Seevic College

Report and Financial Statements

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 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 Seevic College ("the College") conducting post sixteen education. The College is an exempt charity for the purposes of the Charities Act 2011.

The Corporation was incorporated as South East Essex Sixth Form College. On 21 July 1995, the Secretary of State granted consent to the Corporation to change the College's name to Seevic College.

The College did not exercise its right to designate as a Sixth Form College in 2010 and now identifies itself as a General Further Education College. The corporation believes that this different designation represents the broader activities of the College.

Mission
The College Mission Statement, approved by members is:
To be responsive to the needs of the community, working in partnership to promote and provide a range of high quality learning opportunities.

Implementation of strategic plan
The current strategic plan covers the period 2015 to 2017. This strategic plan includes property and financial plans and is fully supported by Key Performance Indicators. The Corporation monitors the performance of the college against these plans and the plans are reviewed and updated each year. The College's strategic objectives during the life of this plan are:

- Outstanding teaching and learning
- Employable learners with outstanding outcomes
- A strong reputation for meeting local needs
- Develop new ways of working to maintain financial stability
- Develop and support our people
- Promote a safe, tolerant and diverse community

The college's key objectives for 2014/15 were:

- Student attendance, punctuality, retention, achievement and value added
- Teaching that embodies high expectations and focus on individual need
- Reputation - placing Seevic College back at the top of the list of local post-16 providers, with a strong 6th Form
- Recruitment - maintaining healthy enrolment levels in the face of increasing competition and falling year 11 numbers
- Teamwork and morale - develop aspiring new leaders
- Business development - reducing our dependency on EFA 16-18 funding by growing apprenticeships and higher education
- A Community College - grow our foundation learning provision

Financial objectives
The College's financial objectives are:
- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College

Operating and Financial Review (continued)

- to further improve the College's shorter term liquidity
- to fund continued capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies which are analysed in the following table:

	Target	Actual
Cash days in hand	> 25 days	42.3 days
Operating position	Operating surplus	Operating surplus
Current ratio	>= 1.0	1.2

Performance indicators
The College uses a number of internal performance indicators as well as the measures assessed externally such as financial health. These are set out in Appendix 1 of the Strategic Plan and are analysed in the following table:

	Target	Actual
Attendance	95%	89.5%
Retention	94%	92.2%
A2 value added	3	4
Success Rate whole college (16 sub-groups)	89%	82.6%
Observation grades	82%	75%
Student satisfaction	77%	77%
Progression	68%	68%
Employer satisfaction	96%	90.1%
Enrolment rate	100%	99%
Staff review outcomes	90%	95%

FINANCIAL POSITION

Financial results
The College generated an operating surplus for the year of £71,000 (2013/14: £164,000). The result is stated after pension adjustments relating to FRS17 of £170,000 (2013/14: £182,000).

The College has accumulated general reserves of £8,344,000 (2013/14: £8,009,000) excluding the pension scheme deficit of £3,508,000 (2013/14: £2,853,000) and cash balances of £1,655,000 (2013/14: £2,319,000). The College wishes to accumulate reserves and cash balances in order to remain in good financial health. Tangible fixed asset additions during the year amounted to £54,000. This was split between additions to freehold land and buildings of £15,000 and equipment purchased of £39,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 85% (2013/14: 89%) of the College's total income.

Treasury policies
Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Operating and Financial Review (continued)

FINANCIAL POSITION (Continued)

Liquidity
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.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers
In 2014/15 the College has delivered activity that has produced £12,092,000 in Funding body main allocation funding (2013/14 - £12,246,000). There were no unfunded students during the year.

16-18 Student numbers against allocation for the last 3 years are shown in Table 1 below.

Table 1

Year	**2014/15**	**2013/14**	**2012/13**
Allocation	2,544	2,729	3,009
Actual	2,443	2,544	2,696

Student achievements
Overall Success Rates for 16-18 learners have decreased to 82.4% in 2014/15 (86.4% 2013/14). This is analysed further table 2 below.

Overall and Timely success Rate Data for all Learner Responsive courses against 2013/14 National Averages are shown in tables 2 and 3 below.

Table 2	**Overall success rates**	**14/15**	**13/14**	**12/13**	**NA 13/14**
16-18	Leavers	5,909	6,175	6,233	2,006,460
	Success Rate	82.6%	86.6%	83.0%	81.2%
19+	Leavers	248	124	83	2,432,540
	Success Rate	77.4%	75.0%	77.1%	87.6%
Total	Leavers	6,157	6,299	6,316	4,439,000
	Success Rate	82.4%	86.4%	82.9%	84.7%

Table 3	**Timely success rates**	**14/15**	**13/14**	**12/13**	**NA 13/14**
16-18	Leavers	5,934	6,177	6,233	2,017,370
	Success Rate	82.2%	86.6%	83.0%	80.3%
19+	Leavers	250	126	83	2,445,980
	Success Rate	76.8%	73.8%	77.1%	86.2%
Total	Leavers	6,184	6,303	6,316	4,463,350
	Success Rate	82.0%	86.3%	82.9%	83.5%

NB The national averages are those averages calculated for the whole country.

Operating and Financial Review (continued)

Curriculum Developments
Following previous closures of operations in Basildon, the College has consolidated its provision at the Benfleet site. Applications during the year were at a record level, and recruitment is within 2% of the target for 2015/16. This has allowed the discontinuation of subcontracted 16-18 EFA funded work, and Beauty courses formerly run in partnership with The Beauty Skills Academy are no longer funded by the College, though an amicable partnership arrangement continues. There has been significant growth in provision for students with Learning Difficulties and Disabilities, and the College is seen as a county hub by the local authority.

Apprenticeship provision continues to grow with success rates matching national averages for Timely completions, and exceeding them overall. In line with government expectations, there is a phased process of reducing the sub-contracted element and replacing it with direct delivery. Adult provision outside of apprenticeships is now very small because of the significant cuts in SFA funding nationally. The College has never had large provision of this nature, so was not significantly exposed by the cuts compared with most FE colleges, but they have had some impact. Going forward, the £112,000 community learning budget may be vulnerable after the Spending Review.

The NCB Studio School in Basildon, which has a direct contract with the Education Funding Agency, has its own Governing Body, and operates as an independent entity. By mutual agreement, the College is seeking to hand over sponsorship of the school to a suitable Academy Trust.

The college's commitment to Higher Education continues, but on a small scale. The relationship with the University of Hertfordshire is good, with continued strong recruitment and outcomes for the Honours Degree in Early Years. The College also continues to run HND programmes with direct student numbers from HEFCE.

Payment performance
The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid 81.0 per cent of its invoices within 30 days. The College incurred £23,852 interest charges in respect of late payment of a disputed invoice under a court order during this period.

Future developments
The forthcoming Area Review (indicative timing November 2016) is dominating planning for 2016, with a strategic reassessment being conducted of the College's main pathways (A-Level, Vocational, Foundation, Apprenticeships and HE). Governors and senior leadership will be considering a curriculum plan that shows alignment with local and regional needs, coupled with financial sustainability.

During the year the college was provided with access to £187,400 capital funding by Essex County Council as part of an agreement to provide a modular building for Glenwood School at Seevic College on a temporary basis whilst awaiting the completion of its own capital build project. At the date of this report foundations are in place and it is expected that the building will be operational from Easter 2016.

Resources
The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources comprise the main college site whilst the Church Walk House building is subject to a sublease to NCB Studio School.

Financial
The College has £14.4 million of net assets (including £3.5 million pension liability) and long term debt of £2.3 million.

Operating and Financial Review (continued)

People
The College employs 248 people (expressed as full time equivalents), of whom 126 are teaching staff.

Reputation
Notwithstanding OFSTED outcomes, the College's reputation has improved, and its branding for 6th Form work in particular is more clearly perceived. This was reflected in the greatly increased level of applications in-year, although this is coupled with greater volatility in conversion rates for A-Level applications, because of the increased competition and the growing tendency for students and parents to "play the market". The quality, and clarity of branding of the College's various segments (6th Form, Vocational, HE, Essential Skills, Apprenticeships) continues to be a priority.

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

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

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

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

1. Government funding
The Autumn Spending Review has confirmed that Further Education core funding is frozen at current levels (albeit not inflation-indexed) for the life of the current Parliament, with cuts kept to relatively peripheral areas. The accompanying document from the Treasury said "some targeted savings will be made from 16-19 funding, including from declining demographics and funding outside the national base rate per student." AoC estimates that these savings make up around 3% of the school and college 16-19 budget and will be made over a four-year period.

The Chancellor also said: "We will not, as many predicted, cut core adult skills funding for FE colleges; we will instead protect it in cash terms." Confusingly, however, the accompanying paper says: "government will make £360 million of efficiencies and savings from adult skills budgets by 2019-20." AoC are investigating with BIS officials what this means exactly, but they think it is loose use of language and figures rather than immediately concerning and that savings are most likely to be taken from non-participation budgets, again spread over the period of the Spending Review. This clearly presents an overall picture that is considerably more positive than was predicted for the sector before the Review. The college will, however, remain conservative in its assumptions and will continue to strive to maximise savings and efficiencies

To mitigate this risk the college will have to continue reviewing non-teaching costs, group sizes, viability of courses, use of less expensive delivery staff, partnership arrangements (including possible shared services) and generation of alternative income, though the latter is not easy for a college with Seevic's 6th Form legacy. It is likely by the time of the next Financial Review that an Area Review will have been conducted, focusing close attention on all these issues at county level.

Operating and Financial Review (continued)

2. Local competition
The College has operated in a highly competitive market for a number of years, although the opening up of two new sixth forms in local schools will increase the pressure on the recruitment of students. The College seeks to minimise the risk against local competition in a numbers of ways including:

- Continually working to ensure that success rates and value added meet or exceed national rates
- Offering an unrestricted choice of subject combinations
- Adhering to a culture of respect and responsibility in order to provide an environment which encourages learners to achieve their maximum potential

3. Maintain adequate funding of pension liabilities
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.

STAKEHOLDER RELATIONSHIPS
In line with other colleges and with universities, Seevic College has many stakeholders. These include:

- Students
- Staff
- Governors
- Education sector funding bodies
- Local employers (with specific links)
- Local Authorities
- Government Offices/Regional Development Agencies/LEP's
- The local community
- Other FE Institutions
- Trade Unions
- Professional bodies

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

Equal opportunities and employment of disabled persons
The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives 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 is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non disabled employees.

Operating and Financial Review (continued)

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2003/04, and the results of this formed the basis of a bid to the funding bodies for funding capital projects aimed at improving access. During 2014/15 the college carried out a major refurbishment of the site which required a further full access audit to be carried out to comply with part M of the building Regulations (as amended).

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is published on the College's Virtual Learning Environment (VLE) and Intranet. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format

g) Counselling and welfare are described in the College Student guide, which is issued to students together with the Complaints and Disciplinary procedure leaflets at induction.

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

Approved by order of the members of the corporation on 15 December 2015 and signed on its behalf by:

Richard Kirkham
Chair

Professional Advisers

External Auditors:	RSM (formerly Baker Tilly) UK Audit LLP Marlborough House Victoria Road South Chelmsford Essex CM1 1LN	**Internal Auditors:**	Scrutton Bland Sanderson House Museum Street Ipswich Suffolk IP1 1HE
Bankers:	Barclays Bank Plc Priory Place Level 3 New London Road Chelmsford Essex CM2 0PP	**Solicitors:**	Birketts LLP Brierly Place New London Road Chelmsford Essex CM2 0AP

Designated Senior Staff 2014/2015

Nicholas Spenceley	Principal and Chief Executive
John Driver	Deputy Principal Curriculum & Quality
Bruce Balicki	Deputy Principal Finance & Resources
John Revill	Vice Principal Management Information Systems

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Corporation 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in April 2012, and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in April 2013.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also 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.

In delivering its mission, the College provides for 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 Corporation
The members who served on the Corporation during the year and up to the date of signature of this report are listed in Table 3 below.

Statement of Corporate Governance and Internal Control (continued)

Table 3: Governors serving on the College Board during 2014/15

Name	Date of Appointment	Term of Office Ends	Date of resignation	Status of appointment	Committees Served	Attendance
Richard Kirkham	25/4/09 Re-appointed 1/08/12 Re-appointed 11/03/14	31/7/2016		Ordinary member	Chair of Corporation Chair of Finance & General Purposes (to 20/10/15) Chair of Remuneration	6 out of 6
Nicholas Spenceley	14/01/13			Principal & Chief Executive		5 out of 6
Carol Skewes	14/07/10 Reappointed 11/03/14	31/07/2016		Ordinary member	Standards Remuneration	Nil
Linda Maynard	15/2/11 Reappointed 14/2/13	13/02/2015		Ordinary member	Audit Standards	2 out of 4
Robert Gildie	16/07/13	15/07/2017		External member (to 15/7/13). Ordinary member	Audit (Chair)	6 out of 6
Benjamin Parmenter	16/07/13	15/07/2017		Ordinary member	Finance & General Purposes	4 out of 6
Liam Purnell	31/10/13	30/10/2014		Student member	Standards	3 out of 6
Craig Davidson	30/09/13	29/09/2015		Staff member	Standards	2 out of 6
Jamie Spracklen	30/09/13 Reappointed 28/9/15	28/09/2015		Staff member	Standards	5 out of 6
Carrie Gibson	20/01/14	31/07/2015		Student member	Standards	Nil
Chris Humpage	11/03/14	10/03/2016		External member (to 31/1/14) Ordinary member	Risk & Audit Standards (chair from 6/10/15) Remuneration	4 out of 6
Alex Dobinson	11/03/14	10/03/2016		Ordinary member	Risk & Audit	5 out of 6
Shri Footring	25/09/14	24/09/2018		Ordinary member	Standards (Chair to 6/10/15)	4 out of 6
Natalie Tickle	4/10/14	03/10/2018		Ordinary member	Standards	4 out of 6
James Beddow	9/02/15	08/02/2017		Ordinary member	Audit	2 out of 2
Nigel Cochran	9/02/15	08/02/2017		Ordinary member	Finance & General Purposes (chair from 20/10/15)	2 out of 6
Reeshan Rasool	05/10/15	31/07/17		Student member	Standards	Nil
Chloe Callahan	05/10/15	31/07/17		Student member	Standards	Nil
Theresa Cope	01/09/14			Clerk to the Corporation	Attendance at all committees	6 out of 6
Ralph Deveraux			31/08/2014	Clerk to the Corporation	Attendance at all committees	Nil

Statement of Corporate Governance and Internal Control (continued)

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Risk & Audit, Remuneration, Finance and General Purposes, Search and Standards. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at Seevic College, Runnymede Chase, Benfleet, Essex, SS7 1TW.

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

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

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

Members of the Corporation are appointed for a term of office not exceeding four years. Members can be reappointed to serve additional terms, not exceeding a maximum of 8 years in total, unless appointed as a chair of a committee in which case the clock is reset.

Remuneration Committee
Throughout the year ending 31 July 2015, the College's remuneration committee consisted of three 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 the year ended 31 July 2015 are set out in note 6 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)

Risk & Audit Committee
The Risk & Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and one external member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Risk & Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Risk & Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Internal Control
Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Seevic 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 period 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.

Statement of Corporate Governance and Internal Control (continued)

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 Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

Seevic 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 Risk & Audit Committee.

At least annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Risk & Audit Committee, which oversees the work of the internal auditor, and other sources of assurance 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 the attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Risk and Audit Committee also receive regular reports from internal auditor and other sources of assurance, which include recommendations for improvement. The Risk and Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Risk and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

Statement of Corporate Governance and Internal Control (continued)

Based on the advice of the Risk and 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 they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the corporation on 15 December 2015 and signed on its behalf by:

Richard Kirkham	Nicholas Spenceley
Chair	Accounting Officer

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency.

As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

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

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

Approved by order of the members of the Corporation on 15 December 2015 and signed on its behalf by:

Richard Kirkham	Nicholas Spenceley
Chair	Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

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

The terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *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 Education Funding Agency, and which give a true and fair view of the state of affairs of the College and of the College's surplus of income over expenditure for that period.

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

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

The Corporation is also required to prepare an Operating and Financial Review 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 accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard 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 auditor does not involve consideration of these matters and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 15 December 2015 and signed on its behalf by:

Richard Kirkham
Chair

Independent Auditor's Report to the Corporation of Seevic College

We have audited the College financial statements ("the financial statements") set out on pages 19 to 43. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 18 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of the Skills Funding Agency and our engagement letter dated 18 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 18 November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Seevic College and Auditor
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 18 November 2015, the Audit Code of Practice issued by the Skills Funding Agency and the Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit

RSM UK AUDIT LLP (Formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex CM1 1LN
Date 17 December 2015

Income and Expenditure Account
For the year ended 31 July 2015

	Notes	2014/15 £000	2013/14 £000
Income			
Funding Body Grants	2	12,315	13,171
Tuition fees and education contracts	3	1,194	840
Other income		917	773
Investment income	4	46	6
Total income		**14,472**	**14,790**
Expenditure			
Staff costs	5	9,449	9,500
Other operating expenses	7	3,987	3,810
Depreciation	11	837	830
Interest and other finance costs	8	128	177
Total expenditure		**14,401**	**14,317**
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items		71	473
Loss on disposal of fixed assets	11	-	(309)
Surplus on continuing operations after depreciation of assets at valuation and exceptional items but before tax		71	164
Taxation	9	**-**	**-**
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	**71**	**164**

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

Statement of Historical Cost Surpluses and Deficits

	Notes	2014/15 £000	2013/14 £000
Surplus on continuing operations before and after taxation		71	164
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	17	94	94
Historical cost surplus for the year		**165**	**258**

Statement of Total Recognised Gains and Losses

	Notes	2014/15 £000	2013/14 £000
Surplus on continuing operations after depreciation of assets at valuation and tax		71	164
Actuarial (loss)/gain in respect of pension scheme	25	(485)	306
Total recognised (loss)/gain since last report		**(414)**	**470**
Reconciliation			
Opening reserves		10,074	9,604
Total recognised (loss)/gains for the year		(414)	470
Closing reserves		9,660	10,074

Balance Sheet as at 31 July 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Tangible assets	11		19,875		20,658
			19,875		**20,658**
Current assets					
Stock		4		5	
Debtors	12	497		564	
Cash at bank and in hand		1,655		2,319	
		2,156		2,888	
Creditors: amounts falling due within one year	13	(1,823)		(3,115)	
Net current assets/(liabilities)			333		(227)
Total assets less current liabilities			**20,208**		**20,431**
Less: Creditors - amounts falling due after more than one year	14		(2,305)		(2,588)
Net assets excluding pension liability			**17,903**		**17,843**
Net pension liability	25		(3,508)		(2,853)
NET ASSETS INCLUDING PENSION LIABILITY			**14,395**		**14,990**
Deferred capital grants	16		4,735		4,916
Reserves					
General reserve excluding pension reserve		8,344		8,009	
Pension reserve	25	(3,508)		(2,853)	
General reserve including pension reserve	18	4,836		5,156	
Revaluation reserve	17	4,824		4,918	
			9,660		**10,074**
TOTAL FUNDS			**14,395**		**14,990**

The financial statements on pages 19 to 43 were approved and authorised for issue by the Corporation on 15 December 2015 and were signed on its behalf by:

Richard Kirkham
Chair

Nicholas Spenceley
Accounting Officer

Cash Flow Statement
for the Year Ended 31 July 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities	19	486	934
Returns on investments and servicing of finance	20	(62)	(97)
Capital expenditure and financial investment	21	(805)	(4,929)
Financing	22	(283)	(234)
(Decrease) in cash in the period		(664)	(4,326)

Reconciliation of net cash flow to movement in net debt

	Notes	2015 £000	2014 £000
(Decrease) in cash in the period		(664)	(4,326)
Change in net debt resulting from cash flows		283	234
Movement in net debt in period		(381)	(4,092)
Net debt at 1 August		(552)	3,540
Net debt at 31 July	23	(933)	(552)

Notes to the financial statements
for the Year Ended 31 July 2015

1. Accounting Policies

Statement of accounting policies
The following accounting policies have been applied consistently in dealing with items that 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, Accounts Direction for 2014/15 financial statements published jointly by the Skills Funding Agency and the Education Funding Agency 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 £2.6m of loans outstanding with bankers on terms negotiated in 2002 and 2012, secured by a floating charge on College assets. The terms of the agreements are for up to another 3 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.

Recognition of Income
The recurrent grant from the funding bodies is that receivable as determined by the results of the funding audit undertaken.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits.16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

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.

Income from Tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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

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

1. Statement of Accounting Policies (Continued)

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial 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 LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Tangible Fixed Assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charge on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the I&E account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold and leasehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. Buildings of a temporary nature or construction are depreciated over their expected useful economic life to the college of between 5 and 20 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred 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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

1. Statement of Accounting Policies (Continued)

Tangible Fixed Assets

Land and buildings (Continued)

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11. 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:

- 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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition except where purchased collectively as part of a specific project or grouped asset in which case the grouped cost will be capitalised. 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 eight years from incorporation and is now fully depreciated. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

• Computer equipment	3-5 years
• General equipment	8 years

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.

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Income in respect of operating leases where the college acts as lessor are also recognised on a straight line basis over the lease term.

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.

1. Statement of Accounting Policies (Continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is not registered in respect of Value Added Tax, and consequently it is unable to recover 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds and bursary funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 29, except for 5% of the grant received which is available to the college to cover administration costs relating to the grant.

2. Funding Body Grants

	2015 £000	2014 £000
Skills Funding Agency recurrent grant	1,600	1,006
Education Funding Agency recurrent grant	10,492	11,240
Non recurrent grants	65	210
Releases of deferred capital grants (Note 16)	158	715
	12,315	**13,171**

Release of deferred capital grants include £Nil (2014: £539,000) relating to the disposal of The Icon building.

3. Tuition Fees and Education Contracts

	2015 £000	2014 £000
Tuition fees	230	198
Education contracts	964	642
	1,194	**840**

4. Investment Income

	2015 £000	2014 £000
Bank interest receivable	46	6
	46	**6**

5. Staff Costs

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

	2015	2014
	Number	**Number**
Teaching staff	126	135
Non teaching staff	122	116
	248	**251**

Staff Costs for the above persons:	**2015 £000**	**2014 £000**
Wages and salaries	7,555	7,678
Social Security costs	531	553
Other Pension costs including the FRS 17 adjustments of £150,000 – (2014: £108,000)	1,096	1,015
Payroll sub total	**9,182**	**9,246**
Contracted out staffing services	81	168
Payroll sub total	**9,263**	**9,414**
Restructuring costs	186	86
Total staff costs	**9,449**	**9,500**

There were no general pay rises made during the year. Non teaching costs include the support staff standards payments of up to £300 paid in accordance with the support staff performance payment scheme.

6. Senior Post-holders Emoluments

Senior post-holders are defined as the Accounting Officer and holders of the senior posts whom the Corporation 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 Corporation.

	Number 2015	Number 2014
The number of senior post-holders including the Accounting Officer was:	4	5

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

	£000	£000
Salaries	400	410
Pension contributions	54	55
	454	**465**

Senior post-holders salaries include a provision for an individual performance related bonus of 2%, which, in total, amounts to £6,611 (2014: £6,611).

The above emoluments include amounts payable to the Accounting Officer who is also the highest paid employee:

	2015 £000	2014 £000
Salary	126	124
	126	124
Pension contributions	17	17

6. Senior Post-holders Emoluments (Continued)

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

	Senior post-holders		Other staff	
	2015	2014	2015	2014
	No.	No.	No.	No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	2	-	-
£90,001 to £100,000	2	2	-	-
£120,001 to £130,000	1	1	-	-
£140,001 to £150,000		-	-	-
	4	**5**	-	**-**

The £80,001 to £90,000 range includes the salary which would have been received in 2013/14, in a full year, by Kim Morton who resigned with effect from the 4 October 2013. Severance payments made to staff during the year amounted to £101,585 (2014: £34,095). These were not approved by the corporation.

The members of the Corporation other than the Accounting Officer and staff members did not receive any payment from the college other than the reimbursement of travel and subsistence expenses incurred in the course of their duties which amounted to £206 (2014: £Nil).

7. Other Operating Expenses

	2015 £000	2014 £000
Teaching costs	1,504	900
Non teaching costs	1,606	1,696
Premises costs	875	1,214
	3,985	**3,810**

Other operating expenses include:		
Auditors' remuneration		
- external audit	28	23
- internal audit	15	12
Hire of plant and machinery – operating leases	34	35
Land & Buildings – operating leases	60	175
Costs of surrender of the Icon lease	-	85

8. Interest payable

	2015 £000	2014 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in less than 5 years	108	103
	108	103
Pension finance costs (note 25)	20	74
	128	**177**

9. Taxation

The accounts have been prepared on the basis that the College was not liable for any corporation tax arising from its activities during this period.

10. Surplus on Continuing Operations for the Period

The surplus on continuing operations for the period relates wholly to the College.

11. Tangible Fixed Assets

	Freehold Land and Buildings £000	Short Leasehold Land and Buildings £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2014	**24,662**	**1,187**	**2,927**	**28,776**
Additions	15	-	39	54
Disposals	-	-	(282)	(282)
At 31 July 2015	**24,677**	**1,187**	**2,684**	**28,548**
Depreciation				
At 1 August 2014	5,221	329	2,568	8,118
Charge for period	517	126	194	837
Eliminated in respect of disposals	-	-	(282)	(282)
At 31 July 2015	**5,738**	**455**	**2,480**	**8,673**
Net book value				
At 31 July 2015	**18,939**	**732**	**204**	**19,875**
At 31 July 2014	**19,441**	**858**	**359**	**20,658**

The transitional rules set out in FRS 15 Tangible fixed assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by qualified surveyors employed by Essex County Council. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the corporation on a depreciated replacement cost basis with the assistance of independent advice.

Short leasehold land and buildings at 31 July 2015 comprise entirely of refurbishment costs to Church Walk House, which is currently sub-let to NCB Studio School.

Land and buildings with a net book value of £4,824,000 at 31 July 2015 (2014: £4,918,000) have been funded from local education authority sources through, for example, the receipt of capital grants.

Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included in the balance sheet at £nil cost, £nil aggregate depreciation and £nil net book value.

12. Debtors

	2015 £000	2014 £000
Amounts Falling Due Within One Year:		
Trade debtors	46	38
Other debtors	308	478
Amounts owed by Skills Funding Agency	143	48
	497	**564**

13. Creditors: Amounts Falling Due Within One Year

	2015 £000	2014 £000
Bank loans	283	283
Trade creditors	428	286
Other creditors	235	1,217
Taxation and Social Security	276	293
Accruals	304	215
Amounts owed to Skills funding Agency	15	540
Amounts owed to EFA	282	281
	1,823	**3,115**

14. Creditors: Amounts Falling Due after More than One Year

	2015 £000	2014 £000
Bank loans	2,305	2,588
	2,305	**2,588**

15. Borrowings

	2015 £000	2014 £000
Bank Loans and Overdrafts		
Bank loans are repayable as follows:		
In one year or less	283	283
Between one and two years	283	283
Between two and five years	2,022	2,305
	2,588	**2,871**

Bank loans at 6.99% and LIBOR plus 3.61% repayable by quarterly instalments of £70,714 with a final balloon payment of £1,976,786, falling due between 1 August 2015 and 2 January 2018 totalling £2,588,000 (2014: £2,871,000) are secured on the freehold land and buildings of the college.

16. Deferred Capital Grants

	Funding bodies £000	Other £000	Total £000
At 1 August 2014	**4,613**	**303**	**4,916**
Released to income and expenditure account	(158)	(23)	(181)
At 31 July 2015	**4,455**	**280**	**4,735**

17. Revaluation Reserve

	2015 £000	2014 £000
At 1 August as previously stated	4,918	5,012
Depreciation on revalued assets	(94)	(94)
At 31 July	**4,824**	**4,918**

18. General Reserve

	2015 £000	2014 £000
At 1 August	5,156	4,592
Surplus retained for the year	71	164
Transfer from revaluation reserve	94	94
Actuarial (loss)/gains in respect of pension scheme	(485)	306
At 31 July	**4,836**	**5,156**
Balance represented by:		
Pension reserve (Note 25)	**(3,508)**	**(2,853)**
Income and expenditure account excluding pension reserve	**8,344**	**8,009**
At 31 July	**4,836**	**5,156**

19. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation	71	164
Depreciation (Note 11)	837	830
Deferred capital grants released to income (Note 16)	(181)	(739)
Loss on disposal of tangible fixed assets	-	309
Interest payable (Note 8)	108	103
Interest receivable (Note 4)	(46)	(6)
FRS 17 Pension cost less contributions payable (Notes 5, and 25)	170	182
Decrease/(Increase) in stocks	1	(1)
Decrease/(Increase) in debtors	67	(241)
(Decrease)/Increase in creditors	(541)	333
Net cash inflow from operating activities	**486**	**934**

20. Returns on Investments and Servicing of Finance

	2015 £000	2014 £000
Interest received (Note 4)	46	6
Interest paid (Note 8)	(108)	(103)
Net cash outflow from returns on investments and servicing of finance	**(62)**	**(97)**

21. Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of tangible fixed assets (Note 11)	(805)	(4,935)
Proceeds from disposal of tangible fixed assets	-	6
Net cash outflow for capital expenditure and financial investment	**(805)**	**(4,929)**

22. Financing

	2015 £000	2014 £000
Debt due beyond a year:		
Repayment of amounts borrowed	(283)	(234)
Net cash (outflow)/inflow from financing	**(283)**	**(234)**

23. Analysis of Changes in Net Funds/Debt

	At 1 August 2014 £000	Cash flows £000	Other Changes £000	At 31 July 2015 £000
Cash in hand and at Bank	2,319	(664)	-	1,655
	2,319	(664)	-	1,655
Debt due within 1 year	(283)	283	(283)	(283)
Debt due after 1 year	(2,588)	-	283	(2,305)
	(552)	**(381)**	**-**	**(933)**

24. Major non-cash transactions

Major additions to fixed assets unpaid at the year-end amounted to £Nil (2014: £751,000).

25. Pensions 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 Essex County Council Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Mercer Human Resource Consulting Limited. Both are defined-benefit schemes.

Total pension cost for the year		**2015 £000**		**2014 £000**
Teachers pension scheme: contributions paid		620		635
Local government pension scheme:				
Contributions paid	326		272	
FRS 17 Adjustment	150		108	
Charge to I & E Account		476		380
Total Pension Cost for Year		**1,096**		**1,015**

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

Contributions amounting to £122,000 (2013/14: £128,000) were payable to the scheme at 31 July and are included within creditors.

25. Pensions and similar obligations (continued)

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

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

- Employer contribution rates were set at 16.4% of pensionable pay;
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS 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, pensions benefits built up before 1 April 2015 will be fully protected.

25. Pensions and similar obligations (Continued)

Scheme Changes (Continued)

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 the 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £620,000 (2014: £635,000).

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

Accordingly, the college has taken advantage of the exemption in FRS 17 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 trustee administered funds. The total contribution made for the year ended 31 July 2015 was £457,000 of which employers contributions totalled £326,000 and employees' contributions totalled £131,000. The agreed contribution rates for future years are 14.1% for employers and between 5.5% and 12.5% for employees depending on salary.

The estimated value of employer contributions for the year ended 31 July 2016 is £326,000.

Deficit contributions
The College has entered into an agreement with the LGPS to make additional contributions of £32,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2015	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	4.4%	4.5%	4.4%
Rate of increase in pensions	2.6%	2.7%	2.6%
Discount rate for scheme liabilities	3.8%	4.3%	4.7%
Inflation assumption CPI	2.6%	2.7%	2.6%

25. Pensions and similar obligations (Continued)

Local Government Pension Scheme (Continued)

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
Retiring today		
Males	22.8	22.7
Females	25.2	25.1
Retiring in 20 years		
Males	25.1	24.9
Females	27.6	27.4

The College's share of assets and liabilities in the scheme and the expected rates of return were:

	Return expected at 31 July 2015	Fair Value at 31 July 2015 £000	Return expected at 31 July 2014	Fair Value at 31 July 2014 £000
Equities	5.7%	5,564	6.5%	4,760
Government bonds	5.7%	346	3.4%	457
Other Bonds	5.7%	830	4.3%	792
Property	5.7%	990	5.5%	855
Cash	5.7%	211	0.5%	211
Other assets	5.7%	616	4.3%	284
Total market value of assets		8,557		7,359
Present value of scheme liabilities		(12,065)		(10,212)
Related deferred tax liability		-		-
Deficit in scheme		(3,508)		(2,853)

The expected rate of return on assets for accounting periods beginning on or after 1 January 2015 will be replaced with a single net interest cost which will effectively set the expected return equal to the discount rate. There will therefore be no need to disclose the expected return assumption for future years. For the current year the expected return was 5.7% per annum.

Analysis of the amount charged to income and expenditure account

	2015 £000	2014 £000
Current service cost	(476)	(380)
Total operating charge	(476)	(380)

25. Pensions and similar obligations (Continued)

Local Government Pension Scheme (Continued)

Analysis of pension finance costs	**2015 £000**	**2014 £000**
Expected return on pension scheme assets	429	391
Interest on pension liabilities	(449)	(465)
Pension finance costs	(20)	(74)

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

	2015 £000	**2014 £000**
Actuarial gains on pension scheme assets	462	86
Actuarial (losses)/ gains on pension scheme liabilities	(947)	220
Actuarial (loss)/gain recognised in STRGL	(485)	306

Cumulative actuarial losses recognised in the STRGL since the adoption of FRS 17 £1,392,000 (2014: £907,000). The actual return on scheme assets was £891,000 (2014: £477,000).

Movement in deficit during year

	2015 £000	**2014 £000**
Deficit in scheme at 1 August	(2,853)	(2,977)
Movement in year:		
Current service charge (net of employee contributions)	(476)	(380)
Employer contributions	326	272
Net interest / return on assets	(20)	(74)
Actuarial gain	(485)	306
Deficit in scheme at 31 July	(3,508)	(2,853)

Asset and Liability Reconciliation

Reconciliation of Liabilities	**2015 £000**	**2014 £000**
Liabilities at start of period	10,212	9,701
Service cost	476	380
Interest cost	449	465
Employee contributions	131	113
Actuarial loss/(gain)	947	(353)
Benefits paid	(150)	(94)
Liabilities at end of period	12,065	10,212

25. Pensions and similar obligations (Continued)

Local Government Pension Scheme (Continued)

	2015 £000	2014 £000
Reconciliation of Assets		
Assets at start of period	7,359	6,724
Expected return on assets	429	391
Actuarial (loss)/gain	462	(47)
Employer contributions	326	272
Employee contributions	131	113
Benefits paid	(150)	(94)
Assets at end of period	8,557	7,359

The five-year history of experience adjustments is as follows:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligation	(12,065)	(10,212)	(9,701)	(8,974)	(7,508)
Fair value of scheme assets	8,557	7,359	6,724	5,403	5,123
Deficit in the scheme	(3,058)	(2,853)	(2,977)	(3,571)	(2,385)
Experience adjustments on scheme liabilities	-	1,414	-	-	(61)
Experience adjustments on share of scheme assets	462	(47)	795	(283)	9

26. Capital Commitments

	2015 £000	2014 £000
Contracted for at 31 July	117	-
Authorised but not contracted for at 31 July	117	-

Capital commitments at the yearend relate to the provision of a modular building for the Glenwood School under a fully funded agreement with Essex County Council.

27. 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 in over 5 years	50	50
	50	50

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

	2015 £000	2014 £000
Other		
Expiring within one year	9	-
Expiring within two and five years inclusive	4	13
	13	13

28. 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 organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

On the 2 September 2013 NCB Studio School opened following approval by the Secretary of State given on the 26 July 2013 to provide education to pupils aged 14-19. Seevic College acts as the sponsoring organisation to the Studio School which was incorporated as a limited company on 22 February 2012. Church Walk House, which is leased by the college on a short term (10 year) lease at £50,000 per annum, has been sublet to the Studio School under a sub-lease agreement at cost from September 2013.

During the year Seevic College supplied to NCB Studio School services to the value of £26,000 (2014: £24,000). A loan of £51,000 (2014: £235,000) was outstanding at the year end.

Transactions with the Funding bodies are detailed in notes 2, 12 and 13.

29. Amounts disbursed as agent

SFA – Adult Discretionary Support

	2015 £000	2014 £000
19+Hardship support	4	28
Funding body grants 20+ - childcare support	2	23
24+loans bursary	14	7
	20	58
Disbursements to students	(8)	(14)
Administration fees	(1)	(3)
Balance unspent at 31 July, included in cash & creditors	11	41

EFA – 16-19 Bursary funds

	2015 £000	2014 £000
Bursaries	272	-
Free school meals	80	291
	352	291
Disbursements to students	(286)	(234)
Administration fees	(17)	(12)
Balance unspent at 31 July, included in cash & creditors	49	45

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.

Basildon Studio School Project Development Grant

	2015 £000	2014 £000
Opening balance/Grant received	-	77
	-	77
Staff costs	-	(49)
Non staff costs	-	(11)
Balance transferred to NCB Studio School at 31 August 2013	-	(17)
Closing balance	-	-

On the 12 August 2012 a start up grant of £300,000 was awarded for the development of the NCB Studio School. As the sponsoring body Seevic College would administer the funds, as agent, on behalf of the Studio School prior to its opening in September 2013. The grant was provided to meet all start up and pre-opening costs and any unspent funds at that date would be transferred to and form part of the opening reserves of NCB Studio School at the 1 September 2013.

Independent accountant's report on regularity to the corporation of Seevic College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Seevic 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 generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Seevic College and the reporting accountant

The corporation of Seevic 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 of the college's income and expenditure.

Independent accountant's report to the corporation of Seevic College and the Secretary of State for Business, Innovation and Skills acting through the Chief Executive of Skills Funding Agency (Continued)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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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Date 17 December 2015