WORTHING COLLEGE

Report and Financial Statements

For the year ended
31 July 2017

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for the year ended 31 July 2017

December 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Mr P Riley – Principal and CEO; Accounting officer (from August 2016)
Mr S Foden - Vice Principal
Mr P Corrigan – Principal and CEO; Accounting officer (until August 2016)

Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Mr R Singh acted as Clerk to the Corporation until December 2016
Mrs J Cox took over in February 2017

Professional advisers

Financial statement and regularity auditor:
RSM UK Audit LLP
Portland
25 High Street
Crawley
West Sussex RH10 1BG

Internal auditors:
Mazars LLP
Regency House
3 Grosvenor Square
Southampton SO15 2BE

Bankers:
Barclays Bank PLC
1 Churchill Place
London E14 5HP

Legal Advisors:
Irwin Mitchell LLP
Thomas Eggar House
Friary Lane
Chichester
West Sussex PO19 1UF

CONTENTS

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Worthing College.

In December 2009 the College made the decision not to designate as a Sixth Form College and is now classed as a General Further Education College.

Public Benefit

The College is exempt under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages14 and 15. In setting and reviewing the College's strategic objectives, the Corporation 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 College Mission

Following the Corporation Meeting in July 2017 the Mission has been changed and is now;

To inspire, build confidence and prepare you for the life you want to live.

College Vision

We'll believe in you
We'll take you further than you expect
We'll provide an inspirational environment for you

The college plan defines the key activities for the college in 2016/17

The College Plan was set within the context of the five core values of the college and the one year strategic objectives.

Values:

- **Put people first,** care for students and staff, recognise each individual's needs;
- **Make teaching and learning the top priority,** value each person and foster individual learning to develop the whole person;
- **Work together with others** to raise the ambitions and achievement of everyone

Strategic Report (continued)

- **Embrace diversity** and challenge all forms of discrimination;
- **Strive for excellence,** foster openness and trust and commit to continuous improvement where learners help shape improvements and the organisation as a whole.

One Year Strategic Objectives:

1. Improve teaching, learning and assessment to be outstanding by the end of 2018/19;
2. Further improve student intervention, guidance, target setting, employability skills and progression by raising the expectations and aspirations of all students;
3. To improve leadership and management to be outstanding by 2018/19;
4. To further improve and sustain reputational strength in line with college mission, vision and values, sustain outstanding levels of provision and services to students, staff and the wider community to meet or exceed enrolment targets;
5. To achieve and maintain financial stability through maximising income, reducing costs and delivering planned surpluses at 3-5% and the financial health rating of at least good up to 2018/19.

College Plan One Year Actions

1. Improve teaching, learning and assessment to be outstanding by the end of 2018/19.

- **1.1** Focused action planning, monitoring and review at team and whole college in.
- **1.2** Implementation of new NQF provision in BTEC Level 2 and full integration of work experience in Level 2 and Diplomas and Extended Diplomas at Level 3.
- **1.3** Implement revised lesson observation policy with ungraded lesson observations, learning walks and key focus on teacher development and progress and student progress.
- **1.4** Revise the WDP to focus on progress and development of questioning and feedback to confirm or extend learning, planning of lessons to differentiate for individual student's needs, utilisation of initial assessment results in English and maths in lesson planning and target setting focused on knowledge and skills development.
- **1.5** Develop practice of lesson preparation tasks for students in vocational qualifications from September 2016 to maximise effective use of lesson time for taught sessions.
- **1.6** Adapt the use of Skill Scan and Quality Reviews in the OneFile e-portfolio to focus on improving Apprentices understanding and skills over time beyond the requirements of their qualification.
- **1.7** Ensure efficient implementation of a new on-line 'Skills Tracker' to improve students' ability to self-assess their development of knowledge and skills over time – integrating early guidance to students on writing effective targets.

2. Further improve student intervention, guidance, target setting, employability skills and progression by raising the expectations and aspirations of all students.

- **2.1** Implement revised profile of careers interviews and tutorial programme focus on progression planning to ensure students have progression plans in place by the end of the Spring Term.
- **2.2** Implement revised curriculum and tutorial intervention protocols through updated Empower strategy.
- **2.3** Revise markbook for BTEC Level 2 to ensure transparency in progress on NQF Level 2 programmes to support timely intervention.

3. To improve leadership and management to be outstanding by 2018/19.

- **3.1** Establish and communicate effectively a shared vision that motivates all staff to join in creating a consistently high achieving culture that benefits students.
- **3.2** Improve staff morale through targeted action plan implemented in conjunction with union/management group.

Strategic Report (continued)

3.3 Implement a bespoke management development programme and revised data sets to enable curriculum managers to continue to improve teaching, learning and assessment and student outcomes.
3.4 Ensure all governors have an astute understanding of the strategic issues facing the college through a targeted training programme to include: * Continuous improvement * Financial solvency and security * Future Mission and Vision * Improving staff morale
3.5 Revise the Child Protection and Safeguarding Policy to reflect revised statutory guidance May '16 to include amendments to annual safeguarding report to assess impact of safeguarding for those students in receipt of support in terms of how many achieve their qualifications, the reasons for those who are unsuccessful or where these students progress to.
3.6 Review SAR and SQR3 process to monitor, action plan and review progression rates between Year 12 and Year 13 in individual courses.
3.7 Implement and review changes to college processes and practices from the Spring/Summer Workload Process review 2015/16 and ensure that initiatives to reduce workload do not impact negatively on the student experience or outcomes.
3.8 Implement revised interim management structure for 2016/17:
3.9 1st Level report to Governors on Academisation option in July 2016 with further report in September and ongoing milestones as appropriate.

4. **To further improve and sustain reputational strength in line with college mission, vision and values, sustain good levels of provision and services to students, staff and the wider community to meet or exceed enrolment targets.**

4.1 Extend transition and liaison with High Schools.
4.2 Continuously review standards for college Learning Environments to ensure they offer students and staff outstanding teaching and learning facilities.
4.3 Update College Property Strategy.
4.4 Build resilience and flexibility into the management and staffing in Student Services in order to effectively succession plan in MIS through the following actions.
4.5 Test the Business Continuity Plan with a desk based scenario around the use of the college lockdown systems.

5. **To achieve and maintain financial stability through maximising income, reducing costs and delivering planned surpluses at 3-5% and the financial health rating of at least good up to 2018/19.**

5.1 Review and deliver the 2016/17 budget through financial scrutiny, regular meetings with budget holders, greater financial awareness and identification of further efficiencies.
5.2 Ensure that the 2016/17 Business Plan contribution through Nursery, VIS, lettings, catering and counselling is delivered. Ensure regular review of the performance of these areas as part of management account reporting.
5.3 Implement new Business Development Plan for apprenticeships to achieve 150 starts in 2016/17.

The impact of the college plan is reviewed in the annual Self Assessment Report 16/17, which will record a Good self assessment outcome for all the areas of the Common Inspection Framework – subject to Governor approval in December 2017.

Strategic Report (continued)

Financial objectives

The College financial objectives for 2016/17 were as follows:

To remain financially sound and protect itself from unforeseen adverse changes in enrolments and generate sufficient income to enable the maintenance and improvement of its accommodation and equipment.

This will be achieved by the following:

- To achieve minimum Satisfactory health score in all three years of the forecast;
- To be on track to meet the bank covenant in all three years of the forecast, or have discussions with the bank should a weaver be required;
- To maximise cash days in hand;
- To achieve a positive current ratio in all three years of the forecast;
- To invest at least £40k on equipment and building works over the period;
- To reduce pay costs to below 65% by 2016/17 whilst continuing to maintain quality of provision;
- To maintain tight budgetary control on all non-pay budgets;
- To engage in any procurement initiatives to achieve savings in non-pay costs.

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

Performance indicators

Teaching and Learning

- Enrolment;
- Success rates (retention and achievement):
- Value added;
- Attendance;
- Lesson observation;
- Learner involvement;
- Progression

See the table on page 8 for more details.

Financial

	Target July 17	Yearend Forecast	Variance
Cash	999	1277	278
Cash Days in Hand	42	55	13
Current ratio	1.10	1.01	-0.09
Total borrowing as % of reserves	22.68%	25.71%	3.0%
Pay costs as % of turnover	62.31%	64.14%	-1.83%
Financial health indicator	Good	Good	n/a
Covenant - bank requirement	6.0	4.3	1.7

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading the current calculated grade is Good.

Strategic Report (continued)

FINANCIAL POSITION

Finance results

The College generated an operating surplus for the year of £1,745k (2015/16 £270k deficit).

The College has accumulated income and expenditure reserves, excluding pension scheme, of £12,888k (2015/16:£12,590k) and cash balances of £1,277k (2015/16: £886k)

Tangible fixed asset additions during the year amounted to £98k (2015/16:£158k). This was split between land and buildings acquired of £92k (2015/16: £39k), equipment purchased of £6k (2015/16:£15k) and assets under construction of £0k (2015/16:£104k).

Treasury policies and objectives

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

The College has a treasury management section within the Financial Regulations. 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

During the year there was cash generated from operating activities of £726k (2015/16: cash generated from operating activities £925k)

Going Concern

The College has made a surplus in the year which was affected by the following:

- Student numbers of 1,364 for 2016/17 were below the funded level of 1,545 resulting in a higher level of funding income compared to the cost of delivery. Funding has decreased in 2016/17 as it is based on the 2015/16 intake.
- As a consequence of the restructure of SMT pay costs to income were down on previous years.
- Efficiencies have been made during the year to reduce costs some of which will be recurrent;
- Recruitment for the current year is below target and this will adversely impact funding levels for 2018/19. The college has worked tirelessly on managing budgets tenaciously with mid year budget holder reviews and tight controls on release of budgeted funds.

- The College financial plan for 17/18 is based on 1364 student funding it had been agreed with the Corporation that the College would have a deficit budget for 17/18. Whilst a deficit budget has been agreed due to the high level of depreciation the college cash position will remain stable. The deficit budget will still produce a satisfactory financial health grade but will not meet the current bank covenant on the bank loan. The bank are aware of this, however they will not confirm any breach until year end as until then no formal breach would have taken place. The College has been in discussion with the bank who remain verbally supportive of the college.

As a result of the lower than expected student enrolment in September 2017, which will impact on funding in 18/19. The college has already discussed with the bank the impact of potentially not meeting the loan covenant in 18/19. Although this would mean two consecutive years of breach, due to the positive cash position and the large asset base of the College the bank have remained supportive. The bank are potentially prepared to consider alternative covenant options for their loan with the College, this will form part of the loan review, which is due in June 2018.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £6,529k in funding body main allocation funding (2015/16: £6,691k). The College had 1,364 16-18 year old funded students which was below its target of 1,515 for 2016/17.

Student achievements

Pass rates and progress for students overall continue to be **Good** for main cohorts. The whole college pass rate remains consistently high and almost 1% above the SFC national rate at 94.4%, as does the large entry level 3 pass rate, which is 1.8% above the national rate at 95.5%. The A level pass rate has risen for the last 3 years and is above the latest SFC national rate at 99.1%. Unamended data from the 16-18 Performance Tables show the average A level points to be 29.13, which is up slightly on last year and represents a grade C. Although slightly down on last year, the Applied General pass rate is also high at 98.1% and above the SFC national rate. The 16-18 Performance Tables indicate an average points score of 38.2, which is a Distinction +. ALPS value added has improved for both academic and applied general cohorts to grade 5 and 4 respectively, and an increasing proportion of level 3 students now achieve the grade their prior achievement suggests, with 68% of A level and 75.4% of Applied General students achieving their aspirational ALPS target grade. This has increased in each of the last 4 years.

However, retention across a number of cohorts **requires improvement.** Whole college retention is down to 90.6%, 3% below the SFC national rate. This has been driven down partly by linear A level retention, but retention in other cohorts is also down and below the SFC national rate, and there is a 3 year downward trend in retention rates including at long level 2 and long level 3. As a consequence, achievement rates at whole college and at levels 1, 2 and 3 are down on last year and **require improvement.** The whole college achievement rate is now 85.6%, which is 2% below the SFC national rate. This is a major focus for improvement in the coming year.

Outcomes for students on 16-19 Study Programmes, which account for nearly 3,000 of the 3,142 starts, are in line with headline figures for achievement, retention and pass rates.

Outcomes for the 134 19+ starts **require improvement,** with pass rates, retention and achievement all significantly below those of the 16-18 cohort.
Foundation tier outcomes remain significantly above the latest SFC national rates and are **good.** GCSE A*-C rates have fallen this year from their very high rates of last year, but maths is 5.4% above the SFC national rate at 54.6% and English is 11.4% above at 52.3%.

Outcomes for Apprenticeships are **outstanding.** Achievement rates are significantly above national rates and the college's own aspirational targets. The achievement rate for 2016/17 was 100%, with timely achievement 95.8%. Retention and success were 96.2%.

Strategic Report (continued)

KPI Area	KPI	Actual 2014/15 (%)	Actual 2015/16 (%)	Forecast June 2016/7 (%)	Actual 2016/17	Provider National Average 2016/17 (%)	KPI 2016/17 (%)	Proposed KPI 2017/18 (%)
Success Rates	Whole College	88.5	87.2	-	85.6	87.7	87.4	87.4
	A2	97.2	94.7	87.8	87	96	96	89.2
	BTEC Level 3	89.7	88.1	92.1	90.6	90.5	90.2	91.3
	BTEC Level 2	88	82	88.9	83.5	83.2	87.3	88.2
	GCSE (A*-C)	43.3	57.8	60.1	50.5	-	60.3	55.2
Achievement	Whole College	94.3	94.8	-	94.4	93.5	92.5	95
	A2	98.3	98.8	98.5	99.1	98.2	98	99.1
	BTEC Level 3	97.6	98.2	97.6	98.1	97.1	98	98.2
	BTEC Level 2	98.4	99	98.9	93.6	93.7	97	98
	GCSE (A*-C)	50.1	65	65.4	56.1	41.1	67	60
Retention	Whole College	93.8	92	92.9	90.6	93.7	94.5	92
	A2	98.9	95.8	89.2	87.7	97.7	98	90
	BTEC Level 3	91.9	89.7	94.4	92.4	92.1	92	93
	BTEC Level 2	89.4	82.8	89.9	89.2	90.8	90	90
	GCSE	87	89	91.8	90	91.3	90	92
High Grade	A2	39.2	42.9	-	40.7	n/a	45	45
Value Added	A2 ALPS grade	7	5	5	5	n/a	4	3
	BTEC Level 3 ALPS grade	4	5	4	4	n/a	4	3
Attendance	BTEC Level 2	88.5	90.4	89.8	89.9	n/a	90	-
	GCSE	83.1	82.6	81.9	81.9	n/a	85	-
Student Voice	Overall Quality of teaching, learning and assessment	83	87	89	89	n/a	90	90

Strategic Report (continued)

Curriculum developments

The College continues to work with Greater Brighton Met. College, Schools, Universities, Voluntary Sectors Partners and West Sussex Local Authority to develop the area curriculum. The College has and continues to develop its curriculum within the contexts set by the West Sussex 14-19 Strategy, Area B collaborative partnership agreement and the Worthing and Adur Sustainable Community Strategic Plan – Waves Ahead – as published by the Local Strategic Partnership. Curriculum Developments are managed through an annual curriculum forum and the forum for 17/18 has determined the need for January starts to inform lagged number for 18/19 to offset against reduced enrolment in September 17.

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 2016 to 31 July 2017 the College's policy was to pay all invoices within the 30 day period and it incurred no interest charges in respect of late payment for this period.

Staff and student involvement

The College believes good communication with staff and students to be very important. There is an effective communication strategy, which includes staff meetings, staff briefings and in addition staff are able to elect two staff Governors. A new development is the Staff Blog where staff post comments and receive responses. This has been well received by staff. There are
two student representatives on the Corporation and each year students are invited to give feedback to the College through the Student Parliament and the Learner Involvement Strategy.

The College recorded A level results with a pass rate of 99.1% and outstanding results on vocational courses. AS results were in line with the previous year and remain a key area of focus. There were improvements in retention and attendance.

Future Developments

The college plans to:

- become outstanding by 2018;
- maintain financial health at Satisfactory to the end of 2018/19 and Good by 2019/20. As the ratios used to calculate financial health use borrowing levels it is difficult for the college to achieve a score better than Satisfactory until the level of the bank loan is reduced, which will happen over the coming years.

RESOURCES:

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

Financial
The College has £12.0m of net assets, excluding £5.8m deferred capital grants, and after accounting for a £0.9m pension liability and long term bank debt of £3.2m.

People
The College employs 164 full time equivalent employees (including apprentices) of whom 56 are teaching staff.

Reputation
The College has a good reputation locally and nationally. Maintaining high standards is essential for the College's success at attracting students.

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continued to undertake 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.

Outlined below are the principal key 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. Funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17, 79% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There are 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 is aware of several issues which will impact future funding:

The financial impact of the under recruitment of student numbers in 2015/16 is being felt in 2016/17;

The financial impact of changes to the funding regime over recent years and the reduction in funding for 18+ students has impacted significantly on income and further reductions in funding for post-16 provision which may be implemented in 2017/18 are yet to emerge.

To meet these financial challenges the College:

- Has introduced a range of efficiencies including staff savings;
- From September 2015 has introduced a changed programme of study for all students which includes making 3 courses rather than 4 the standard offer at advanced level;
- Continues to maintain a close relationship with the funding bodies;
- Is developing other income streams such as lettings and hirings at the new site.

2. College Property Strategy

The College successfully completed its move to new premises in September 2013 and is continuing to assess the impact of managing the new estate and associated running costs which are being monitored to ensure that best value for money is achieved. The final build payments to contractors were made in 2016/17, with only the warranty payment outstanding.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of s28 FRS 102. There is a continuing risk of funding the liability and the impact that this may have on pension contributions.

A general college risk register is maintained. The risk policy and procedures are reviewed annually by the Audit Committee. The risk register identifies risks, the impact on the College, and the actions being taken to reduce and mitigate the risks.

4. Financial Viability of the College

As a result of the lower than expected student enrolment in September 2017, which will impact on funding in 18/19. The college has already discussed with the bank the impact of potentially not meeting the loan covenant in 18/19. Although this would mean two consecutive years of breach, due to the positive cash position and the large asset base of the College the bank have remained verbally supportive. The bank are potentially prepared to consider alternative covenant options for their loan with the College, this will form part of the loan review, which is due in June 2018.

Strategic Report (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education Sector Funding Bodies;
- Staff;
- Local employers;
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions, schools and universities;
- 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.

EQUALITY AND DIVERSITY

The College believes that:

- All people have a right to work or study at the college with an equal chance of success, free from fear of discrimination, harassment or intimidation;
- Promoting equality, fairness and diversity in the college is everybody's responsibility.

The College places equality and diversity at the heart of all activities and believes that the following values are central to achieving its Mission and Vision:

- Embracing and celebrating diversity;
- Creating a welcoming and inclusive environment;
- Removing barriers to access and progression;
- Raising awareness of equality and diversity issues;
- Combatting all forms of discrimination and harassment;
- Embedding equality and diversity in teaching and learning, guidance and services.

The College will strive to achieve these values by:

- working to ensure equality of access and resources for all;
- providing an environment which promotes equality and diversity and is free from discrimination, harassment or victimisation of any kind against any of the following aspects of an individual's identity:
    - Age;
    - Disability;
    - Gender (including transsexual and transgender people);
    - Religion and belief;
    - Sexual Orientation;
    - Gender and status (including men, women, married people, single people, people in a civil partnership, pregnancy, maternity, paternity and carers);
    - Socio Economic Status (as measured by multiple indices of social deprivation);
    - Race (including nationality and black and minority ethnic background).
- preparing students for life and work in a multi-cultural society;
- enabling a representative cross-section of the local community to take part in educational activities;
- working to establish a workforce and Corporation which reflects the local community;
- respecting equally, supporting appropriately and rewarding fairly each student, employee, and user of its services;

- training staff in equality and diversity issues and how to put them into practice;
- set targets for, monitor and evaluate provision and policies;
- complying with all current equalities legislation in employment and provision of teaching and services.

As a public sector organisation we recognise our statutory responsibilities under the Equality Act 2010 and acknowledge our commitment to the five key steps framework for the development of our Equality and Diversity annual action plans to ensure there is transparency in how the College is responding directly to our statutory duties.

The five key steps:

- Gather information on how your work affects different racial groups, disabled people and men and women, including transsexual men and women;
- Consult employees, service users, trade unions and other stakeholders, and involve disabled people;
- Assess the impact of your policies and practices;
- In the light of this evidence decide what your priorities for taking action should be;
- Take the action that will deliver the best outcomes in race, disability and gender equality.

Equal opportunities

The College considers all applications for employment against the person/post specification. Staff are trained in equal opportunities as part of recruitment training. Should an existing employee become disabled, the college will make a full assessment to ensure that reasonable adjustments are made to ensure that employment with the College continues. The College's policy is to remove barriers to training, career development and opportunities for promotion which disabled employees might experience.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010

a) As part of its accommodation strategy the College will continue to consider and ensure accessibility to all.

b) The College screens all students to identify any additional support needs. The Student Advice and Support Team provide information, advice and arranges support where necessary for students with disabilities.

c) The College has a range of specialist equipment, such as hearing loops and assistive technology.

d) The admissions process for all students encourages disclosure of disabilities and learning difficulties so that reasonable adjustments can be made. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) There are a number of additional 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) Counselling and welfare services are described in the Additional Support Guide, which is issued to students together with details of the Complaints and Disciplinary Procedures at induction.

Strategic Report (continued)

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 4th December 2017 and signed on its behalf by:

Paul Amoo
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. 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 we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. The College has not adopted the UK Corporation Governance Code, we have regard to the principles and guidance therein insofar as those are applicable to the College sector and have complied throughout the year ended 31 July 2017.

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.

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

The Corporation

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

	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees Served	Corporation Meeting Attendance (2016-17)
Paul Amoo	June 2014	4 years		External	Chair of Corporation. Remuneration.	8/8
Roy Bowden	February 2015	4 years		External	Vice Chair of Corporation. Remuneration.	8/8
Richard Bradford	February 2015	4 years		External		5/8
Peter Corrigan	September 2004	Duration of appointment	August 2016	Principal		0/0
Val Ellis	June 2015	4 years		External	Audit	6/8
Kate Hall	November 2014	4 years		Teaching Staff	Audit	7/8
Sue Jenkins	February 2015	4 years		External	Remuneration	6/8
John Lewis	May 2009 May 2011 May 2015	2 years 4 years 4 years	 July 2017	Parent External External		8/8

	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees Served	Corporation Meeting Attendance (2016-17)
Elizabeth Sparkes	Dec 2013	4 years		External		5/8
Hazel Thorpe	October 2009 October 2013	4 years 4 years		External	Remuneration	5/8
Paul Riley	September 2016	Duration of appointment		Interim Principal/Principal		8/8
Charlie Suraci-Neve	September 2016	1 year	July 2017	Student		7/8
Emily Coles	September 2016	1 year	July 2017	Student		7/8
Jane Thorns	September 2016	4 years		Support Staff	Audit	8/8
Prince Singh	September 2016	4 years	November 2016	External	Audit	2/2
Linda Randall	September 2016	4 years	February 2017	External	Audit	3/3
Sally Skinner	November 2016	4 years		External		5/6
Tina Favier	February 2017	4 years		External	Audit	4/4
Steve Hargrave	March 2017	4 years		Parent		3/4
Joanne Fowler	March 2017	4 years		External		3/3

Rajinder Singh was Clerk to the Corporation until December 2016.
Joanna Cox was Clerk to the Corporation from February 2017.

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 Audit, Quality, Resources, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.worthing.ac.uk or from the Clerk to the Corporation at:

Worthing College
1 Sanditon Way
Worthing College
W. Sussex
BN14 9RD

The Clerk to the Corporation 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 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 Principal /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.

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2017 and graded itself as Good on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to act on behalf of the Board on determining the remuneration and benefits of the Principal /Accounting Officer, other key management personnel and the Clerk.
Details of remuneration of key management personnel for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal / Accounting Officer, the Chair and members of the Resources Committee and Staff Governors). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 input and report their findings to management and the Audit Committee.

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

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

Resources Committee

During 16/17 this committee was part of the main corporation meetings as the Governors trialled a different meeting structure. However, upon review the committee has been reinstated for 17/18, although has not yet met.

The Resources Committee assists the Corporation in fulfilling its duties in respect of financial, physical and human resources including health and safety, business and marketing activities and information technology. The Resources Committee advises and makes recommendations to the Corporation on these matters.

Quality Committee

During 16/17 this committee was part of the main corporation meetings as the Governors trialled a different meeting structure. However, upon review the committee has been reinstated for 17/18, although has not yet met.

The Quality Committee has a remit to monitor and evaluate the quality and effectiveness of the college's provision to students and customers and advise the Corporation accordingly.

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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Worthing College and the funding bodies. He 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 Worthing College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The 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 2017 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 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.

Worthing College has appointed an internal audit service, which operates in accordance with the requirements of the ESFA's post-16 audit code of practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee.

Review of effectiveness

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

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

Statement of Corporate Governance and Internal Control (continued)

The Principal 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 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 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 and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Going concern

The College has £3.3m of loans outstanding with bankers on terms negotiated in 2011. In addition there is an overdraft facility of £250k, these are secured by a charge on College's premises. The terms of the existing agreement are for up to another 25 years. The College's financial projections indicated that it will be able to operate within this existing facility. The college has already discussed with the bank the impact of potentially not meeting the loan covenant in 18/19. Although this would mean two consecutive years of breach, due to the positive cash position and the large asset base of the College the bank have remained verbally supportive of the college but in remains uncertain at the date of signing of the 2017 financial statements.

Cash flow forecasts have been produced through to July 2019, together with the underlying bank support should it be required 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 4th December 2017 and signed on its behalf by:

Signed	Signed
Paul Amoo Chair of Corporation	Paul Riley 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 Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education and Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 4th December 2017 and signed on its behalf by:

Signed

Paul Amoo
Chair of Corporation

Signed

P. Riley

Paul Riley
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 4th December 2017 and signed on its behalf by:

Paul Amoo

Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WORTHING COLLEGE

Opinion

We have audited the financial statements of Worthing College (the "College") for the year ended 31 July 2017 which comprise the College statement of comprehensive income, the College balance sheet, the College statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 6 July 2017.
In our opinion, the financial statements:

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

Basis for opinion

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

Material Uncertainty Related to Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements. As described in note 1, the College has £3.3m bank loan at the balance sheet date. As set out in the accounting policies the forecasts for the year ended 31 July 2018 indicate that under the existing covenants that the College will breach the loan covenants at the balance sheet date 31 July 2018. The bank have indicated verbally that they remain supportive of the College, but a material uncertainty remains as to the renewal of this facility during 2017/18. The financial statements do not include any adjustments that would result if the College was unable to continue as a going concern.

Other Information

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation of Worthing College

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 24 to 42 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 6 July 2017. 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 6 July 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP,

RSM UK Audit LLP
Chartered accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date 11. December 2017,

WORTHING COLLEGE

STATEMENT OF COMPREHENSIVE INCOME (SOCI)

FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017	2016
		£000	£000
Income			
Funding body grants	2	6,925	7,019
Tuition fees and education contracts	3	358	282
Other income	4	1,334	1,327
Investment income	5	2	2
Total Income		8,619	8,630
Expenditure			
Staff costs	6	5,523	5,655
Other operating expenses	8	2,382	2,305
Depreciation	11	460	457
Interest payable	9	159	177
Total expenditure		8,586	8,594
Surplus before tax		95	36
Taxation	10	-	-
Surplus for the year		95	36
Unrealised surplus on revaluation of assets			
Actuarial surplus/(loss) in respect of pensions schemes	17	1,650	(306)
Total Comprehensive Income for the year		1,745	(270)

WORTHING COLLEGE

BALANCE SHEET AS AT 31 JULY 2017

	Notes	2017	2016
		£000	£000
Fixed assets			
Tangible assets	11	21,938	22,300
Total fixed assets		**21,938**	**22,300**
Current assets			
Stock		26	23
Debtors	12	470	263
Cash at bank and in hand		1,277	886
Total current assets		**1,773**	**1,172**
Creditors - amounts falling due within one year	13	1,903	1,667
Net current (liabilities)		(131)	(495)
Total assets less current liabilities		**21,807**	**21,805**
Creditors - amounts falling due after more than one year	14	8,837	9,133
Net assets excluding pension liability		**12,970**	**12,672**
Net pension liability	17	911	2,358
NET ASSETS INCLUDING PENSION LIABILITY		12,059	10,314
Reserves			
Income and expenditure account		11,977	10,232
Restricted reserves		82	82
Total reserves		**12,059**	**10,314**
TOTAL FUNDS		12,059	10,314

The financial statements on pages 24 to 42 were approved and authorised for issue by the Corporation 4th December 2017 and were signed on its behalf on that date by:

Paul Amoo
Chair

P. Riley

Paul Riley
Principal

WORTHING COLLEGE

STATEMENT OF CHANGES IN RESERVES

	Restricted reserve £000's	Income and Expenditure account £000's
Balance at 1 August 2015	82	10,502
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	-	36
Other comprehensive income	-	(306)
Total comprehensive income for the year	-	(270)
Balance at 31 July 2016	82	10,232
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	-	95
Other comprehensive income	-	1,650
Total comprehensive income for the year	-	1,745
Balance at 31 July 2017	82	11,977

WORTHING COLLEGE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus for the year		95	36
Adjustment for			
Pensions costs less contributions payable		203	159
Investment income		(2)	(2)
Interest payable		101	107
Depreciation		460	457
(Increase)/Decrease in stocks		(3)	6
(Increase)/Decrease in debtors		(207)	160
Increase/(decrease) in creditors due within one year		237	37
(Decrease) in creditors due after one year		(159)	(36)
Net cash flow from operating activities		726	925
Cash flows from investing activities			
Investment income		2	2
Withdrawal of deposits		-	82
Payments made to acquire fixed assets		(98)	(158)
		(96)	(74)
Cash flows from financing activities			
Interest paid		(101)	(107)
Increase/(Decrease) in capital accruals		-	(260)
Repayments of amounts borrowed		(138)	(138)
		(239)	(505)
Increase / (decrease) in cash and cash equivalents in the year		391	346
Cash and cash equivalents at beginning of the year		886	540
Cash and cash equivalents at end of the year		1,277	886

1. Statement of Accounting Policies

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

General information regarding college

Basis of Preparation

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies. The financial statements are prepared in sterling, which is also the functional currency of the College. Monetary amounts in the financial statements are rounded to the to the nearest £1000, except where otherwise indicated.

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 has £3.3m of loans outstanding with bankers on terms negotiated in 2011. In addition there is an overdraft facility of £250k, these are secured by a charge on College's premises. The terms of the existing agreement are for up to another 25 years. The College's financial projections indicated that it will be able to operate within this existing facility. The college has already discussed with the bank the impact of potentially not meeting the loan covenant in 18/19. Although this would mean two consecutive years of breach, due to the positive cash position and the large asset base of the College the bank have remained verbally supportive of the college but it remains uncertain at the date of signing of the 2017 financial statements.

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

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement in the adult skills budget allocation is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustments to clawback in respect of under achievement, however where negotiations are subsequent to the yearend they are not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

Other income

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 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.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

West Sussex Local Government Pension Scheme (LGPS)

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

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

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by 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 funding bodies.

Stocks

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

Agency Arrangements

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

Maintenance of Premises

Planned maintenance costs are charged to the income and expenditure accounts as they are incurred.

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 exempt from levying VAT on most of the services. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased.

Leased Assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. Currently the college does not have any agreements that could be classed as finance leases.

Tangible Fixed Assets

Land and Buildings

Land and buildings inherited from the local education authority (LEA) are stated in the balance sheet at valuation (1993). The basis of valuation of buildings is depreciated replacement cost, as the open market value for existing use is not readily obtainable. Freehold land is not depreciated. Buildings acquired from the LEA are depreciated over the expected useful economic life to the College of thirty years. New buildings are depreciated over 50 years. Subsequent improvements are included at cost and are depreciated over the expected useful economic life to the College of fifteen years.

Where the land and buildings are acquired with the aid of special 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, have been capitalised and form part of the costs 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 receivable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in [1993], as deemed cost but not to adopt a policy of revaluations of these properties in the future.

- **Assets under construction**

Assets under construction are accounted for at cost, based on the direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

- **Subsequent expenditure on existing fixed assets**

Where subsequent expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it is probable that such costs will generate future economic benefit.

- **Equipment**

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment was depreciated on a straight line basis over its remaining useful economic life to the College of five years. All other equipment is depreciated over its useful economic life as follows:

- Computer equipment 33% per year on a straight line basis and,
- Other equipment 20% 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.

Financial instruments

All financial assets and liabilities are initially measured at transaction price (including transaction costs) except for those financial assets which are required to be measured at fair value through income and expenditure. A financial asset or liability that is payable or receivable in are year is measured at the undiscounted amount expected to be received or paid unless it is a financing transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2: FUNDING BODY GRANTS

	2017	2016
	£000	£000
Recurrent grant		
Education and Skills Funding Agency - adult	184	197
Education and Skills Funding Agency - 16 -18	6,345	6,494
Specific grants		
Education and Skills Funding Agency - apprenticeships	282	214
Releases of government capital grants	114	114
	6,925	7,019

3: TUITION FEES AND EDUCATION CONTRACTS

	2017	2016
	£000	£000
TUITION FEES		
Adult education fees	212	101
International student fees	146	181
	358	282

4: OTHER INCOME

	2017	2016
	£000	£000
Letting income	197	218
Contributions to College funds	4	11
Catering and vending	192	199
Nursery activities	656	646
Examination fees	12	20
Releases of non-government capital grants	27	10
Other	124	126
Government Grants	121	78
Other grants	-	19
	1,334	1,327

5: INVESTMENT INCOME

	2017	2016
	£000	£000
Interest receivable	2	2
Total	2	2

6: STAFF COSTS

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

Staff numbers expressed as full-time equivalents	2017	2016
	No.	No.
Teaching staff	56	57
Non teaching staff	108	98
	164	155

	2017	2016
	£000	£000
Wages and salaries	4,250	4,528
Social security costs	323	266
Other pension costs (including s28 FRS 102 adjustments of £145k, 2015/16: £89k)	864	818
	5,438	5,612
Redundancy/severance costs	85	43
Total	5,523	5,655

Key management personnel

Key management personnel are those persons having authority and responsibility for planning,directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Vice Principal and Assistant Principals. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting	3	4

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

	Key management personnel	
	2017	2016
£60,001 to £70,000	1	2
£70,001 to £80,000	-	1
£90,001 to £100,000	1	-
£100,001 to £110,000*	1	1
	3	4

* Relates to previous Principal, who was paid pro rata to August 2016.

7: EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel's emoluments are made up as follows:

	2017	2016
	£000	£000
Salaries	180	302
Pension contributions	30	51
Total emoluments	210	353
Employers national insurance	23	34
Total	233	387

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

	2017	2016
	£000	£000
Salary	97	105
Pension contributions	16	17
Total emoluments	113	122
Employers national insurance	12	12
Total	125	134

The previous Accounting Officer was paid in August 2016 - Salary £11k Pension contributions £2k giving total emoluments of £13k, Employers NI was £1k giving a total cost of £14k.

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

Compension for loss of office paid to former key management personnel

	2017	2016
	£000	£000
Compensation paid to key management personnel	-	30

The severance payment was approved by the College's remuneration committee.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8: OTHER OPERATING EXPENSES

	2017	2016
	£000	£000
Teaching costs	616	563
Non-teaching costs	1,074	1,099
Premises costs	692	643
	2,382	2,305

Surplus for the year is stated after charging	£000	£000
Auditors' remuneration		
- financial statement audit	14	13
- internal audit	4	4
Hire of other assets - operating leases	288	336
Other services provided by the financial statement auditors		
- teachers pension engagement	1	1

9: INTEREST PAYABLE

	2017	2016
	£000	£000
Pension finance cost	58	70
On bank loans, overdrafts and other loans:	101	107
	159	177

10: 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 charity 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 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.

11: TANGIBLE FIXED ASSETS

	Freehold land & buildings	Equipment	Assets Under construction	Total
	£000	£000	£000	£000
At cost				
At 1 August 2016	22,549	1,768	104	24,421
Additions	92	6	-	98
Transfer	104		(104)	-
At 31 July 2017	22,745	1,774	-	24,519
Depreciation				
At 1 August 2016	811	1,310	-	2,121
Charge for year	299	160	-	460
At 31 July 2017	1,110	1,470	-	2,580
Net book value				
At 31 July 2017	21,635	304	-	21,939
Net book value				
At 31 July 2016	21,739	458	104	22,300

12: DEBTORS

	2017	2016
	£000	£000
Amounts falling due within one year		
Trade debtors	325	176
Amounts due from ESFA	17	12
Prepayments and accrued income	127	75
Total	470	263

13: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank loans (note 16)	138	138
Payments received on account	381	272
Trade creditors	125	29
Other Tax and Social Security	85	91
Amount due to pension providers	83	82
Other creditors	271	239
Accruals	500	522
Deferred Income- government capital grants	142	124
Amounts owed to funding body	179	171
Total	1,903	1,667

14: CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £000	2016 £000
Bank loans (note 16)	3,197	3,334
Deferred Income- government capital grants	5,640	5,799
Total	8,837	9,133

15: Maturity of debt

Bank Loans and overdrafts

	2017 £000	2016 £000
Bank loans are repayable as follows:		
In one year or less	138	138
Between one and two years	138	138
Between two and five years	413	413
In five years or more	2,646	2,784
Total	3,335	3,472

The interest rate payable on the loan is 2.97% and is secured by a charge on The Warren, the College's premises. The payments are made quarterly with the final payment due in 2041.

16: FINANCIAL INSTRUMENTS

Tha college has the following financial instruments:		2017	2016
Financial assets	Measured at amortised cost	£000	£000
Cash		1,277	886
Trade debtors		125	175
Accrued income		49	5
		1,450	1,066

Financial liabilities	Measured at amortised cost		
Trade creditors		125	29
Bank loan		3,335	3,472
Accruals		500	522
		3,959	4,023

17: 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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Sussex County Council. Both are multi-employer defined benefit schemes.

Total pension cost for the year	**2016/17 £000**		**2015/16 £000**	
Teachers' Pension Scheme: contributions paid		347		362
Local Government Pension Scheme:				
Contributions paid	406		367	
FRS 102 (28) charge	145		89	
Charge to the Statement of Comprehensive Income (staff costs)		551		456
Total Pension Costs for Year in staff costs		898		818

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year/Contributions amounting to £83,000 (2016 £82,000) were payable to the scheme at 31 July 2017 and are included within creditors.

THE TEACHERS' PENSION SCHEME

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

17: PENSION AND SIMILAR OBLIGATIONS (continued)

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £406,000 (2016: £367,000)

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

WEST SUSSEX COUNTY LOCAL GOVERNMENT PENSION FUND (WSCPF)

The WSCPF is a funded defined benefits scheme, with assets held in funds administered by the County Council. The agreed contribution rates for 2015/16 were 19.2 % to 31 March 2015 and 20.4% from 1 April 2016 for employers and range from 5.5% to 12.5% for employees depending on salary.

The total contribution made for the year ended 31 July 2017 was £493k of which employer's contributions totalled £406k and employees' contributions totalled £87k.

Principal Actuarial Assumptions

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

	As at 31 July 2017	As at 31 July 2016
Rate of increase in salaries (*)	3.20%	3.40%
Rate of increase in pensions	2.50%	1.90%
Discount rate for liabilities	2.70%	2.40%
Commutation of pensions to lump sums	50.00%	50.00%

17: PENSION AND SIMILAR OBLIGATIONS (continued)

* Salary increases assumed to be 1% per annum until 31 March 2016, reverting to the long term assumptions thereafter. The current mortality assumptions include sufficient allowance for the future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2017	At 31 July 2016
Current Pensioners		
Males	23.6	24.4
Females	25.0	25.8
Future pensioners		
Males	26.0	26.9
Females	27.8	28.5

The assets in the scheme (of which the College's share is estimated to be 0.27%) and the expected rates of return were:

	Value at 31 Jul 17	Value at 31 Jul 16
	£000	£000
Equities	5,353	6,488
Bonds	3,808	1,422
Property	823	711
Cash	309	267
Total market value of assets	10,293	8,888
Actual return on plan assets	1,078	1,120

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

	31 July 2017	31 July 2016
	£000	£000
Amounts included in staff costs		
Current service cost	551	456
Net interest	(58)	(70)
Total	493	386

Movement in the net defined benefit (liability) during the year	Year Ended 31 July 2017
	£000
(Deficit) in scheme at 1 August	(2,358)
Movement in year:	
Current service charge	(551)
Employer contributions	406
Net interest / return on assets	(58)
Actuarial (loss)	1,650
(Deficit) in scheme at 31 July	(911)

17: PENSION AND SIMILAR OBLIGATIONS (continued)

Changes in the present value of defined benefit obligations

Defined benefit obligations at the start of the period	11,246
Current service cost	551
Interest cost	275
Contributions by scheme participants	87
Experience gains and losses on	(789)
Benefits paid	(166)
Defined benefit obligations at end of period	11,204

Reconciliation of Assets	Year Ended 31 July 2017 £000
Fair value of plan assets at start of period	8,888
Interest on plan assets	217
Return on plan assets	861
Employer contributions	406
Contributions by scheme participants	87
Benefits paid	(166)
Assets at end of period	10,293

18: FINANCIAL COMMITMENTS

operating leases as follows:

	2017 £000	2016 £000
Other		
Not later than one year	224	290
Later than one year and not later than five years	325	424
Later than five years		
	549	714

19: 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 the organisation 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.

The total expenses paid to the Governors during the year was £355.20; 3 governors (2015/16 £147; 2 governor) This represents travel and subsistence for meetings and events outside the usual cycle of meetings.

Key management compensation disclosure is as included in note 7

20: AMOUNTS DISBURSED AS AGENT

Bursary and discretionary funds

	2017	2016
	£000	£000
Funding Body Grant - bursary support	253	245
Disbursed to students	(155)	(153)
Administration fee	(8)	(10)
Balance at 31 July	90	82

Grants are available solely for students; the College acts only as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The surplus for 16-19 bursaries of £86k (2015/16: £79k) and will be carried forward to next year. The balance for 19+ funds £4k (2015/16: £3k) will be returned to the funding body.

21: Capital commitments

At the year end 31st July 2017 the College had a capital commitment for the second and final payment in relation to the new boiler of £61k.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 6 July 2017 and further to the requirements of the financial memorandum with the Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Worthing College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of Corporation of Worthing College for regularity

The Corporation of Worthing College is responsible, under the financial memorandum with the Skills Funding Agency and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Worthing College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with the Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise.. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

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

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

RSM UK Audit LLP.

RSM UK Audit LLP
Chartered accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 11 December 2017.