

PORTSMOUTH COLLEGE

**REPORT AND
FINANCIAL STATEMENTS**

2014/2015

CONTENTS	Page number
Operating and Financial Review	1
Statement of Corporate Governance and Internal Control	9
Governing body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding	15
Statement of Responsibilities of the Members of the Corporation	16
Independent Auditor's Report to the Corporation of Portsmouth College	17
Income and Expenditure Account	18
Statement of Historical Cost Surpluses and Deficits	19
Statement of Total Recognised Gains and Losses	19
Balance Sheet as at 31 July	20
Cash Flow Statement	21
Notes to the Accounts	22
Independent Auditor's Report on Regularity to the Corporation of Portsmouth College	42

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

The Corporation was incorporated as Portsmouth College.

Mission

The College's mission as approved by its members is:

"Portsmouth College is a friendly, aspirational, enterprising and successful college, committed to the full academic and personal development of its students.

We will provide you with opportunities to thrive and achieve excellent educational outcomes and the best employment prospects in a challenging and supportive learning environment.

We work in close co-operation with our educational partners and other relevant community organisations to help you realise your full potential".

Public Benefit

Portsmouth College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education, as Principal Regulator for all Sixth Form College Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 9 to 10.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

In 2013 the College produced a Strategic Plan for the period from 2013 – 2016. Annual targets are set by the Corporation each year that are based upon the Strategic Plan core principles and objectives. The Corporation monitors the performance of the College against these plans.

Its main achievements in 2014/15 were:

- Introduction of our Curious and Creative Learning project, providing 1:1 tablet use for new students.
- 16-18 student number target exceeded providing a larger allocation for 2015/16
- Exceptionally strong 16-18 recruitment for September 2015
- Increased number of students progressing to Russell Group and other top universities.
- Value Add for Level 3 Year 2 students increased by 1 grade overall for both A Level and BTEC
- Partnership working with PiXL saw Level 2 outcomes in English increase significantly (A*-C pass rate increased from 39% to 65%)
- Highly productive partnerships with the LEA and local partner schools
- Further £672k invested in improvements to the College buildings.

Operating and Financial Review (continued)

The College's key strategic goals for 2015-16 as per the Operational Plan:

- Develop curriculum pathways for the 3 A Level model improving outcomes and increasing average set sizes by eliminating small groups
- Successfully introduce the new A Level specifications into the College curriculum
- Increase student participation to 50% in Employability, Enterprise and Entrepreneurship activities through curriculum, enrichment and work experience opportunities
- Student attendance overall to be 87% in 2015/16 growing to 90% in 2017/18
- Complete the Learning Walks cycle of observations ensuring outcomes are improved T, L and Assessment with all departmental areas being 'Good' or better
- Continue to develop Apple learning strategy across the College including embedding e-learning
- 16-18 A Level Success Rate to be 95.5% & Level 3 Diploma Success Rate 92.5%
- Apprenticeship timely success rates to be above 65%
- Regular & timely student voice capture with clear reported results

Financial objectives and Performance Indicators

- Historical Cost Surplus to be achieved annually as a minimum, preferably an operating surplus (before the release of revaluation reserve) is to be achieved. The charge of interest on the pension deficit may also be ignored - £50,000 (i.e. added back in to the historic cost forecast)
 - *Achieved – Surplus with FRS 17 charge added back - £25,000*
- All 16-18, 19+ and Apprenticeship Funding and Student Numbers targets to be met or exceeded annually
 - *Partially Achieved - 16-18 and apprenticeship grants exceeded but £135,000 shortfall on SFA ASB delivery.*
- Maintain EFA financial health rating at 'Good'
 - *Achieved – 'Good' rating maintained as at 31st July 2015.*
- Maintain staff costs to be maintained at or below 70% or less of total income
 - *Achieved - Staff costs of total income was 67.8% in 2014/15*
- Cash days in hand to be at or above 30 days (approximately £550,000)
 - *Achieved – 107.7 days on 31 July 2015*
- Current ratio of at least 1:1.12 to be maintained
 - *Achieved – 1:1.58 on 31 July 2015*
- Net cash inflow from operating activities greater than 1% of total income.
 - *Achieved – £696,000 was 10% of total income for 2014/15*
- General Reserves (excluding pension reserve/deficit) of at least 30% of total income to be maintained (approximately £2M)
 - *Achieved – general reserves were 42% of total income on 31 July 2015*
- Loans to be maintained at or less than 20% of total income
 - *Achieved – loans were 18% of total income on 31 July 2015*

FINANCIAL POSITION

Financial Results

The College generated an historical cost operating surplus of £15,000 in the year-ended 31 July 2015 (2013/14 surplus of £144,000). A charge of £10,000 (2013/14 £50,000) was made, in respect of FRS 17, to the Income and Expenditure account.

The smaller surplus in 2014/15 was largely as a consequence of having unfunded in year student number growth due to the EFA lagged funding methodology. The unfunded 65 students have resulted in an increase to the 2015/16 EFA recurrent grant allocation of £291,000.

The College invested £672,000 in buildings firstly completing the final BCIF EFA funded summer 2014 project that focussed on classroom, reception and main corridor refurbishment. In addition the new building to accommodate SLDD learners was work in progress as was the Condition Improvement Fund projects focusing on health and safety and efficiency both of which were largely completed by end of October 2015.

Operating and Financial Review (continued)

FINANCIAL POSITION (continued)

Net Assets excluding pension liabilities have increased by £415,000 in the year to £9,312,000 from £8,897,000 at 31 July 2014. The local government pension scheme liability has increased by £200,000 (2013/14 decrease £230,000) mainly due to actuarial adjustments.

The College has significant reliance on the government Funding Bodies, EFA and SFA for its principal funding source, largely from recurrent grants. In 2014/15 the Funding Bodies provided 91% (2013/14 90%) of the College's total income.

Treasury policies and objectives

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

The College has a treasury management policy in place included within Financial Regulation 7, Banking Arrangements, Investments and Borrowing. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer (Principal). Such arrangements are restricted by limits in the Financial Memorandum agreed with the EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

Cash inflow from operating activities amounted to £696,000 (2013/14 inflow £411,000). In the year cash increased by £252,000 (2013/14 increase £363,000) largely due to holding capital grant funding in advance.

Liquidity

£88,000 was paid off existing debt during the year. The successful EFA Condition Improvement Fund application included taking out total new loans of £273,000 split between low interest EFA loans of £199,000 (repayable over 5 years) and interest free SALIX loans of £74,000 (repayable over 8 years). The EFA loan funds are being invested in Health and Safety improvements to the College buildings and the SALIX loans to efficiency improvements.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

The college ended the 2014/15 year having exceeded the EFA 16-18 student number target by 65 learners. The programme funding contract for 2014/15 provided a total of £4.445M. The College has provided for clawback of Skills Funding Agency ASB funding to the value of £135,000, the predicted shortfall on delivery of the contract with the SFA. The College did not pursue out of area sub-contracting opportunities to fully deliver the contract in line with the SFA guidance for 2015/16 which was taken as being best practice for 2014/15.

Student Achievements

The final pass rate at 'A' level for full-time students in 2014/15 was 97.6% and success rates 93.6%. The pass rate for Level 3 Diplomas was 95.2% and success rates 91.8%.

Curriculum Developments

'No new subject areas were started in 14/15 and none were discontinued. The key development to help to continue to drive up quality and innovation in curriculum delivery was the introduction of the 'Curious and Creative Learning' project. This saw the College give iPad minis to all teachers and all new students so they could be used in learning, teaching and assessment. This was accompanied by extensive staff development, the appointment of staff 'Apple Champions' to drive the project forward and of student 'Apple Ambassadors' to help fellow students and staff with the new technology.'

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Developments (continued)

2014/15 also saw a continued expansion of the number of Apprenticeship Frameworks being offered by the College including Activity Leadership and Animal Care (Intermediate and Advanced). The College is committed to providing residents and employers in Portsmouth access to the Apprenticeship frameworks they need for their chosen careers and for their businesses to flourish respectively.

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%. During the accounting period 1 August 2014 to 31 July 2015, the College paid 71% (79.2% in 2013/14) of its invoices within 30 days of the date of invoice. The College incurred no interest charges in respect of late payment for this period.

Post-balance Sheet Events

There have been no significant post balance sheet events.

Planned Maintenance Programme and Resources

The College has suspended the development of a formal property strategy in the light of the uncertainty of grant funding. The existing strategy is now of little use as the grant funding together with own funded investment has enabled the areas most in need of repair and maintenance to be refurbished removing the need for high cost maintenance. The college has invested £6,140,000 in refurbishment and planned maintenance over the last six years. The College again has the opportunity to bid to the Condition Improvement Fund for projects over the 2016/17 fiscal year, again with a focus on Health and Safety and Efficiency. The College project to build an SLDD building completes in October 2015 which was jointly funded by an EFA expansion grant of £360,000 plus £240,000 from Portsmouth City Council. This development is enabling the College to provide education to a group of learners for whom local provision wasn't available and it is planned that this facility will be made available at minimal cost for local charities and community groups that assist people with learning difficulties and disabilities. A property strategy will be put in place once grant funding has paid for refurbishment allowing the plan to focus on maintaining the buildings at their current level rather than planning to fire fight to keep the most needy areas useable.

The works over the last few years improving insulation, replacing lighting units, control systems and boilers should enable the College to exceed the 25% utility reduction targets set in the 5 year College Carbon Reduction Development Plan that ended on 31st July 2015. A review of the success of the plan outcomes will be presented to the College Board of Governors in December 2015.

Staff and Student Involvement

The College considers good communication with its staff to be very important and to this end publishes weekly newsletters, one for staff and one for the student audience. The College encourages staff and student involvement through membership of a range of formal committees. The College has an active student union the chair of which has regular contact with the Principal and is a member of the Corporation.

Operating and Financial Review (continued)

Future developments

The College continues to look for ways in which the existing buildings can be improved to provide maximum benefit to students' learning and personal development though significant progress has been made over the last five years.

The College completed the construction of a new building during 2015/16 that is being used for the education of learners with significant disabilities. The project was funded by the Education Funding Agency and Portsmouth City Council. Growth in 16-18 student numbers is putting pressure on classroom space that is likely to be further exacerbated in 2016/17; attendance at the crucial autumn open evenings has again grown as the College reputation grows. Options for additional accommodation has been investigated including temporary buildings; however plans are to manage student growth by first maximising student numbers in existing classes prior to acquiring new spaces.

Taxation

None of the College's activities fall within the scope of corporation tax.

RESOURCES

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

Tangible resources are located at the College campus on Tangier Road, Portsmouth.

Financial

The College has £9.312M of Net Assets (before deduction of £1.680M of pension liability). Long term debt totals £1.23M.

People

The College employs 136 people (expressed as Full Time Equivalents - FTE) of whom 66 FTE were teaching staff.

Reputation

The College has a good and growing reputation locally and works with many local partners including Portsmouth City Council, all Portsmouth secondary schools, the Beneficial Foundation, local universities and Further Education providers as well as many other local, regional and national organisations.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. The College is using the risk register as the driver for the Board Assurance Framework following the decision not to obtain a full assurance opinion from the College internal auditors.

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

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and by the full Corporation. In addition risks from the College register are allocated to each governor committee and are reviewed in more detail by those committees at each meeting. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES: (continued)

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

1. Government funding

The College has considerable reliance on continued government funding through the further education funding bodies. In 2014/15, 91% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of issues which may impact on future funding:

- The continuing government deficit will require further savings to be made from government spending, post 16 education isn't exempt from cuts, it is anticipated that the November 2015 CSR will lead to a further 10% cut in funding levels per learner.
- Adult Learner Responsive funding allocations will inevitably receive further cuts in funding as the expectation is that more delivery is e-learning based funded via learner loans and that the funding will be directed towards apprenticeships.
- Further cuts to income per 16-18 learner will make delivering a wide range of subjects and levels more difficult to deliver efficiently especially for a relatively small college.
- Demographic falls in numbers of school leavers in Portsmouth together with ever increasing competition have increased the risk of under-delivery of EFA contracted student numbers.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- By ensuring the College is rigorous in delivering high quality education and training building on the 5 year trend of continuous improvements in 16-18 performance;
- Continue to invest in the facilities to enable the College to match other local providers;
- Building on the rising reputation of the College through targeted marketing and by offering creative and innovative opportunities that are suitable and attractive to the local community;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Work with local schools to assist them in achieving improving educational outcomes as well as ensuring the College offer delivers what these local young people need to make them successful;
- Further develop and expand the breadth and size of the Apprenticeship programme through maintaining highest standards of quality and customer service helping local young people obtain employment with training;
- Work with the SFCA to promote the Sixth Form college brand and to push Sixth Form agenda such as getting the government to agree to changes allowing Sixth Form Colleges to reclaim input VAT;

2. Tuition fee policy

The reduction in the classes of learners who are able to claim fee remission has impacted on the College's ability to recruit as many students, particularly due to the low levels of disposable income within Portsmouth. In line with many other colleges, Portsmouth College is generally finding it impossible to pass on the SFA full fee assumptions.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Close monitoring of the demand for courses as prices change;
- Checking prices charged for courses are competitive, value for money and cover delivery costs;
- Increase relationships with local businesses that are prepared to pay fees for high quality, targeted and convenient training for their staff. Improvements to the College facilities will help to provide businesses with the training venues that they would expect.
- Promote the 24+ loans for Level 3 courses extensively as not having to find funds upfront will suit learners with low disposable income.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES: (continued)

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17 which is being repaid through additional contributions each year.

4. Accommodation strategy

Government requirements for greater efficiencies will reduce funding levels increasingly limiting opportunities to make surpluses to fund premises improvements. College management will ensure that all opportunities to bid for capital grants are fully exploited by submitting high quality applications.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Partner secondary schools;
- LEPs;
- The local community;
- Other FE institutions and local universities;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them via personal contact and the building of trust through relationship which enables the College to maximise opportunities to and make a difference as an educational charity. Communication with stakeholders is made through the College Internet site, social media and through informal and formal meetings.

Equal Opportunities and employment of disabled persons

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

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

Operating and Financial Review (continued)

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 2010:

- a) There is a list of specialist equipment, such as lighting and audio facilities, which the College can make available for use by students;
- b) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- c) The College has made a significant investment in the appointment of specialist teachers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- d) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard college format;
- e) Counselling and welfare services are described in the College charter;
- f) As part of its development of an accommodation strategy the College has updated its access audit, the result of which continues to influence and inform future developments.

Disclosure of information to auditors

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

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



N Wynne
Chair

Professional Advisers

External Auditors:	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) Highfield Court Tollgate Chandlers Ford Hants, SO53 3TY	Internal Auditors:	Southern Internal Audit Partnership County Treasurers Dept. Hampshire county Council The Castle Winchester SO23 8UB
Bankers:	Lloyds TSB Corporate 3 Town Quay Southampton SO14 2AQ	Solicitors:	Paris Smith LLP 1 London Road Southampton Hants SO15 2AE