

# **ANNUAL REPORT**

For the year ended

**31 July 2015**

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## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2015.

#### Legal status

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

#### Mission

The College mission statement is:

*'South Devon College: Inspiring our community through learning for all'*

#### Implementation of strategic plan

The College annually reviews its mission, strategic aims and operating plans. The Corporation monitors the performance of the College against this plan. The current strategic aims are to:

- 1) Be an outstanding and inspirational College at the heart of its community
- 2) Increase the number and range of learners, sustaining our inclusive approach
- 3) Enable learners to aspire and succeed, in a safe and supported learning environment
- 4) Sustain inspirational teaching, learning and assessment
- 5) Actively support employers, skills and economic growth
- 6) Sustain financial strength and resilience whilst investing in the present and the future
- 7) Maintain and expand outstanding accommodation, learning technologies and resources adopting sustainable approaches where possible
- 8) Sustain and further develop our self-critical and high performing learning culture
- 9) Enable staff to professionally develop, aspire and succeed

The College made significant progress towards achieving all of these aims during the year:

- Maintaining top decile in the country for learner success rates (General FE/Tertiary colleges)
- Investors in People status Gold/Champion sustained
- Investors in Careers Award sustained
- Opening of the South Devon High School with direct entry for full time 14 year olds as an integral part of South Devon College
- The Torquay Adult Training & development Centre was opened by MP for Torquay to expand our support for the area, return to work and new skills development
- Apprenticeship timely success rates projected to be 72%, 18% above the national rate
- Apprenticeships have reached record levels in 2014/15 with a total of over 1,270 across some 850 companies.
- A HE level survey of all completing Plymouth University students, including partner colleges' first year students, saw South Devon College at 88% student satisfaction, with teaching and learning rated at 90% within this
- An excellent QAA Higher Education Review awarding the college top quality commendations for the whole college quality approach
- Supporting the partnership development of the South Devon UTC alongside Exeter University, South West Water, Centrax, Galliford Try, Environment Agency and other partners, ready to open its doors in September 2015

## **Operating and Financial Review (continued)**

- We continue to expand our higher education portfolio, with an increased cohort and further progression pathways included expanded access provision
- We have responded to the government's encouragement of apprenticeship pathways by developing new routes in areas such as events and security and in sports fitness
- We have worked closely with Ofsted piloting the development of their new Common Inspection Framework
- We scored 9.0 out of 10 for Employer Satisfaction on the government's FE Choices website
- Matrix Accreditation retained for the whole College, following an extremely positive report confirming that the College provides high quality and impartial information, advice and guidance
- The College continues its international partnerships with relationships in Beijing, China and Oklahoma, USA, France and Sweden
- The College adopted a new 5 Year Accommodation Strategy to support its short, medium and longer term strategic ambitions

The College continued to meet or exceed recruitment and funding allocations and achieve excellent success rates through providing outstanding teaching and learning for its communities.

### **Challenges facing the College**

The further education sector is undergoing a period of considerable change and challenge in line with government priority changes and public funding constraints. Funding continues to be tight and colleges are required to be more creative and to reach out further to secure new revenue streams. New initiatives will bring greater potential rewards, but may also increase business risk. South Devon College has a clear strategy to grow partnerships and explore alternative and collaborative delivery models in support of our College mission, as reflected in projects such as Devon Studio School and South Devon UTC. New ventures bring a range of challenges and opportunities, reputational and financial, and these are closely monitored through the College's corporate governance structure.

### **Financial objectives**

The College's financial objectives are set to support the College mission and strategic aims. In particular they are:

- 1) to sustain financial strength and resilience whilst investing in the present and the future;
- 2) to achieve an annual operating surplus;
- 3) to fund continued capital investment;
- 4) to pursue alternative sources of funding, on a selective basis, consistent with the College's core objectives and the need for a financial contribution to the College's overall finances; and
- 5) to maintain strong control of solvency, current ratio and debt levels.

A series of performance indicators are annually agreed and monitored as part of the College's overall strategic and operational monitoring framework.

### **Performance indicators**

The College is committed to observing the importance of sector measures and indicators and uses government and other benchmark data, including measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency (SFA); this Finance Record produces a financial health grading which is "Good" for the College at 31<sup>st</sup> July 2015. The current rating of Good is considered a robust outcome given the current austerity climate.

## **FINANCIAL POSITION**

### **Financial results**

The College generated an operating surplus for the year of £279,000. A provision of £464,000 under FRS17 has been made resulting in an overall deficit on continuing operations of £185,000 (2013/14 operating surplus £736,000, FRS17 provision £543,000 leaving a surplus of £193,000). The Framework for Excellence financial health score determined by the SFA calculates the College continues to be in "Good" financial health.

### **Operating and Financial Review (continued)**

Despite the difficult external finance and funding context, the College has continued to invest significantly in campus developments, learning resources and additional staffing to support learning at South Devon College.

The College has accumulated reserves of £6,782,000 and cash balances of £5,558,000. The reserves have reduced by £1,480,000 mainly as a result of the increase in FRS17 provision. The College needs to continue to accumulate reserves and cash balances in order to maintain working capital and funds for reinvestment in capital, particularly in the context of limitations to capital grant availability.

Tangible fixed asset additions during the year amounted to £1,825,000. This includes land and buildings of £363,000 and equipment purchased of £1,448,000. Of this, £576,000 was spent on computer equipment and £542,000 on equipment for teaching purposes.

The College has significant reliance on Education Funding Agency (EFA) and Skills Funding Agency (SFA), (successor bodies of the LSC), for its principal funding sources, largely from recurrent grants. Since April 2010 funding agencies' funds have been channelled through the Skills Funding Agency, Education Funding Agency (previously Young People's Learning Authority) and Torbay Council Local Authority. In 2014/15 the LSC and its successor organisations provided 66% of the College's total income.

### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### **Cash flows and Liquidity**

At £1,608,000 (2013/14 £2,133,000), operating cash inflow was strong.

During the year the college drew down £500,000 new loans.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

## **Operating and Financial Review (continued)**

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

#### **Student numbers**

In 2014/15 the College delivered 16-18 activity equating to £12,230,000 in EFA main allocation funding (2013/14 - £14,206,000). This drop in funding generated was due to a change in the funding methodology. Learner numbers were 2,661 against a target of 3,025, with the funding agency no longer including certain students as eligible. Actual funding received, based on lagged learner numbers was £12,791,000 (2013/14 - £14,449,000).

19+ activity equated to £3,640,000 in SFA main allocation (single pot) funding (2013/14 - £4,325,000). Learner Numbers were 2,843 (2013/14 4,051), with a similar change in methodology. The drop in funding was offset by the transfer of some qualifications out of the SFA single pot and into 24+ Advanced Learning Loans.

Funding via 24+ Advanced Learning Loans was £878,000 in 2014/15, against a total facility of £1,008,000 (2013/14 funding of £668,000 against an original allocation of £466,000).

The College also successfully delivered a substantial range of programmes in higher education, work based learning, adult and community learning, re-engagement, full cost and other employer led activity.

The College contributed fully to the employer responsive areas of apprenticeships and other employer led activities, with a record year for apprenticeship numbers.

#### **Student achievements**

The year 2014/15 was the ninth full academic year at the new college campus at Vantage Point, Paignton. Key successes for the year included:

- 'A' Level pass rate for 16-18 year olds was 100% across all 19 subjects, including English, maths, science and art subjects putting the College in the top 10% of colleges nationally.
- Vocational Level 1, 2 and 3 programmes offered by the College achieved excellent results, with many Diplomas/Certificates achieving 100% pass rates and the Diploma success rates in the top 10% of colleges nationally.
- The volume of GCSE English and maths has grown significantly and results had an overall pass rate of 93%.
- GCSE other results had an overall pass rate of 94%, with 41% achieving A-C grades and the majority of subjects exceeding the national average.
- Apprenticeship timely success rates at 68%, nearly 13% above the national average.

#### **Curriculum developments**

The College continues to develop new study programmes in many areas of the curriculum in order to fully meet local employment and student needs. It continues to review and expand progression routes including additional higher education pathways.

Many of our students have low levels of prior educational achievement. The College has grown the range of study programmes aimed at students, particularly adults, who are returning to education. These include Entry Level courses, Skills for Life and maths and English programmes.

## **Operating and Financial Review (continued)**

Other courses prepare students for university through close association with Plymouth University. The College has increased its main HE foundation degree enrolment, now offering an increasing range of full honours degrees and has confirmed plans for future numbers using its landmark University Centre. The College is now considering how to meet increasing demand over the next 5 years through expansion of its facilities.

### **Payment performance**

Since 1998 there has been legislation in place providing a statutory right to interest for late payment to small business from large firms and the public sector. In 2002 small companies were also required to comply.

Amended late payment legislation came into force in March 2013, under the EU directive 2011/7/EU entitled "*Combating late payment in commercial transactions*". The aim was to make pursuing payment a simpler process across the European Union, reducing the culture of paying late and making paying on time the norm. Note the EU directive (in respect to payment performance) applies to all suppliers; the distinction between small/large businesses is removed.

In the context of this directive the College is public sector and as such must ensure the payment period for all commercial transactions is no longer than 30 days.

During the accounting period 1 August 2014 to 31 July 2015, the College paid 41% of its invoices within 30 days.

The College aims to pay all its creditors within agreed terms. The College incurred no interest charges in respect of late payment for this period.

### **Post-balance sheet events**

There have been no significant post balance sheet events.

### **Future developments**

The College has submitted an Expression of Interest to the Local Enterprise Partnership, Heart of the South West, under Growth Deal to develop its proposed new Hi Tech Centre and has been informed it is one of the high priorities skills projects in the LEP pipeline subject to the availability of further Government funding

The new £3.6m Devon Studio School building was completed in August 2014 with the new building opening its doors for the school's second year of operation.

Design development was completed and works began on the £10m University Technical College (UTC) for Engineering, Water & Environment to open in September 2015. Exeter University, South Devon College and key industry partners Galliford Try, South West Water, Environment Agency and Centrax are the founding sponsors for this project. The UTC opened in September 2015 as a separate entity.

Following the initial Administration in July 2014 and the subsequent winding up of STL Ltd (Syntech) in Autumn 2014 the College were unable to secure a new tenant. It decided, as part of its wider development plans and as enabling works for the new Hi Tech Centre building, to demolish the old Syntech building following the surrender of the lease by the Administrators

## **Operating and Financial Review (continued)**

Noss Marina Ltd and associated companies went in to administration in July 2014. The Administrators and appointers have made it clear they intend to continue to operate the marina business as a going concern. The College continued discussions to secure its future occupation of the site and use of the marina assets as part of future developments. To this end it has acquired from the Administrator the assets previously loaned and signed a lease agreement securing its occupation for a further 2 years.

## **RESOURCES**

The College has a wide range of excellent resources that it deploys in pursuit of its strategic objectives.

Tangible resources include the main college site, the Vantage Point campus, the University Centre, South West Energy Centre buildings and recently acquired adjoining "Syntech" site as well as the Newton Abbot Campus.

### *Financial*

The College has £25,634,000 of net assets (including £11,103,000 pension liability) and long term debt of £9,181,000.

### *People*

The College employs 616 people (expressed as full time equivalents), of whom 404 are teaching staff.

### *Reputation*

The College is well established as an outstanding institution which is recognised by the local community, regionally and nationally. Monitoring and maintaining the College's success is part of the embedded culture of continuous improvement and outstanding achievement and this continues to be formally recognised through external accreditation, awards, surveys and inspections.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to work to maintain robust systems of internal control, including financial, operational and risk management, designed to protect the College's assets and reputation.

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

A strategic risk register is maintained at the College level which is reviewed by the Audit Committee at each meeting and by the full Governing Body at least annually. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken and planned for implementation to reduce and mitigate the risks. Risks are prioritised using High, Medium and Low.

This is supported by a risk management training programme to raise awareness of risk throughout the College and inclusion within college operating plans of actions targeted to mitigate those risks. These are reviewed as part of the College's "business as usual" approach to managing risk.



## **Operating and Financial Review (continued)**

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

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2014/15, 68% of the College's revenue was ultimately public funded and this proportion is likely to be decreased by planned government changes and expectations. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College considers there are several issues which may impact on future funding, in particular higher education grant funding which has radically reduced since 2012 and replaced by fee income; Adult 24+ Learning Loans have replaced funded provision at Level 3 for learners over the age of 24 from 2013/14 with a consequential reduction in adult grant funding; the continuing backdrop of austerity and public funding cuts with the ongoing emphasis on delivering more, or at least as much for less.

This risk is mitigated in a number of ways:

- Maintaining the College's reputation for responsiveness, flexibility and top quality teaching and learning, working with employers and other partners
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- By providing excellent advice and guidance for learners of all ages
- Regular dialogue with funding bodies
- Increase diversification of commercial and full cost course delivery and other sources of revenue

In both EFA and SFA funding streams, existing comprehensive spending review plans suggest continuing reductions in future years in revenue terms and no direct capital availability.

### **2. Tuition Fee Policy**

Tuition fee expectations are challenging in a wider climate of financial austerity. The College follows SFA guidelines on expectations and reviews competitor practice in commercial areas.

### **3. Bursaries for Learners**

Removal of EMA funding in 2011/12 together with ongoing cuts to public transport funding by local councils continues to see concerns over choice and access to high quality vocational education. Impartial advice and guidance and bursary support are both important in this context.

### **4. Maintain adequate funding of pension liabilities and respond to new developments on pensions auto-enrolment, NI and pension employer contribution increases.**

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

## **Operating and Financial Review (continued)**

### **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, South Devon College has many stakeholders. These include:

- Learners;
- The local community;
- Local authorities, district councils and their strategic partners;
- Local employers and the self-employed;
- The Heart of the South West Local Enterprise Partnership (Devon, Torbay, Plymouth and Somerset);
- Staff;
- Education sector funding bodies;
- National and local all party politicians;
- Schools, universities and other education organisations;
- Trade Unions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication through a variety of meetings and media.

### **Equal opportunities**

South Devon College believes in the principle of freedom from discrimination for everyone, regardless of their age, gender, disability, ethnic or national origins, marital status, sexual orientation, social background or religious beliefs, or of being part of any other group which may have experienced discrimination. South Devon College aims to provide real equality of opportunity for all of our existing learners and staff and supports the same for wider community. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas and from groups within the wider community who are underrepresented in learning. The College will continue to foster a learning community for all its staff and students in which equality is promoted and diversity is valued. The College will champion equality and diversity in all of our activities. Our commitment to equality and diversity will ensure that success is achieved across the widest possible spectrum of the community. The College's Single Equality Scheme and Equality Objectives are published on the College's Intranet site. This policy is resourced, implemented and monitored on a planned basis.

The College publishes an Annual Equality Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

## Operating and Financial Review (continued)

### Disability Statement

South Devon College is committed to ensuring that people with a disability, including those with learning difficulties, are treated fairly and will ensure all reasonable adjustments are made to enable students and staff full access. The College will provide, wherever possible, as wide a range of opportunities and support for students who have disabilities and/or learning difficulties and have a commitment to encourage them to join chosen courses wherever appropriate. We have the facilities and are happy to produce learning materials in a variety of formats where necessary. We can, if appropriate, provide a range of equipment to help students access learning, and additional support is available within the classroom or workshop environment if required.

Where an existing employee becomes disabled, every effort is made to ensure that adjustments are made to allow meaningful employment with the College. The College's policy is to provide training, career development and opportunities for promotion for all employees.

The College seeks to achieve the objectives set in the Equality Act 2010 including its obligations under the General and Public Sector Equality Duty. In particular it makes the following commitments:

- Students with Learning Difficulties or Disabilities are given the opportunity to have a supported site visit with the schools liaison team and are then contacted again to inform of any changes to the site over the holiday period. Accessibility is reviewed regularly through the Equality & Diversity Committee, Learner Forums and through consultation and feedback from groups representing all the protected characteristics.
- The College also meets students, staff, members of the community and representatives from all protected characteristics when undertaking significant new projects such as the University Centre and the South West Energy Centre to ensure Accessibility is considered early in the design process.
- The College also has a clearly defined process for Equality Impact Assessments School leavers with specific needs or disabilities are identified to the college through a variety of ways: Section 139 assessments, school liaison, liaison with parents and carers and close working with local authorities, commissioning bodies and relevant agencies. Students are invited to attend 'bridging' days / transition time with the college during which individual needs are assessed in order to provide appropriate support.
- The College has a Single Equality Scheme which lays out the way ahead and explains what, why and how we intend to continue to promote equality and tackle discrimination for all our students, staff and communities and to fulfil its General and Public Sector Equality Duty. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas and from groups within the wider community who are under-represented in learning.
- There is a wide range of specialist equipment which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- The college has expanded its facility called "The Lodge", a dedicated resource to support learners with Autistic Spectrum Conditions, allowing them full access to the mainstream curriculum. This resource has continued to grow and is now a recognised centre of excellence for ASC support in FE.
- 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.

## **Operating and Financial Review (continued)**

- 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. Partnership working, cross FE college communication and sharing of good practice both internally and externally have been introduced and are now firmly embedded in the college annual planning cycle as well as established events and activities in the college annual calendar.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- 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. The information can also be found on the College web site and is displayed on the plasma screens at times. The College Positive Intervention team provides further specialist support. Learning Opportunities students can access a specialist counsellor and physiotherapy service in addition to the College welfare services. Theme weeks occur at regular academic intervals, supporting the tutorial process and directly related to the Every Child Matters agenda.
- The college has a team of volunteer "Equality and Diversity Champions" providing further access to resources, information and support for students, staff and the wider college community, raising the profile of and championing all Protected Characteristics.

### **Safeguarding**

The College is fully committed to providing a safe and secure environment for all students and staff. The College has made active preparations in respect of the new Prevent duty coming into force from September 2015.

### **Disclosure of information to auditors**

All the accounting records have been made available to the auditors for the purpose of the statutory audit. All other records and related information, including minutes of all management and Corporation meetings have also been made available.

Approved by order of the members of the Corporation on 10<sup>th</sup> December 2015 and signed on its behalf by:

Lisa Stroud  
Chair of the Governing Body

**Professional advisers**

*Financial statement and regularity auditors:*

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## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts to gain an understanding of the College's governance and legal structure. The College endeavours to conduct its business:

- i. In accordance with the seven 'Nolan' principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- ii. In accordance with 'The Code of Good Governance for English Colleges (the 'Code'), as issued in March 2015; and
- iii. By monitoring and reviewing developments in relation to the UK Corporate Governance Code and the higher education codes of governance.

The College is committed to adopting best practice in all aspects of corporate governance and the governing body has adopted and complies with the Code. The College is also watchful of developments in relation to the UK Corporate Governance Code and in respect of the codes of governance adopted by the higher education sector (i.e. The Higher Education Code of Governance, December 2014 and the Scottish Code of Good Governance, July 2013). The College Corporate Governance arrangements draw upon best practice available from these Codes and associated practice.

In the opinion of the governors, the College complies with the provisions of the Code and it has complied throughout the year ended 31 July 2015. 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, which it formally adopted at July 2015 meeting of the governing body.

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.

**Public Benefit:** The College is committed to adding value to the social, economic and physical wellbeing of our community and its environment. This document provides information on the activities of the College and its role in the community.

South Devon College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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.
- The delivery of public benefit is covered throughout the Members' Report:

## Statement of Corporate Governance and Internal Control (continued)

### The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance (01/8/14-31/07/15)
Heather Ancient	22/03/13	4 years		Independent member	Chair of Audit Committee	91%
Mark Ashton	22/10/15	4 years		Independent member	Audit Committee (from November 2015)	N/A
Emily Antrobus	18/12/11	4 years		Independent member	Resources Committee	Maternity leave from November 2014
Simon Bell	03/04/14	4 years	01/08/15	Independent member	Audit Committee (to June 2015) and subsequently Resources Committee	90%
Patrick Canavan	18/07/08 18/07/12	4 years	26/03/15	Independent member	Chair of Project Board, Resources and QTLA	100%
Stephen Criddle	01/09/09	Ex-officio		Principal	QTLA, Project Board, Resources, Search and Governance, Remuneration.	100%
Demi Green	01/08/14	1 year	25/03/15	Student (FE) member	Resources Committee	80%
Greg Fitzgerald	16/07/15	4 years		Independent member	Resources Committee	100%
Megan Foster	01/08/15	1 year		Student (FE) member	QTLA	N/A
Matt Green	20/12/13	4 years		Staff (support services) member	Audit Committee, Search and Governance (from Sept. 2015) and Project Board	100%
Paul Haigney Vice Chair	18/07/08 18/07/12	4 years		Independent member	QTLA Committee Remuneration Committee (to March 2015)	70%
Elke Hayden	06/12/10	4 years		Independent member	Search and Governance, and QTLA Committee (to Oct 2015); Resources Committee (from November 2015)	67%
Caroline Lee	22/10/15	4 years		Independent member	Resources Committee (from November 2015)	N/A
Kevin Mowat Chair (to 31/07/15)	14/12/06 14/12/10*	4 years 7 months	Term of membership concluded 31/07/15	Independent member	Chair of Remuneration, and Search and Governance Committees. Project Board, Resources Committee (all to August 2015)	85%
Holly Vaughan (nee Murphy)	17/07/2014	4 years		Staff (academic) member	QTLA and Resources Committees (to June 2015) and subsequently Audit Committee	50%
Rob Newman	17/12/09 17/12/13	4 years		Independent member	Chair of Resources Committee and the Project Board	67%

Josh Pillar	01/08/15	1 year		Student (HE) member	QTLA (from November 2015)	N/A
Jeanette Richards	18/07/08 18/07/12	4 years	2/12/14	Independent member	Search and Governance Committee	-
Graham Rooke	22/03/13	4 years		Independent member	Audit Committee	90%
Kelly Smaller	01/08/14 01/08/15	1 year		Student (HE) member	QTLA Committee	67%
Karen Stockham	18/07/13	4 years		Independent member	Chair of QTLA	78%
Lisa Stroud Chair (from 01/08/15)	18/12/11	4 years		Independent member	Search and Governance (S&G), and QTLA Committee (to September 2015). Chair of governing body, S&G and Remuneration and member of Resources Committee from August 2015	100%
Christina Vincent	21/10/10	4 years		Independent member	QTLA Committee, Search and Governance	58%
Jack Waite	26 March 2015	4 months		Student (FE) member		67%
Mark Walton	22/10/15	4 years		Independent member	QTLA (from November 2015)	N/A

Clerk to the Governors - Elizabeth Wiltshire-Meads appointed 16/7/09 and granted adoption leave with effect from 20<sup>th</sup> March 2015; David Williams appointed Interim Clerk with effect from 23<sup>rd</sup> March 2015.

\*The Governing Body at its meeting on 17 July 2014 agreed to the extension of the Chair's term of office to 31 July 2015. This decision was taken to provide stability during the academic year and to allow the Chair Designate to shadow for a full year.

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

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

The Corporation conducts its business through a number of committees. These committees are Audit, Quality Teaching Learning & Assessment, Remuneration, Resources, Search & Governance, and Project Board. A review of the Corporation's governance structure was carried out during 2013/14. It was determined that the Monitoring Committee should be split into two distinct committees: Quality, Teaching Learning and Assessment Committee and Resources Committee. This decision was made to enable the Committees to focus, in sufficient depth, on both teaching and learning, and finance whilst ensuring better time efficiency in committee meetings. The changes were implemented successfully during 2013/14 and maintained throughout 2014/15. Each committee has terms of reference, which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Governors at:

South Devon College  
Vantage Point  
Long Road  
Paignton  
Devon  
TQ4 7EJ

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



## **Statement of Corporate Governance and Internal Control (continued)**

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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 Chairman and Accounting Officer are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Independent and staff members of the Corporation are appointed for a term of office not exceeding four years but may, subject to satisfactory performance, be re-appointed. Student members are appointed for a term of one year. The Principal of the College is an ex-officio member of the Corporation.

### **Remuneration Committee**

For the year ending 31 July 2015 the College's Remuneration Committee comprised five members of the Corporation. 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 year ended 31 July 2015 are set out in note 7 to the financial statements.

### **Audit Committee**

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

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

Management is responsible for the implementation of agreed audit recommendations and the internal auditors 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 audit and non-audit work as well as reporting annually to the Corporation.

### **Quality Teaching Learning & Assessment (QTLA) Committee**

The QTLA Committee is responsible for ensuring student success, progression and satisfaction is maximised with continuous review and improvement of strategies, policies, procedures and data relating to quality, teaching, learning and assessment. It also monitors the impact of the College's policies and actions in relation to safeguarding, including the Prevent duty.

### **Resources Committee**

The Resources Committee is responsible for making recommendations to the Governing Body on the annual estimates of income and expenditure, financial monitoring, and approving broad College policies relating to property/accommodation. It also reviews and approves policies on Equality and Diversity, and Health and Safety. The Committee is also responsible for approving major external contracts, which are consistent with the College's Strategic Plan

### **Search and Governance Committee**

The Search and Governance Committee is responsible for making recommendations to the Governing Body on the nomination of candidates for appointment as members of the Governing Body in accordance with the Instruments and Articles of Government and to recommend policies and procedures for such appointments. The Committee also considers and advises the Corporation on the composition and balance of the Governing Body and its Committees.

### **Project Board**

Project Board is an ad hoc sub-committee of the governing body, and will be set up as directed by the governing body to consider specific matters requiring close attention; for example where the College is undertaking large capital projects.

### **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 the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between South Devon College and the LSC and its successor organisations. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

## Statement of Corporate Governance and Internal Control (continued)

### *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 South Devon College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *The risk and control framework*

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

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

South Devon College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *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. As a minimum, the Internal Auditor annually provides the governing body with a report on internal audit activity in the College. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

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

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

## Statement of Corporate Governance and Internal Control (continued)

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement.

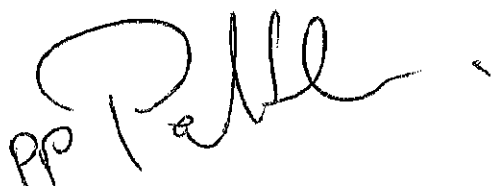
The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team. The emphasis is on obtaining the relevant 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

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Lisa Stroud', with the initials 'PP' written to the left.

Lisa Stroud  
Chair of the Governing Body

A handwritten signature in black ink, appearing to read 'Stephen Criddle'.

Stephen Criddle  
Accounting Officer

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

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

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

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

Handwritten signature of Lisa Stroud in black ink.

**Lisa Stroud**  
Chair of the Governing Body

Date: 10/12/15

Handwritten signature of Stephen Criddle in black ink.

**Stephen Criddle**  
Accounting Officer

Date: 10 December 2015

## 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 agreed 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 2007 *Statement of Recommended Practice - Accounting for Further and Higher Education* and with the Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the EFA, 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; and
- 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/EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency/EFA 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/EFA are not put at risk.

Approved by order of the members of the Corporation on 10<sup>th</sup> December 2015 and signed on its behalf by:



Lisa Stroud  
Chair of the Governing Body

## **Independent Auditor's Report to the Corporation of South Devon College**

We have audited the financial statements of South Devon College for the year ended 31 July 2015 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses 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 statutory requirements. 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 auditors' 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 Members of the Corporation of South Devon College and Auditor**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 21, the College's 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 Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

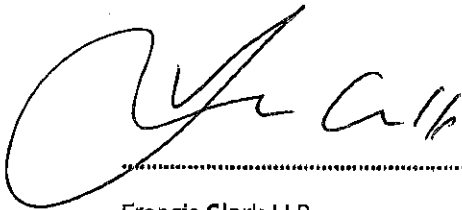
In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.



..... Date: .....

14/12/15

Francis Clark LLP  
Registered Auditors  
North Quay House  
Sutton Harbour  
Plymouth  
PL4 0RA



## **Reporting accountant's assurance report on regularity for the year ended 31 July 2015 to the corporation of South Devon College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency**

In accordance with the terms of our engagement letter dated 20 August 2014 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Devon College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

### **Respective responsibilities of South Devon College and the reporting accountant**

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

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

### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures, including the self-assessment questionnaire prepared by South Devon College
- Evaluation of the system of internal controls for authorisation and approval
- Performing substantive tests on relevant transactions

#### Conclusion

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



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Francis Clark LLP Chartered Accountants  
& Registered Auditors

14/12/15

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Date

**South Devon College**  
**Income and Expenditure Account**

	Notes	2015 £'000	2014 £'000
<b>INCOME</b>			
Funding body grants	2	19,823	21,403
Tuition fees and education contracts	3	6,761	6,166
Other income	4	2,545	2,353
Endowment and investment income	5	37	30
<b>Total income</b>		<b>29,166</b>	<b>29,952</b>
<b>EXPENDITURE</b>			
Staff costs	6	19,027	19,217
Exceptional restructuring costs	6 & 17	382	459
Other operating expenses	8	7,523	7,912
Depreciation	10 & 11	2,029	1,879
Interest and other finance costs	9	390	413
<b>Total expenditure</b>		<b>29,351</b>	<b>29,880</b>
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation but before exceptional items and tax</b>			
		(185)	72
Exceptional Items	31	-	121
<b>Surplus/(deficit) for the year retained within general reserves</b>		<b>(185)</b>	<b>193</b>

The income and expenditure account is in respect of continuing activities

## South Devon College

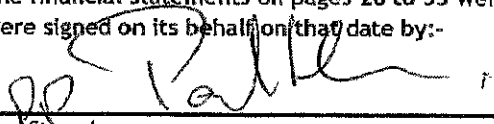
### Statement of Total Recognised Gains and Losses

	Notes	2015 £'000	2014 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposals of assets and tax		(185)	193
Actuarial (loss)/gain in respect of pension scheme	25	(1,295)	(802)
<b>Total recognised (loss)/gain since last report</b>		<b>(1,480)</b>	<b>(609)</b>
<b>Reconciliation</b>			
Opening reserves and endowments		8,262	8,871
Total recognised (loss)/gain for the year		(1,480)	(609)
<b>Closing reserves and endowments</b>	19	<b>6,782</b>	<b>8,262</b>


South Devon College  
Balance Sheet as at 31 July 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	10	43,515	43,865
Intangible assets	11	0	0
Investments	12	1	1
<b>Total fixed assets</b>		<u>43,516</u>	<u>43,866</u>
<b>Current assets</b>			
Stocks		40	36
Debtors	13	1,551	1,227
Cash at bank and in hand		5,558	5,775
<b>Total current assets</b>		<u>7,149</u>	<u>7,038</u>
<b>Less: Creditors - amounts falling due within one year</b>	14	4,176	3,811
<b>Net current assets</b>		<u>2,973</u>	<u>3,227</u>
<b>Total assets less current liabilities</b>		<u>46,489</u>	<u>47,093</u>
<b>Less: Creditors - amounts falling due after more than one year</b>	15	9,181	9,644
<b>Less: Provisions for liabilities</b>	17	571	570
<b>Net assets excluding pension liability</b>		<u>36,737</u>	<u>36,879</u>
<b>Net pension liability</b>	25	(11,103)	(9,344)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>25,634</u>	<u>27,535</u>
<b>Deferred capital grants</b>	18	<u>18,851</u>	<u>19,273</u>
<b>Income and expenditure account excluding pension reserve</b>	19	17,885	17,606
<b>Pension reserve</b>	25	(11,103)	(9,344)
<b>Income and expenditure account including pension reserve</b>	19	<u>6,782</u>	<u>8,262</u>
<b>Restricted Reserves</b>		1	1
<b>Total reserves</b>		<u>6,783</u>	<u>8,263</u>
<b>TOTAL FUNDS</b>		<u>25,634</u>	<u>27,535</u>

The financial statements on pages 26 to 53 were approved by the governing body on 10 December 2015 and were signed on its behalf on that date by:-

  
Lisa Stroud  
Chair

Date : 10/12/15

  
Stephen Criddle  
Accounting Officer

Date : 10/12/2015

**South Devon College**  
**Cash Flow Statement as at 31 July 2015**

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	20	1,608	2,133
Returns on investments and servicing of finance	21	(250)	(162)
Taxation		-	-
Capital expenditure and financial investment	22	(1,471)	(2,566)
Financing	23	(104)	1,733
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		<u>(216)</u>	<u>1,138</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period		(216)	1,138
Cash (inflow)/ outflow from financing	23	<u>104</u>	<u>(1,733)</u>
Movement in net funds in the period		(112)	(595)
Net funds at 1 August		(3,754)	(3,159)
		<hr/>	<hr/>
Net funds at 31 July	24	<u>(3,866)</u>	<u>(3,754)</u>

## Notes to the Accounts

### 1. Accounting policies

#### Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2013-14 financial statements and in accordance with applicable Accounting Standards.

#### Basis of accounting

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

#### Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £9.4m of loans outstanding with bankers on terms negotiated since 2008. Additionally there is £1.2m of uncommitted facility available for drawdown with all being secured by a fixed and floating charge on College assets. The terms of the existing agreement are up to another 9 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### Basis of consolidation

In accordance with Financial Reporting Standard (FRS)2, 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 2015.

#### Recognition of income

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element 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. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

## Notes to the Accounts (continued)

### 1. Accounting policies (continued)

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

#### 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).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

#### Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Association of Colleges (CPI version).

#### Tangible fixed assets

##### *Land and buildings*

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.



## Notes to the Accounts (continued)

### 1. Accounting policies (continued)

#### *Assets under construction*

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

#### *Subsequent expenditure on existing fixed assets*

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### *Buildings owned by third parties - Leasehold Improvements*

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

#### *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. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- motor vehicles - 25 % per year on a straight-line basis
- computer equipment - 33.3 % per year on a straight-line basis
- furniture, fittings and other equipment - 10 % per year on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### *Intangible Fixed Assets*

Intangible Fixed Assets and any related grants are amortised over the period during which the College benefits from the asset.

#### *Leased assets*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

## **Notes to the Accounts (continued)**

### **1. Accounting policies (continued)**

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### **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.

#### **Maintenance of premises**

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

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore 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.

#### **Liquid Resources**

Liquid resources include sums on short-term deposit with recognised banks.

#### **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.

#### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds and guaranteed bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 30, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff (FTE 1.54) dedicated to the administration of Learner Support Fund applications and payments.

**South Devon College**  
**Notes to the Accounts (continued)**

**2 Funding body grants**

	2015 £'000	2014 £'000
EFA/SFA recurrent grant	19,241	20,844
EFA/SFA non recurrent grants	125	110
HEFCE recurrent grant	-	72
Release of deferred capital grants (note 18)	457	377
<b>Total</b>	<b>19,823</b>	<b>21,403</b>

Historically apprenticeship income has been classed as non recurrent grant now recurrent

**3 Tuition fees and education contracts**

	2015 £'000	2014 £'000
Tuition fees	4,998	4,377
Education contracts	1,763	1,789
<b>Total</b>	<b>6,761</b>	<b>6,166</b>

**Tuition Fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £62,705 (2013/14 £55,182)

**4 Other Income**

	2015 £'000	2014 £'000
Catering	838	784
Commercial sales	401	255
Examinations	90	82
Release of non EFA/SFA deferred capital grants (note 18)	207	224
Transport	578	516
Other income	431	492
<b>Total</b>	<b>2,545</b>	<b>2,353</b>

**5 Endowment and investment income**

	2015 £'000	2014 £'000
Other interest receivable	37	30
Pension finance income (note 25)	-	-
<b>Total</b>	<b>37</b>	<b>30</b>

**South Devon College**  
**Notes to the Accounts (continued)**

**6 Staff costs**

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2015 No.	2014 No.
Teaching staff	404	413
Non teaching staff	212	237
	<u>616</u>	<u>650</u>

**Staff costs for the above persons**

	2015 £'000	2014 £'000
Wages and salaries	15,764	15,931
Social security costs	1,067	1,096
Other pension costs (including FRS17 adjustments of £361k charged - 2014 £322k charged)	2,142	2,116
Payroll sub total	<u>18,973</u>	<u>19,143</u>
Contracted out staffing services	54	74
	<u>19,027</u>	<u>19,217</u>
Exceptional restructuring costs	382	459
<b>Total Staff Costs</b>	<u><b>19,409</b></u>	<u><b>19,676</b></u>

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

	Senior post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£60,001 to £70,000	-	-	4	3
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	1	-	-
Over £150,001	-	-	-	-
	<u>3</u>	<u>3</u>	<u>4</u>	<u>3</u>

**South Devon College**  
**Notes to the Accounts (continued)**

**7 Senior post-holders' emoluments**

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 No.	2014 No.
The number of senior post-holders including the Accounting Officer was:	4	4

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	369	362
Pension contributions	47	53
<b>Total emoluments</b>	<b>416</b>	<b>415</b>

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2015 £'000	2014 £'000
Salaries	145	141
Pension contributions	18	21

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government scheme and are paid at the same rate as for other employees.

**South Devon College**  
**Notes to the Accounts (continued)**

**8 Other Operating Expenses**

	2015	2014
	£'000	£'000
Teaching costs	2,562	2,583
Non teaching costs	2,556	2,822
Premises costs	2,405	2,507
	<u>7,523</u>	<u>7,912</u>
<b>Total</b>	<b>7,523</b>	<b>7,912</b>

**Other operating expenses include:**

	2015	2014
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	18	18
Internal audit	20	23
Other services provided by the financial statement auditors	4	4
Other services provided by the internal auditors	0	0
Losses on disposal of tangible fixed assets	36	1
Hire of plant and machinery - operating leases	5	3
Hire of other assets - operating leases	654	594
	<u>654</u>	<u>594</u>

**9 Interest and other finance costs**

	2015	2014
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	287	192
	<u>287</u>	<u>192</u>
On finance leases	-	-
Pension finance costs (note 25)	103	221
	<u>103</u>	<u>221</u>
<b>Total</b>	<b>390</b>	<b>413</b>

**South Devon College**  
**Notes to the Accounts (continued)**

**10 Tangible Fixed Assets**

	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 August 2014	45,012	627	11,086	56,725
Additions	363	14	1,448	1,825
Disposals	-	-	(815)	(815)
<b>At 31 July 2015</b>	<b>45,375</b>	<b>641</b>	<b>11,719</b>	<b>57,735</b>
<b>Depreciation</b>				
At 1 August 2014	5,330	244	7,286	12,860
Charge for the year	800	112	1,117	2,029
Elimination in respect of disposals	-	-	(669)	(669)
<b>At 31 July 2015</b>	<b>6,130</b>	<b>356</b>	<b>7,734</b>	<b>14,220</b>
<b>Net book value at 31 July 2015</b>	<b>39,245</b>	<b>285</b>	<b>3,985</b>	<b>43,515</b>
<b>Net book value at 31 July 2014</b>	<b>39,682</b>	<b>383</b>	<b>3,800</b>	<b>43,865</b>
Financed by capital grant	17,975	1	875	18,851
Other	21,270	284	3,110	24,664
<b>Net book value</b>				
<b>At 31 July 2015</b>	<b>39,245</b>	<b>285</b>	<b>3,985</b>	<b>43,515</b>

**Foyer Project**

The College still owns 12,000 square feet of land at the previous campus site in Newton Road, Torquay. This land is leased to Torbay Council on a 99 year lease, starting in July 2002. The land has not been valued in the accounts as the value on its return to the college in the future is uncertain.

**South Devon College**  
**Notes to the Accounts (continued)**

**11 Intangible Fixed Assets**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2014	270	270
Disposals	(270)	-
At 31 July 2015	<u>-</u>	<u>270</u>
<b>Amortisation</b>		
At 1 August 2014	270	267
Charge for year	-	3
Elimination in respect of disposals	(270)	-
At 31 July 2015	<u>-</u>	<u>270</u>
<b>Net book value</b>		
At 31 July 2015	<u>-</u>	<u>-</u>
Financed by capital grant	<u>-</u>	<u>-</u>

As part of the College 'Green Travel Policy' agreed with Torbay Council, the College contributed £270,000 towards the cost of providing additional bus services to the Vantage Point Campus for 8 years from 1 September 2005.

As part of the grant towards the relocation to the Vantage Point campus the LSC provided £140,000 towards the £270,000 described above.

The £270,000 and £140,000 have been disclosed as an intangible asset and related grant and will both be amortised over 8 years from 1 September 2005.

**12 Investments**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Other Investments	1	1
	<u>1</u>	<u>1</u>
<b>Total</b>	<u>1</u>	<u>1</u>



**South Devon College**  
**Notes to the Accounts (continued)**

**13 Debtors**

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	703	473
Other Debtors	63	40
Amounts owed by the Skills Funding Agency	301	243
Capital grants receivable	-	27
Prepayments and accrued income	484	444
<b>Total</b>	<b>1,551</b>	<b>1,227</b>

**14 Creditors: Amounts Falling Due Within One Year**

	2015 £'000	2014 £'000
Bank loans and overdrafts	641	604
Payments received in advance	751	534
Trade creditors	918	670
Other taxation and social security	677	720
Accruals	631	777
VAT repayable within one year under Lennartz scheme	321	339
Other creditors	237	167
<b>Total</b>	<b>4,176</b>	<b>3,811</b>

**15 Creditors: Amounts Falling Due After One Year**

	2015 £'000	2014 £'000
Bank loans	8 783	8,924
VAT repayable after one year under Lennartz scheme	298	619
Other long term creditors (Foyer)	100	101
<b>Total</b>	<b>9,181</b>	<b>9,644</b>

**South Devon College**  
**Notes to the Accounts (continued)**

**16 Borrowings**

	2015 £'000	2014 £'000
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	641	604
Between one and two years	658	679
Between two and five years	2,024	2,150
In five years or more	6,101	6,095
<b>Total</b>	<b>9,424</b>	<b>9,528</b>

The Bank loans are provided by Allied Irish Bank, Lloyds & Santander. The AIB loan is secured on the Vantage Point campus. The Lloyds loan relates to the construction of the University Centre. The overdraft facility, with Barclays Bank, is unsecured. This was not utilised during the year.

**17 Provisions for Liabilities and Charges**

	College Restructuring £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2014	-	570	570
Expenditure in the period	-	(38)	(38)
Transferred from income and expenditure account	-	39	39
<b>At 31 July 2015</b>	<b>0</b>	<b>571</b>	<b>571</b>

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

The principal assumptions for this calculation are:

	2015	2014
Interest Rate	3.46%	4.06%
Net Interest Rate	1.75%	2.25%

**South Devon College**  
**Notes to the Accounts (continued)**

**18 Deferred Capital Grants**

	Funding Body	Other grants	Total
	£'000	£'000	£'000
At 1 August 2014	12,347	6,926	19,273
Cash received	337	13	350
Released to income and expenditure account	(457)	(207)	(664)
Released on disposal of related asset	(2)	(106)	(108)
At 31 July 2015	<u>12,225</u>	<u>6,626</u>	<u>18,851</u>

**19 Movement on General Reserves**

	2015	2014
	£'000	£'000
<b>Income and Expenditure Account Reserve</b>		
At 1 August	8,262	8,871
Surplus/(deficit) retained for the year	(185)	193
Actuarial (loss)/gain in respect of pension scheme	(1,295)	(802)
At 31 July	<u>6,782</u>	<u>8,262</u>
<b>Balance represented by:</b>		
Pension reserve	(11,103)	(9,344)
Income and expenditure account reserve excluding pension reserve	17,885	17,606
At 31 July	<u>6,782</u>	<u>8,262</u>

**South Devon College**  
**Notes to the Accounts (continued)**

**20 Reconciliation of operating surplus / (deficit) to net cash inflow from operating activities**

	Note	2015 £'000	2014 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation		(185)	193
Depreciation	10&11	2,029	1,879
Deferred capital grants released to income	18	(664)	(606)
Loss on disposal of tangible fixed assets		36	6
Interest payable	9	287	192
FRS 17 pension cost less contributions payable	25	361	322
FRS 17 pension finance cost	25	103	221
(Increase) in stocks		(4)	7
Decrease/(increase) in debtors	13	(324)	587
(Decrease)/increase in creditors < 1 year	14	328	(278)
(Decrease) in creditors > 1 yr	15	(323)	(333)
(Decrease)/increase in provisions	17	1	(27)
Interest receivable	5	(37)	(30)
<b>Net cash inflow from operating activities</b>		<b><u>1,608</u></b>	<b><u>2,133</u></b>

**21 Returns on investments and servicing of finance**

	Note	2015 £'000	2014 £'000
Other interest received	5	37	30
Interest paid	9	(287)	(192)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b><u>(250)</u></b>	<b><u>(162)</u></b>

**South Devon College**  
**Notes to the Accounts (continued)**

**22 Capital expenditure and financial investment**

	Note	2015 £'000	2014 £'000
Purchase of tangible fixed assets	10	(1,825)	(3,118)
Deferred capital grants received	18	350	546
Sale of fixed assets		4	7
<b>Net cash outflow from capital expenditure and financial investment</b>		<b><u>(1,471)</u></b>	<b><u>(2,565)</u></b>

**23 Financing**

	Note	2015 £'000	2014 £'000
Debt due within a year:			
Repayment of amounts borrowed	14	37	73
Debt due beyond a year:			
New secured loan repayable by 2023	15	500	2,300
Repayment of amounts borrowed	15	(641)	(640)
<b>Net cash inflow/(outflow) from financing</b>		<b><u>(104)</u></b>	<b><u>1,733</u></b>

**24 Analysis of changes in net funds**

	At 1 August 2014 £'000	Cash flows £'000	Other changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	5,775	(217)	-	5,558
	<u>5,775</u>	<u>(217)</u>	<u>-</u>	<u>5,558</u>
Debt due within 1 year	(604)	(37)	-	(641)
Debt due after 1 year	(8,924)	141	-	(8,783)
<b>Total</b>	<b><u>(3,753)</u></b>	<b><u>(113)</u></b>	<b><u>-</u></b>	<b><u>(3,866)</u></b>

## South Devon College

### Notes to the Accounts (continued)

#### 25 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Devon County Council Pension Fund. Both are defined-benefit schemes.

Total pension cost for the year	2014/15 £'000	2013/14 £'000
Teachers Pension Scheme: contributions paid	1,061	1,039
Local Government Pension Scheme:		
Contributions paid	736	782
FRS 17 charge	<u>361</u>	<u>322</u>
Charge to the Income and Expenditure Account (staff costs)	1,097	1,104
Enhanced pension charge to Income and Expenditure Account (staff costs)	-	-
<b>Total Pension Cost for Year</b>	<b><u>2,158</u></b>	<b><u>2,143</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £226,830 (2014 £229,104) were payable to the scheme at 31st July and are included within creditors.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## **South Devon College**

### **Notes to the Accounts (continued)**

#### **25 Pension and similar obligations (continued)**

##### **Valuation of the Teachers' Pension Scheme**

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

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

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

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

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

##### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,716,000 (2014: £1,642,000)

## South Devon College

### Notes to the Accounts (continued)

#### 25 Pension and similar obligations (continued)

##### FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Devon County Council. The total contribution made for the year ended 31 July 2015 was £1,037,000 of which employer's contributions totalled £736,000 and employees' contributions totalled £301,000. 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.

##### FRS 17

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.40%	4.50%
Rate of increase for pensions in payment / inflation	2.60%	2.70%
Inflation assumption (CPI)	2.60%	2.70%
RPI increases	3.50%	3.50%
Rate of increase to deferred pensions	2.70%	2.70%
Discount rate for scheme liabilities	3.80%	4.30%
Commutation of pensions to lump sums	50%	50%

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 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.80	22.70
Females	26.10	26.00
<i>Retiring in 20 years</i>		
Males	25.10	24.90
Females	28.40	28.30



**South Devon College**  
**Notes to the Accounts (continued)**

**25 Pension and similar obligations (continued)**

**Local Government Pension Scheme (Continued)**

For the year to 31 July 2015, the expected return was 6.1% pa, which has been used to determine the profit and loss charge for the year ended 31 July 2015.

The assets and liabilities in the scheme (of which the college's share is estimated to be 0.44%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014
	6.10%	£'000		£'000
Equities		4,558	6.80%	4,255
Overseas Equities		5,822	6.80%	5,513
Gilts		848	3.40%	898
Property		1,855	5.70%	1,621
Infrastructure		522	4.00%	471
Cash		413	3.20%	382
Absolute Return Funds		2,702	6.20%	2,413
Other Bonds		853	4.00%	680
Alternative Assets		323	6.20%	307
<b>Total market value of assets</b>		<b>17,896</b>		<b>16,540</b>
Present value of scheme liabilities				
- Funded		(28,999)		(25,884)
- Unfunded		-		-
Related deferred tax liability		-		-
<b>Deficit in the scheme</b>		<b>(11,103)</b>		<b>(9,344)</b>

NOTE: The expected rates of return for 2015 are set equal to a composite discount rate in preparation for the forthcoming FRS102 disclosure requirements

**Analysis of the amount charged to income and expenditure account**

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	1,076	1,055
Past service cost	-	-
<b>Total operating charge</b>	<b>1,076</b>	<b>1,055</b>

**Analysis of pension finance income / (costs)**

Expected return on pension scheme assets	1,028	919
Interest on pension liabilities	(1,131)	(1,140)
<b>Pension finance costs</b>	<b>(103)</b>	<b>(221)</b>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(130)	(185)
Experience gains and losses	-	1,412
Change in financial and demographic assumptions underlying the scheme liabilities	(1,165)	(2,029)
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(1,295)</b>	<b>(802)</b>

**South Devon College**  
**Notes to the Accounts (continued)**

**25 Pension and similar obligations (continued)**

**Local Government Pension Scheme (Continued)**

**Movement in (deficit) during year**

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	(9,344)	(7,999)
Movement in year:		
Employer service cost (net of employee contributions)	(1,076)	(1,055)
Employer contributions	736	782
Net interest / return on assets	(103)	(221)
Settlements and curtailments	(21)	(49)
Actuarial (loss)/gain	(1,295)	(802)
Deficit in scheme at 31 July	<u>(11,103)</u>	<u>(9,344)</u>

**Asset and Liability Reconciliation**

	2015	2014
	£'000	£'000

**Reconciliation of Liabilities**

Liabilities at start of period	25,884	23,377
Service cost	1,076	1,055
Interest cost	1,131	1,140
Employee contributions	301	296
Losses on curtailments	21	49
Actuarial loss/(gain)	1,165	586
Benefits paid	(579)	(619)
Liabilities at end of period	<u>28,999</u>	<u>25,884</u>

**Reconciliation of Assets**

	2015	2014
	£'000	£'000
Assets at start of period	16,540	15,378
Expected return on assets	1,028	919
Actuarial (loss)/gain	(130)	(216)
Employer contributions	736	782
Employee contributions	301	296
Settlement prices received/(paid)	-	-
Benefits paid	(579)	(619)
Assets at end of period	<u>17,896</u>	<u>16,540</u>

The estimated value of employer contributions for the year ended 31st July 2016 is £718k

**South Devon College**  
**Notes to the Accounts (continued)**

**25 Pension and similar obligations (continued)**

**Local Government Pension Scheme (Continued)**

**History of experience gains and losses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Difference between the expected and actual return on assets:					
Amount £'000	(130)	(216)	1,469	(473)	(284)
Experience gains and losses on scheme liabilities:					
Amount £'000	(1,165)	(617)	553	(1,452)	(846)
Total amount recognised in STRGL:					
Amount £'000	(1,295)	(802)	2,022	(1,925)	(412)

**South Devon College**  
**Notes to the Accounts (continued)**

**26 Post-balance sheet events**

There are no post balance sheet events.

**27 Capital commitments**

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	357	216
Authorised but not contracted at 31 July	<u>NIL</u>	<u>NIL</u>

**28 Financial commitments**

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

	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	22	-
Expiring within two and five years inclusive	203	154
Expiring in over five years	324	357
	<u>549</u>	<u>511</u>
Other		
Expiring within one year	-	-
Expiring within two and five years inclusive	45	45
Expiring in over five years	-	-
	<u>45</u>	<u>45</u>

## **South Devon College**

### **Notes to the Accounts (continued)**

#### **29 Related party transactions**

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

The total expenses paid to or on behalf of the Governors during the year was £263; 4 governors (2014: £920; 5 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.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None)

#### **Devon Studio School**

South Devon College is the sponsor college for this separate legal entity which opened in September 2013. During the year the College has provided services to the school relating to finance, income of £6,254 was invoiced by the college for these services. At the year end there was an outstanding balance of £920 due to the college, this is included in Trade Debtors at note 13.

The College also contributed £991 towards the salary of the Business Manager.

#### **South Devon University Technical College**

South Devon College is the sponsor college for this separate legal entity which opened in September 2015. During the year the College has provided services to the school relating to staffing. Income of £2,550 was received by the college for these services, however at the year end there was an outstanding balance of £399 due to the college, this is included in Trade Debtors at note 13.

The College also donated the services of a Project Champion, Procurement Officer, IT Manager, Accountant, Payroll Administrator and Finance Administrator at a cost to them of £29,303.

Transactions with the funding bodies and HEFCE are detailed in notes 2, 13 and 18.

**South Devon College**  
**Notes to the Accounts (continued)**

**30 Amounts disbursed as agent**

<b>Learner support funds</b>			
		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
Funding body grants - hardship support		914	1,003
Funding body grants - childcare		273	106
Interest earned		0	0
		<u>1,187</u>	<u>1,109</u>
Disbursed to students		(1,051)	(1,061)
Administration costs		(50)	(46)
		<u>86</u>	<u>2</u>
Balance unspent as at 31 July			

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund, the payment of accommodation by the College on the student's behalf and provision of lunches to students entitled.