	4,182	4,182	4,182
Deferred Income - Government Capital Grants	67,168	67,168	68,708	68,708
Bank loans	7,025	7,025	7,567	7,567
Total	<u>78,375</u>	<u>78,375</u>	<u>80,457</u>	<u>80,457</u>

19 Provision for liabilities

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Provisions	550	550	550	550
	<u>550</u>	<u>550</u>	<u>550</u>	<u>550</u>

Provisions relate to a compulsory purchase order on the land at the Ore Valley site which resulted from the capital build in 2010.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

20 Analysis of Borrowings

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	543	543	366	366
Between one and two years	543	543	543	543
Between two and five years	2,178	2,178	1,085	1,085
In five years or more	4,304	4,304	5,939	5,939
Total	<u>7,568</u>	<u>7,568</u>	<u>7,933</u>	<u>7,933</u>

The College has various unsecured loans as follows:

Loan Principal	Interest Rate	Final Payment Date
£7.5m	LIBOR + 0.85%	August 2030
£0.8m	LIBOR + 1.75%	August 2035
£0.2m	LIBOR + 2.00%	September 2022

21 Financial Instruments

The Group has the following financial instruments:

	Group 2016 £'000s	Group 2015 £'000s
Financial Assets		
Debt instruments measured at amortised cost	<u>1,062</u>	<u>832</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>11,820</u>	<u>12,310</u>

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

22 Retirement benefits

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales

Total pension cost for the year	2016	2015
	£'000	£'000
Teachers Pension Scheme: contributions paid	225	440
Local Government Pension Scheme:		
Contributions paid	576	527
FRS 102 (28) charge	264	181
Charge to the Statement of Comprehensive Income	840	708
Enhanced pension charge to Statement of Comprehensive income	-	-
Total Pension Cost for Year within staff costs	1,065	1,148

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £130,611 (2015: £117,830) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme - Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

The Teachers' Pension Budgeting and Valuation Account

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

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

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion,
- an employer cost cap of 10.9% of pensionable pay
- assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- rate of real earnings growth is assumed to be 2.75%
- assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fee), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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>.

The pension costs paid to TPS in the year amounted to £491,000 (2015: £440,000).

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

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For year ended 31 July 2016

22 Retirement benefits (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by East Sussex County Council. The total contribution made for the year ended 31 July 2016 was £771,126 of which employer's contributions totalled £574,790 and employees' contributions totalled £196,336. The agreed contribution rates for future years are 17.3% 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%	4.5%
Rate of increase for pensions in payment / inflation	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	2.6%	2.6%
Commutation of pensions to lump sums	50.0%	50.0%

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
<i>Retiring today</i>		
Males	22.2	22.2
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.2	24.2
Females	26.7	26.7

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For year ended 31 July 2016

22 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value of assets	
	2016	2015
	£'000	£'000
Equity instruments	12,824	10,949
Debt instruments	2,672	2,467
Property	1,781	1,696
Cash	534	308
Total fair value of plan assets	17,811	15,420
Actual return on plan assets	1,618	833

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

	2016	2015
	£'000	£'000
Current service cost	817	691
Net interest on the net defined benefit pension liability	278	272
Plan introductions, changes, curtailments and settlements	23	17
Total	1,118	980

Changes in the present value of defined benefit obligations

	2016
	£'000
Defined benefit obligations at start of period	23,011
Current service cost	817
Interest cost	837
Contributions by scheme participants	196
Actuarial (gains)/losses	2,419
Benefits paid	(558)
Plan introductions, changes, curtailments and settlements	23
Defined benefit obligations at end of period	26,745

Changes in fair value on plan assets

	2016
	£'000
Fair value on plan assets at start of period	15,420
Interest income	559
Return on plan assets	1,618
Employer contributions	576
Contributions by scheme participants	196
Benefits paid	(558)
Fair value on plan assets at end of period	17,811

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

23 Capital Commitments

The College had no capital commitments at 31 July.

24 Financial commitments

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

	Group and College	
	2016	2015
	£'000	£'000
Land and buildings		
Expiring within one year	87	87
Expiring within two and five years inclusive	61	148
Expiring in over five years	-	-
	<u>148</u>	<u>235</u>
Other		
Expiring within one year	69	81
Expiring within two and five years inclusive	5	74
Expiring in over five years	-	-
	<u>74</u>	<u>155</u>

25 Contingent liabilities

The College had no contingent liabilities at 31 July 2016.

26 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. Principal relationships with other entities were as follows:

The total expenses paid to or on behalf of the Governors during the year was £534; 4 governors (2015: £128; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Mrs Susan Walton (Independent Governor) is the Chief Executive of a local charity (Pestalozzi Children's Village Trust) that sends students to the

Mr James Harris is the Assistant Director of Economy at East Sussex County Council.

Mrs Caroline McKiddie (Co-opted Governor) is the Participation Manager (Education, Employment & Training), Standards & Learning Effectiveness Service, Partnership & Provision Team at East Sussex County Council

Mr Simon Hubbard (Independent Member) is the Director of Regeneration at Hastings Borough Council

Mr Clive Cooke (Principal) is a Director of FE Sussex, Hastings Academies Trust and Shared Services in Sussex and Surrey Colleges (SISSC). Clive Cooke also became the Chair of GFE South on 1st September 2013.

Mr Simon Hubbard (Independent Member) is the Director of Regeneration at Hastings Borough Council.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

26 Related party transactions (continued)

FE Sussex

£7,200 (2015: £6,900) was paid to FE Sussex relating to membership fees (£6,900) and a team leading course (£300). There were no balances outstanding at year end (2015: nil).

SISSC

£28,765 (2015: £41,122) was paid to SISSC in relation to the development of shared services. £1,920 of this was outstanding at year end (2015: nil).

GFE South

The College contributed £5,000 (2015: £5,000) in participator funding along with all the other member Colleges. During the year the College started to provide a payroll service for GFE South for which a fee of £600 was charged in the year. £300 was due for payment at year end (2015: nil).

Hastings Borough Council

Annual rent of £29,548 (2015: £27,600) was paid in respect of the rental of a unit at Castleham Industrial Estate for the construction training centre. The College received £1,912 for letting income and training in relation to a member of the Council's staffing team. There were no balances outstanding at year end (2015: nil).

Pestalozzi Children's Village Trust

The Trust paid the College £127,732 (2015: £135,813) for the provision of training. £42,865 was outstanding at year end (2015: £45,367).

East Sussex County Council

£3,727 (2015: £1,050) was paid to East Sussex County Council relating to training courses and apprenticeship reviews. £3,777.65 was received from East Sussex County Council for letting income. A grant contribution of £10,000 was received towards the College's Sportsmaker project. There were no outstanding balances at year end (2015: nil).

27 Post-balance sheet events

Subsequent to the balance sheet date, a key supplier entered in to voluntary liquidation. A provision has been created against the debts owing at year end, as there is now significant doubt over their recoverability.

28 Amounts disbursed as agent

Discretionary support funds

	2016 £'000	2015 £'000
Funding body grants – hardship support	717	649
Funding body grants – childcare	90	95
Funding body grants – residential bursaries	-	-
Other Funding bodies grants	79	119
Interest earned		
	<u>886</u>	<u>863</u>
Disbursed to students	525	544
Administration costs	21	20
Amount consolidated in financial statements	<u>546</u>	<u>564</u>
Balance unspent as at 31 July, included in creditors	<u>340</u>	<u>299</u>

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.

Sussex Coast College, Hastings
Notes to the Accounts (continued)
For the year ended 31 July 2016

29 Reconciliation on adoption of FRS 102 and the 2015 FE & HE SORP

The year ended 31 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 31 July 2015 and the date of transition to FRS 102 and the 2015 FE & HE SORP was therefore 1 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 the new 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.

Financial Position	1 August 2014		31 July 2015	
	Group £'000	College £'000	Group £'000	College £'000
Total reserves under previous SORP	73,842	73,939	72,545	72,698
Employee leave accrual:				
- College	(361)	(361)	(368)	(368)
- Plaza Trading	(1)	-	(3)	-
Changes to measurement of net finance cost on defined benefit plans	-	-	-	-
Deferred capital grants reallocation to liabilities	(72,296)	(72,296)	(70,369)	(70,369)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(72,658)	(72,657)	(70,740)	(70,737)
Total reserves under 2015 FE HE SORP	<u>1,184</u>	<u>1,282</u>	<u>1,805</u>	<u>1,961</u>
Financial Performance			Group	College
			31-Jul-15 £'000	31-Jul-15 £'000
Surplus for the year after tax under previous SORP			1,342	1,398
Employee compensated absences:				
- College			(7)	(7)
- Company			(2)	-
Changes to measurement of net finance cost on defined benefit plans			(294)	(294)
Total effect of transition to FRS 102 and 2015 FE HE SORP			(303)	(301)
Total comprehensive income for the year under 2015 FE HE SORP			<u>1,039</u>	<u>1,097</u>

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 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 4 days unused leave for teaching staff and 11 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

An accrual of £362k has been charged to the opening reserves at 1 August 2014. A charge of £9k has been made to the Statement of Comprehensive Income in the year to 31 August 2015, being the movement on the accrual during the year.

Non-government grants accounted for under performance model

Under the previous UK GAAP and 2007 SORP, government capital grants were treated as part of reserves. FRS102 requires these to be treated as deferred income therefore an adjustment for £72,296k has been raised as at 1 August 2014 and £70,369k at 31 July 2015 to reclassify the grants from the reserves, through to 'Other Creditors.' There is no impact on the Statement of Comprehensive Income on transition.

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 31 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 of £294k in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

Presentation of actuarial gains and losses within Total Comprehensive Income

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

