

RICHARD TAUNTON

SIXTH FORM COLLEGE



**Report and Financial Statements
for the year ended 31 July 2014**

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2014.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Taunton College. In June 2012 the College was renamed as Richard Taunton Sixth Form College.

The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to corporation tax.

Mission, Vision and Values

Our Strategic Vision

To be the sixth form college of choice for all in our community: an outstanding, high achieving college, which inspires and challenges young people to become the best they can be.

Our Mission

To enable this vision the College:

- sets high expectations and high standards in all our work
- delivers excellent teaching, learning and individual support
- develops our staff
- has a broad, challenging curriculum for all which supports successful progression to Advanced Level and beyond
- provides outstanding personal development opportunities for the able and talented through our College Academies
- nurtures independence, resilience and joy for learning in all our students so that they have the very best chance of success in adult life
- invests wisely to provide first class facilities: a safe, exciting, challenging and sustainable environment
- works closely with partners - families, schools, universities, employers and others in our community.

Our Values:

The values which underpin the strategic vision and enable delivery of the mission are:

- **Integrity** - We have a strong common purpose and operate in a culture of mutual respect, honesty and trust, where all feel safe and valued.
- **Hard Work** - Success is achieved through commitment and dedication.
- **Ambition** - We are massively ambitious for ourselves, our students, and our community. We do not collude with low expectations: we pursue the highest standards and the most ambitious progression routes for all.
- **Equality** - We benefit from being a diverse community: we celebrate this and champion inclusion in all we do.

Operating and Financial Review (continued)

- **Unconditional Support** - We have high expectations and clear boundaries: we will go the extra mile to ensure that our students are known, understood, supported and challenged as individuals to meet those high expectations, and succeed.
- **Listening** - We welcome challenge, and we listen to the opinions of students, staff and other stakeholders to inform all aspects of our activity.
- **Resilience** - Never, never, never give in! Confidence, independence and resilience are key to the future employability of our students.

Richard Taunton Sixth Form College staff and governors are united by a desire to make a difference and by a commitment to inclusion, equality and diversity.

The College strategic vision was approved by the Governors in 2012. The Governors review evidence to ensure the College is making good progress in line with the mission and values, and if performance indicators suggest otherwise, the Governors will monitor actions to be taken.

DEVELOPMENT, PERFORMANCE AND OPERATION:**Achieving the vision, Implementing Change and Securing Improvement:**

Richard Taunton College aims to serve the needs of the community within Southampton City and its surrounding area through the provision of high quality academic opportunities at Levels 1 to 3. The majority of our students are young people up to the age of 19 who are on full time, daytime courses, but we also serve the needs of more mature students seeking opportunity to achieve GCSE qualifications in English and Maths in order to improve their employment opportunities, or seeking new routes into higher education. We are a diverse and inclusive community: 40% of our students are from BME groups, and 48% live in areas of Southampton which are designated as Priority Neighbourhoods.

A key element in our strategy to achieve our vision and provide the very best progression opportunities for young people from a variety of social and ethnic backgrounds is our Sixth Form Academy provision which offers additional support and opportunity to students with above average GCSE profiles. Nearly 20% of our students sit within this growing area of our provision. This approach is proving successful in that it has led to an increase in the proportion of students achieving the highest grades, 100% A Level pass rate for Academy students and strong progression rates to the most selective higher education institutions. It has also provided a vehicle for the development of closer links with local universities and businesses.

In order to meet the diverse needs of our local community the College must generate sufficient income to enable the delivery of teaching and learning in line with its strategic drivers. Therefore, quality underpins all that we do and within the College's strategy, this is regarded as the key driver to improving learner outcomes as well as securing the College's future financial position. Quality is instrumental to increased student recruitment and the associated increase in funding, which is received primarily through the Education Funding Agency.

Further, the Corporation is committed to a range of indicators and measures reflecting the performance of the College. As part of the strategy the College annually reviews its development themes which support improvement and innovation. Through this review every project is linked to specific outcomes,

Operating and Financial Review (continued)

clear milestones and measurable targets, and changes are implemented if necessary. In October 2013, the outcome of this approach was demonstrated through Ofsted assessment of the College as 'Good'.

The success of this focus on quality and securing improvement is directly linked to the achievement rate for 2013/14 in outcomes for learners:

- 1,120 16-18 and 19+ continuing EFA funded learners (1,105 in 2012/13)
- 100% pass rate at A2 in our Sixth Form Academy, with 85% A* - C grades (71% in 12/13);
- Overall A level pass rate over 97 % A* to E; 64% A* - C;
- 100% pass rates in 30 out of 42 (70%) A2 subjects;
- 100% pass rate in Level 3 BTEC vocational programmes (65% of entries achieving Distinction*/Distinction or Merit).

The Corporation was pleased to receive an OFSTED rating of GOOD following inspection during 2013. The Corporation considers the financial results to be acceptable for the year ended 31 July 2014.

Financial objectives

In order to deliver its vision, the College intends to remain financially sound with an appropriate operating expenditure platform relevant to income being generated. Financial objectives continue to be based on 16-19 continuing learners, and further supported by incremental annual increases in income generated from non-agency funded sources. Our future financial targets include:

- to have base 16-18+ student numbers at 1,250 or above by 2016;
- to manage staff costs as a percentage of income earned in year at 70% or lower;
- to limit learner number growth above base of 1250 16-18+ students to no more than 5% p.a.;
- to manage cash at 31 July to be at least 200% of the total annual loan servicing costs plus anticipated capital spend (other than 100% grant supported expenditure) for the following 12 months;
- to manage adjusted operating surplus (before depreciation, interest charges and FRS17 adjustments) to be more than 20% of borrowings at the end of any year.

In 2013/14 the College set the following specific financial management measures:

- pay costs as a percentage of income to be 74% or less (expressed as a percentage of income earned and excluding deferred grants);
- to generate an operating deficit after depreciation but before FRS17 adjustments of less than £200,000, and return to surpluses from 2016;
- to meet Bank Covenant requirements (based on operating surplus before depreciation charges and FRS17 charges) ;
- to deliver the BCIF3 refurbishment project to time and budget.

In 2013/14 the College achieved the following results against those measures:

Operating and Financial Review (continued)

- actual pay costs as a percentage of income earned (excluding deferred grants) at 72.9% (July 2013 74.8%), an outcome reflecting headcount savings primarily reflecting job share initiatives and secondments;
- an operating deficit after depreciation but before FRS17 adjustments of £309,000 (July 2013 £250,000), an outcome reflecting an increase in non-teaching expenditure primarily as a result of unplanned maintenance;
- Bank Covenant requirements were met throughout the year;
- the BCIF3 £1.5 million project to deliver a brand new music was officially opened in July 2014, to be ready for use in new academic year 2014/15 as planned.

FINANCIAL POSITION**Financial results**

The College returned a deficit of £359k for the year (2012/13 returned a deficit of £300k).

The College has total reserves of £2,480k (2012/13 £2,799k) and cash and deposit balances of £364k (2012/13 £131k).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2013/14 funding bodies provided 94% of the College's total income (2012/13 96%).

As the funding bodies distribute funds on a lagged basis, EFA income reported in the respective years is based on 1,120 students for 2013/14 (1,191 students for 2012/13). Actual student numbers were 1,155 in 2013/14 and 1,120 in 2012/13. For the financial year ending 31 July 2016, funding body income is expected to be based on a population of 1,070 students with non-funded income mitigating the impact of the anticipated future funding reduction.

For 2013/14, pay costs were lower than 2012/13. The impact of the secondment of a senior staff member and a senior manager to other colleges during the year resulted in an overall saving on staff costs of £105k, after taking into account a pay award of 1% effective from 1 September 2013.

Non pay costs were £240k higher than in 2012/13, however both years reflect additional charges incurred through high unplanned maintenance expenditure, and in addition in 2013/14 the higher use of temporary staff.

Net tangible fixed asset additions during the year amounted to £1,379k. This was split between Building Condition Investment Fund projects totalling £1,349k (including buildings and equipment) and other equipment purchased of £30k.

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.

Operating and Financial Review (continued)

The College has a treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation.

Cash flows

Operating activities generated a cash outflow of £231,000 against an inflow of £176,000 in 2012/13. This reflected the impact of the building condition project and the reduction of creditor balances outstanding compared to 2012/13. The outflow of cash resource was offset by grants received of £437,000. Cash at bank ended the year at £364,000 (2012/13 £131,000).

Liquidity

Net funds decreased in the year from £280,000 to £19,000. College borrowings stand at £345,000 (2012/13 £450,000), being £340,000 (2012/13 £367,000) outstanding against a £400,000 loan from Barclays Bank, and £5,000 (2012/13 £12,000) outstanding against a £33,760 loan from Salix Finance to support the purchase of energy saving equipment.

The term loan from Barclays was taken out in 2012, is repayable over 15 years and was approved by the Board on 8 December 2011 and drawn down in February 2012. The loan from Salix Finance is interest free and repayable in eight 6 monthly instalments which commenced in March 2011.

Financial health

Financial health, as measured by the EFA financial health statistics is categorised as 'Satisfactory'.

MAIN TRENDS AND FACTORS UNDERLYING OUR PERFORMANCE**General review of the year ended 31 July 2014**

We are a successful college and this was recognised by Ofsted inspectors and in their report following inspection in October 2013. A key strength of the Ofsted report was how well individuals achieve and develop while studying with us and this was reflected in our 2014 results with an A-Level pass rate of over 97% overall, and 100% for our Sixth Form Academy students. This success reflected the quality of teaching and learning and the efficiency and consistency of curriculum management. The management restructure that took place in the previous financial year was a key factor in driving through the quality agenda.

During 2013-14 we were pleased to enrol 1,155 EFA-funded learners which was an increase on the prior year figure of 1,120. The increase was in line with expectations and reflected both a short-term increase in the size of the local year 11 cohort as well as improved internal progression. In addition we also continued to enrol a high number of students transferring from other colleges.

2013-14 was the first year of the new 24+ Advanced Learning loans. We had 7 students aged 24 and over who chose to pay their fees this way. The process proved to be very efficient and we have more students signed up for loans in 14-15, mainly for the part-time Access to HE Diploma. We await with interest, the outcome of a government consultation on the extension of these loans to 19-23 year-olds. If the loan scheme is extended, we would expect to see an increase in our adult skills income, although

express concern regarding the potential deterrent of a loan to some younger adult students regarding making a decision to continue their education.

Academic success

We were thrilled with the high standards achieved in 2013-14 with students from our highly successful Sixth Form Academy achieving a 100% pass rate (with 85% achieving A*-C grades). Almost two-thirds of all our Level 3 qualified leavers progressed to highly selective universities and industrial training programmes. One third secured places at Russell Group or similarly selective institutions, including medical schools, specialist music and performing arts academies and conservatoires, and art schools.

Students on vocational programmes achieved a 100% pass rate on Extended Diplomas (equivalent to 3A Levels).

The outcomes for learners reflected our teaching philosophy and the quality of delivery of courses. We have a highly proficient team of teaching staff who work with a dedicated and experienced business support team to provide the very best learning experience for students. We have growing links with local businesses and universities which support an expanding range of opportunities for the students to progress to higher education or employment. The outcomes for students are further supported by the extensive range of clubs and activities on offer at the college and which provide students with the opportunity to explore additional areas of interest within the curriculum and to pursue areas of personal interest beyond their taught curriculum.

Providing a challenging curriculum for all

The above successes are set in the context of 2013/14 being the first year where new rules prevented students from sitting public exams in January. This had an impact on results achieved in final exams particularly in achievement in some AS and A levels. The overall success rate (all ages) is just over 79% (down from 82% in 2013) and this outcome also reflects a combination of poorer retention, particularly in level 2 (81%, down from 90% in 2013) and year one of level 3 (80%, down from 92% in 2013) vocational courses.

Success rates in AS for 2014 were just above 73% (consistent with 2013), with retention at 91% and achievement at 81%. In addition, AS value added (ALPS) is 'Excellent', a significant improvement reflecting the greater progress made by students, given their starting point.

A level success rates are just over 92% with achievement at just under 98% and retention over 95%. A level value added (ALPS) score is 5 ('Satisfactory').

GCSE English results improved upon last year (48% A*-C compared with 40% in 2013); GCSE Maths results remained static with 28% at A*-C.

Supporting staff and students within a challenging curriculum

The Students, Standards & Quality Improvement Committee (SSQI) is established to advise on all matters relating student achievement. The work of the committee includes thorough analysis of Student Achievement Reports (SAR) which informs the identification of courses where staff teaching these courses are required to attend '*Raising Standards Meetings*' to analyse where support may be required and to monitor progress against early targets. Progress in improving these courses is reported to SSQI at each subsequent meeting.

Operating and Financial Review (continued)

The focus on attainment is supported through interactions with local educational providers which enables us to have support and essential resources in the drive for continually raising standards and achievement, in particular across GCSE and level 3 courses. Our next step is to adopt a diagnostic model to ensure all students are carefully and appropriately assessed and intervention strategies put in place. This will be followed by a comprehensive system of test and retest to check real learning has taken place. Regular raising standards meetings will focus upon what has been done to intervene with students who need additional support, followed by 'fine grading' to identify students most likely to achieve the required grade, thereby allowing greater concentration on those students at greatest risk of failure.

We do not believe improved results will come from teachers working harder (as they already work exceptionally hard). We strongly believe that increasing opportunities for students' independent study and an early focus upon homework completion will set the standard for students working harder to improve their chances of success. Therefore, for 2014/15, 'Supported Study Sessions' will be added to the timetables of students who are considered at risk of underachievement.

Local collaborative working

Throughout the year we have continued to support the local educational provision through our liaison work within Southampton City and close environs. This includes close partnerships with both universities in the City – Solent and Southampton. We have a formal partnership accord in place with Solent University which supports a range of collaborative activities, including curriculum-specific projects. This, and other collaborative work with the universities has contributed to a 20% increase in progression to university over the last 5 years. This is a very important development in a City where participation in HE is historically low (less than 30%).

Support for our Sixth Form Academy

The Richard Taunton Sixth Form Academy (RTSFA), provides specialist support and development activities for around 200 able and talented students. The work of the Academy is actively supported by the University of Southampton (UoS). An important example of this support is the scheme whereby UoS lecturers and post graduates visit the college to work with students completing the Extended Project Qualification. Speakers offer advice on the research techniques required for their projects, and also provide advice on admissions to the university and/or interview practice for those who have interviews for highly selective Russell Group universities, including Oxford and Cambridge. In this way, the work of our Academy tutors and their university colleagues supports the students in attaining their high aspirations for life post RTSFA. It is gratifying to be able to report that In 2014, one third of all students who progressed to university secured places at Russell Group and other research-based universities.

Training New Teachers

The Ofsted inspection in 2013 acknowledged the very high quality of our teaching and learning, and we are proud of the work we do in supporting teacher training in the area. This work is well established, with PGCE students from our local universities, especially the University of Southampton, regularly taking up teaching practice placements here.

There have been a number of new developments this year which reinforce our already strong reputation as a leading provider of support for trainee teachers:

- In 2013/14, the College became a preferred 'partner plus' with UoS in the set up and delivery of a new PGCE programme designed for trainees wishing to move in to post-16 institutions. Our staff

Operating and Financial Review (continued)

provided direct input to the delivery of the course, helping to select suitable candidates through interviews, and placing candidates here in suitable subject areas. We are pivotal to the delivery of training and professional development for the trainees as we deliver training to them at the university and our Professional mentor being the mentor for all of the students at the university. The strength of our input and of the programme as a whole was acknowledged by Ofsted inspectors.

- When they inspected the pilot programme in Summer 2013. We have increased numbers of trainees for 2014/15 and such is the positive reputation of own staff that they are now delivering more formal training sessions to all trainees on the programme at the request of the university.
- The College is also fully involved as a post-16 partner in the work of the Portswood Teaching School Alliance (PTSA). We are part of the Secondary Group within the Alliance, and are providing post-16 experience for Schools Direct trainees. In addition, we are working with three 11-16 schools in the City who are employing Teach First trainees with a view to providing post 16 A level and BTEC experience for those trainees.

Supporting Educational Development and Improvement in Southampton

The College is a member of the Southampton Education Forum (SEF) which is a key strategic group in the city bringing together educational partners to promote curriculum development, success and participation. SEF has a Heads and Principals group (Vice-chaired by the Principal of this college) and an Operations Group which comprises the curriculum/quality Deputies from each secondary school and college in the city. SEF members share a strong common purpose in supporting quality improvement in education and are working with the authority to produce a common strategy for education across all phases.

The Operations Group, supported by a coordinator, ensure effective sharing of good practice through joint college/secondary school subject network groups. Our curriculum leaders and teachers are very actively involved in these networks, and we are benefitting from the additional schools liaison activities that such contacts facilitate. Most importantly, our students are benefitting from the understandings that school and college staff develop in these networks around how best to provide effective transition and continuity of care for pupils moving from Yr 11 in school to Yr 12 in college.

Another important project for SEF is the 'Junior University' initiative designed to raise aspirations and improve progression to HE in the city. This involves active involvement and investment from representatives of the University of Southampton and from Solent University.

We continue to support careers events, work experience and grow our links with local employers through our continuing membership of Business South, the largest employers' network in the area.

Continuing to Play a Leading Role in Music Education: Southampton's Specialist Music Course

The College, through its excellent taught music provision, and now with new state of the art facilities with rehearsals rooms and fantastic acoustics in all rooms and spaces, continues to take a leading role in supporting young peoples' progression in music and in providing them with opportunities for live music performance. This is an area of our operations which is ripe for further growth and development in the next 2-3 years.

Operating and Financial Review (continued)

A key feature of 2013/14 was the delivery of our new music centre which allows us to extend the music experience offered to our students. Our specialist music provision now rivals that of Peter Symonds College, home of the Hampshire Specialist Music Course, and we are now reaching a point where we believe that we are entirely justified in defining our provision as the 'Southampton Specialist Music Course'.

We are increasingly viewed as the local specialists in music education, and have begun closely working with both Cantell and Upper Shirley High schools on their music provision, providing instrumental teaching and classroom support directly to their students but also providing support to the senior teams in curriculum design and delivery of CPD. These relationships are proving very fruitful, already showing an increase in applications from Cantell. We have plans to deliver a 'rock school' type model as well as a model for providing access to recording studios for young people.

During 2013/14 the performance of Richard Taunton students at national events continued to be extremely impressive. This year the college was represented by the Jazz band at the National Festival of Music for Youth and were again represented in the Southern Open Final of the Rock Challenge competition. Progression onto the top courses at music and drama schools and universities continues to be strong, with students being offered places at institutions such as Royal Northern College of Music, Royal Academy of Music, Urdang and PPA. Into 2014, we are supporting 7 students through the CUKAS system for early music and drama applicants, with a further batch of 'regular' applicants to follow before the end of the year. Our regular batch of performances and shows continued this year with strength, including a performance of Verdi's Requiem at Christmas, a fully staged version of the show

Pippin in May, some 20 rock and pop concerts throughout the year and a number of drama productions, both examined and as enrichment. It was pleasing to see so many staff, governors and visitors at many of these events.

The new music centre, funded through BCIF3, will allow us to work towards developing the offer for Music beyond the student body. We will be working closely with our partners within and beyond the Southampton Music Hub to build robust partnerships to support this work, and to ensure that we are in a strong position to bid for external funds as and when they become available.

The Community Choir remains a staple of our adult education programme, along with an increasingly impressive list of groups using the facilities for music making including the City of Southampton Orchestra, 2 of Southampton's Youth Orchestras, a Jazz band and a number of choirs.

CURRICULUM DEVELOPMENTS

The college's mission, strategic themes and curriculum strategy provides a framework by which to design and develop the college's curriculum. We develop the 16-18 curriculum to support strong progression, improved retention and student satisfaction, and to respond to the general education needs of all students, including 19-25 year olds. The need to improve efficiency to meet the short term financial pressure, brought about largely through demographic changes and increased competition, leads us to review our curriculum offer annually to ensure we are meeting local needs.

Operating and Financial Review (continued)**Curriculum Value for money**

The factors we consider when designing curriculum, making choices regarding the suitability of a course or programme and ensuring value for money are:

- Student population within Southampton City (breadth)
- Academic ability of students (gifted and talented)
- Student catchment area
- Student progression to Higher Education
- Student progression within the college
- Quality of student experience – enjoyment, achievement, and enrichment
- Quality of teaching and learning

Study Programmes: Our Approach

The vast majority of our provision is targeted at full-time 16-18 year old students and we receive funding (based on the previous year's student numbers) from the EFA to support this. A few students aged 19 and above also infill on to these day time programmes and (although funded through the Skills Funding Agency (SFA) are essentially treated as full-time school leavers with the entitlement to tutorial and enrichment.

Students aged 19-23 continue to be entitled to free education to complete their first Level 3 full qualification. However, it does not automatically follow that the college would receive immediate, or even retrospective, funding for delivering that education. Students aged 24+ are not entitled to free education (other than GCSE English and Maths) but they entitled to apply for a 24+ loan to finance their studies.

The curriculum has been developed to meet the needs of 16-19 year old sixth form students who will progress to higher education, apprenticeship or the workplace. All students are required to follow a programme of at least 540 hours study, which may also include work experience and enrichment activities (e.g. music lessons, sports teams, Duke of Edinburgh Award etc.). At enrolment the aim is to ascertain the student's eventual career aim and work towards this in devising an appropriate programme of study, ensuring that necessary subjects are completed as needed by each individual. If any student has not achieved GCSE English / Maths at grade C or above, they will automatically have these subjects included in their programme.

Level 3 students

To access a full level three (i.e. A level / Extended Diploma in vocational subject) course students are required to achieve five grade C GCSEs, including English. In addition, some level three courses require grade C or above GCSE passes in Maths and /or Science. Level two vocational qualifications (e.g. BTEC First Diploma) may be taken into account if relevant to the proposed programme of study.

Students who achieve 6 grade A*, A or B GCSEs including English and Maths are eligible to join our Sixth Form Academy. Alongside their A level programmes, these students will also receive an enrichment programme (to include the Extended Project Qualification - EPQ) to support their application to selective universities.

Operating and Financial Review (continued)

Students who are qualified to study at level three, but who have GCSEs with few or no passes at A*, A or B are encouraged to follow an appropriate vocational programme.

In their first year of study at level three, the majority of students will take four AS levels or an Extended Diploma plus one AS level (or GCSE Maths if they have not yet achieved grade C). In their second year most students will continue with three A levels and add a new AS, an EPQ, or take an enrichment course alongside their A levels. Students are expected to leave college after two years with a minimum of three A levels or their equivalent.

Pre-level 3 students

Students who have just missed their Cs in English and Maths and who have a steady C/D profile will follow a traditional one year Pre-advanced level programme where they work to achieve their English and Maths GCSE alongside a level 2 vocational or GCSE subject/s. We offer English IGCSE and Maths at GCSE as well as a Level 2 Cert in Use of Maths.

Students who do not meet these criteria and are assessed as requiring a 2 year programme will study English and Maths, plus an appropriate vocational option. The courses taken are dictated by students' level of study and previous achievement. We know that for a level 2 repeater, achieving a grade C in year one is more difficult, in part because they also tend to lack literacy skills. For this reason a 2-year route is offered to these students (e.g. Cert in Use of Maths in year 1 and GCSE in year 2).

EAL students whose English appears to require further support will receive double the amount of English teaching with both ESOL and IGCSE (Second Language) being studied.

Although some students may progress quickly enough after the first year to jump straight onto a level 3 programme, many will not and for these students the second year of the 2 year foundation include qualifications (e.g. Employability) to aid entry into an apprenticeship or the workplace.

FACTORS WHICH ARE LIKELY TO AFFECT OUR FUTURE DEVELOPMENT, PERFORMANCE AND POSITION**PRINCIPAL RISKS AND UNCERTAINTIES****Risk Management**

The College's Risk Management Policy forms part of the college's internal control and corporate governance arrangements and is approved annually. The Corporation approved the current policy on 10 June 2014.

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the college to respond to a variety of operational, financial, and commercial risks.

Operating and Financial Review (continued)

The Board of Governors has responsibility for overseeing risk management within the college as whole to discharge this responsibility the Board will:

- Annually review the college's approach to risk management and approve changes to policy and procedures;
- Receive the Risk Register annually;
- Receive the High Level Risk Register;
- Receive the report of the Audit Committee which will include the annual report from the senior management team (SMT) on its review of the effectiveness of the internal control system.

The Audit Committee has delegated powers to:

- Review significant risks
- Review the previous year and examine the college's track record on risk management and internal control
- Consider the risk profile of the coming year and the effectiveness of current internal control arrangements.
- The Audit Committee will:
 - Regularly review the Risk Register and assess the control environment for efficacy.
 - Review the High Level Risk Register
 - Review the annual report from SMT on its review of the effectiveness of the internal control system

The role of SMT is to:

- Manage the college's Risk Management processes;
- Recommend policy to the Corporation
- Receive and review risk registers from the Risk Management Committee
- Establish and maintain a high level risk register (November)
- Implement and manage risk control measures (May)
- Report to the Corporation annually through the Audit Committee on Risk Management on:
 - Full Risk Register
 - High Level Risk Register
 - Effectiveness and testing of controls
 - Significant incidents
 - The effectiveness of the system of internal control

Operating and Financial Review (continued)

The SMT will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Audit Committee in the Autumn term.

The Director of Information and Planning acts as the Risk Management Coordinator and is responsible to the SMT for drawing up and maintaining the risk register and leading on policy review. The role is supported through the Risk Management Committee (RMC) in the consideration, mitigation and management of risk.

- To identify operational risks
- To develop and review risk registers
- To consider and recommend control measures for operational risks
- To make reports to SMT annually in February
- To contribute to exercises to test control measures

Through management meetings and briefings, our body of staff is made aware of external threats and internal weaknesses to us achieving our strategic objectives.

Proposed changes to funding

A key factor which indicates an adverse risk to the college and one over which we have no control is the proposed changes in funding to Sixth Form Colleges. In Jan 14 the EFA announced that from 2014/15 onwards, funding for students aged 18 and over will be reduced by a fifth. These students are typically in their third year of sixth form and so the increase in student numbers will be beneficial albeit as a funding reduction is particularly tough for institutions like our which take in a significant proportion of students starting at level two (GCSEs), who will take three years, or in some cases four years, to complete their sixth form education. We have calculated that for 2014/15 this will reduce our EFA programme funding by 3.1%, and the EFA agreed to cap this loss to 2% in 2014/15 only which represents a loss of £88k and more in future years.

Another change to the funding picture is the requirement from 13-14 that all EFA-funded students continue to study Maths and English GCSE (or a stepping-stone qualification) until they achieve a C. This matches our existing policy and practice, but poses many questions about the equivalence of students' previously-achieved non-GCSE and overseas qualifications. It is essential to make these judgements correctly because, while 13-14 was considered a "preparation" year, from 2014/15 we will forfeit a student's entire funding if we are deemed to have failed to meet the requirement to offer Maths/English. While we are confident in the rigour and suitability of our programmes of study, we are not confident in the systems the EFA will use to assess our compliance, and so there is a risk of losing small amounts of funding.

A final aspect of funding is the continued disconnect between the local demand for adult classroom provision and the available SFA funding which is reducing by 10-20% per year. The SFA have made it clear that they are targeting adult skills funding at colleges who provide apprenticeships, and that we can expect our allocation to continue to decline each year if we do not instigate apprenticeship provision.

Operating and Financial Review (continued)**STAKEHOLDER RELATIONSHIPS**

In line with many other colleges, Richard Taunton Sixth Form College has many stakeholders. These include:

- Students
- Staff
- Local employers related to our activities
- Local authorities
- Education sector funding bodies
- Local community
- Other FE institutions
- HE institutions
- Professional bodies and trade unions

We recognise the importance of our stakeholders and engage in regular communication through all forms, in particular through network meetings and social media.

PUBLIC BENEFIT

In setting and reviewing its strategic objectives, the College has due regard to public benefit, in particular the advancement of education. As noted throughout the Operating and Financial Review, these public benefits are recognised and delivered through high quality teaching, wider educational participation, strong student support systems, and links with higher education, local communities, industry and commerce.

EQUALITY AND DIVERSITY, OPPORTUNITY AND INCLUSION

The College is committed to promoting and ensuring equality and diversity for all. We recognise the duties placed upon all who are part of the College by the Equality Act 2010 that equality is about treating individuals fairly, to promote equality and eliminate discrimination and harassment. During 2013/14, the College's senior team, in conjunction with the Equality, Diversity and Inclusion Group, decided to enter the college for the Investors in Diversity award. We subsequently underwent a comprehensive assessment process which resulted in the award of the Investors in Diversity kite-mark.

We understand that diversity is about recognising and valuing differences for the benefit of relationships between the College, students, staff and the public. The College acknowledges this is about treating everyone with dignity and respect and expresses its opposition to all forms of harassment and inequality in society which result from age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

Overarching all our aims, objectives and actions towards addressing inequality and promoting diversity is valuing everyone's Human Rights. The College has a Single Equality Scheme (SES) to develop an overall view of equality, diversity and human rights.

The SES is a public commitment of how we meet the duties placed upon us by the Equality Act 2010. The aim of this Single Equality Scheme is to give us a coherent integrated framework for action across all equality strands within the context of the mission, vision and values of the College. Our Single Equality Scheme is the responsibility of everyone within our organisation.

The Corporation is fully committed to promoting equality and diversity and has the responsibility for ensuring that the College SES is in place, and communicated to all students, staff and the public through appropriate media, and for ensuring that it complies with the Equality Act 2010 and other anti-discrimination legislation. The Corporation ensures the scheme is posted on the College's external

Operating and Financial Review (continued)

website and that we welcome any comments from the public or our staff. The Assistant Principal leads on equality, diversity and inclusion and has overall responsibility for the SES and its review. The

Equality, Diversity and Inclusion Group has responsibility for ensuring there is involvement at all levels appropriate to the work and action that underpins a robust SES including monitoring and reviewing the associated action plan. All staff and managers are responsible for raising awareness of the need to promote a positive attitude towards equality of opportunity and individual needs. All students are responsible for ensuring that they behave with respect to all members of the College, adhere to the expectations set out in the College Equality policies and that they do not encourage prejudice or discrimination.

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 with 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by HM Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2013 to 31 July 2014, the college paid 99% (2012/13 99%) of its invoices within 30 days of the invoice date. The college incurred no interest charges in respect of late payment during the period.

DISABILITY STATEMENT

In accordance with the Disability Discrimination Act 1995 as updated by the Special Education Needs and Disability Acts 2011 and 2005, and the Equality Act 2010, the College has a disability statement (a copy of which is available on request). In our statement we outline how we provide a safe and accessible working environment that respects and values individual and collective identities and cultures, that is free from discrimination, harassment and victimisation.

Richard Taunton Sixth Form College has been accredited with the 2 Ticks Disability Symbol which recognises the College's commitment to good practice in employing people with disabilities.

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 auditors are unaware. 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 auditors are aware of that information.

Approved by order of the Corporation on 11th December 2014 and signed on its behalf by:

Richard Martin

Chair

Operating and Financial Review (continued)

PROFESSIONAL ADVISERS:

Financial Statement & Regularity Auditors:

Baker Tilly UK Audit LLP¹
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Southern Internal Audit Partnership:

Hampshire Audit Services
The Castle
Winchester
Hampshire
SO23 8UB

Bankers:

Barclays Bank plc
PO Box 858
Wytham Court
11 West Way
Botley
OX2 0JB

Solicitors:

Paris Smith
1 London Road
Southampton
SO15 2AE

Personnel Consultants:

Paris Smith
1 London Road
Southampton
SO15 2AE

Architects:

ECE Architecture Limited
Amelia House
Crescent Road
Worthing
West Sussex
BN11 1QR

¹ Baker Tilly Audit Limited ceased trading on 31 March 2014. The members, having been notified of the cessation of trade of Baker Tilly Audit Limited, appointed Baker Tilly UK Audit LLP in its place.

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); 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. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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 composition of the Corporation is set out below. 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 finance and premises, human resources, students, standards and quality improvement, remuneration, search and governance and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Richard Taunton Sixth Form College
Hill Lane
Southampton
Hampshire SO15 5RL

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 also provided on an ad hoc basis.

Statement of Corporate Governance and Internal Control (continued)

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

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

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 2.

Table 2: Governors serving on the College Board during 2013/14

	Appointed/ Reappointed	Term of Office	Date ended	Status of appointment	Committees served
Mr D Defty	Mar 2010	4 yrs	Mar 2014	External member	F&P
Mr M Akram	Jul 2010	4 yrs	Oct 2013	External member	F&P
Mr B Goodman	Mar 2013	1 yr	Mar 2014	Student member	SSQI
Ms N Rajput	Mar 2013	1 yr	Mar 2014	Student member	SSQI
Mr R Martin Chair	July 2011	4 yrs	N/A	External member	SSQI, F&P, G&S, REM
Dr H Slater Vice Chair	July 2011	4 yrs	N/A	External member	Audit, G&S, REM, HR
Mr R Woolley	Dec 2011	4 yrs	N/A	External member	F&P, REM, G&S
Prof J Anderson	May 2013	4 yrs	N/A	External member	SSQI, REM
Prof G Mizon	May 2013	4 yrs	N/A	External member	HR, REM, F&P
Mr P Need	Sep 2013	4 yrs	N/A	External member	Audit, HR
Mr A Sasso	Oct 2009	4 yrs	Oct 2013	External member	SSQI
Mr M Jarratt	Mar 2013	4 yrs	May 2014	External member	F&P
Mrs A Foss	May 2014	4 yrs	N/A	External member	SSQI
Mr E Osmond	May 2011	4 yrs	N/A	External member	Audit
Mr I Golding	Dec 2012	4 yrs	NA	External member	HR
Ms K Kaur	July 2011	3 yrs	July 2014	Parent member	SSQI
Mrs A Wrighton	Aug 2008	Ex Officio	N/A	Principal	SSQI, HR, F&P, G&S, REM
Mr J Singh	Dec 2013	4 yrs	N/A	External member	F&P
Ms A Miller	Jan 2011	4 yrs	Sept 2014	Staff member	F&P, HR
Mr A Glaze	Mar 2013	4 yrs	July 2014	Staff member	SSQI
Ms S Kaur	Dec 2013	4 yrs	N/A	External member	F&P
Ms V Clark	Dec 2013	3 yrs	N/A	Parent member	SSQI
Ms I Al Jabbar	Mar 2014	1 yr	N/A	Student member	SSQI
Mr H Benham	Mar 2014	1 yr	N/A	Student member	SSQI
Mrs C Jones, appointed as clerk in September 2010					

Key: SSQI – Students, Standards and Quality Improvement, F&P – Finance & Premises, G&S – Governance & Search, HR – Human Resources, REM - Remuneration

Governors' attendance at meetings is recorded by the Clerk and is reported to Board on an annual basis; the average overall attendance of Governors in the year ending July 2014 was 83%; attendance at Corporation meetings was 75% and Committee meetings 84%. Governors also supported the College by attending musical and stage performances, attending strategic planning days, involvement in working groups, and attending Founder's Day.

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 four members of the Corporation, which

Statement of Corporate Governance and Internal Control (continued)

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 up to 2 terms of office of four years each. In exceptional circumstances terms may be extended for continuity.

Remuneration committee

Throughout the year ending 31 July 2014, the College's Remuneration Committee comprised six members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2014 are set out in note 6 to the financial statements.

Audit committee

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

The Audit Committee meets 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 monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed 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.

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Richard Taunton Sixth Form College and the LSC and its successor organisations. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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

Statement of Corporate Governance and Internal Control (continued)

in Richard Taunton Sixth Form College for the year ended 31 July 2014 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 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Richard Taunton Sixth Form College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 (for colleges in plan-led funding), the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The 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

Statement of Corporate Governance and Internal Control (continued)

reporting by exception. At its December 2013 meeting, the Corporation carried out the annual assessment for the prior year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

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".

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body terms and conditions of funding.

The Corporation has considered its responsibility to notify the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the College and the EFA.

We confirm on behalf of the Corporation that to the best of its knowledge the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the EFA terms and conditions of funding under the College's funding agreement.

We further confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

Going concern

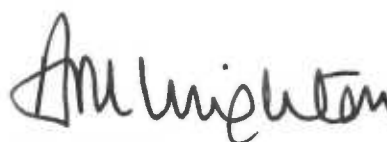
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 11 December 2014 and signed on its behalf by:



Richard Martin

Chair



Alice Wrighton

Accounting Officer

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Funding Agreement between the EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and the *Accounts Direction for 2013/14 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant 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 EFA are used only in accordance with the Funding Agreement with the EFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the EFA are not put at risk.

Approved by order of the members of the Corporation on 11 December 2014 and signed on its behalf by:

Richard Martin

Chair



INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF RICHARD TAUNTON SIXTH FORM COLLEGE

We have audited the College financial statements ("the financial statements") set out on pages 30 to 50. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 3 November 2014.

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education Funding Agency and our engagement letter dated 3 November 2014. 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 3 November 2014 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Richard Taunton Sixth Form College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 22, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 3 November 2014, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2014 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3 TY

Date *18 December 2014*

Income and Expenditure Account

	Notes	2014 £'000	2013 £'000
INCOME			
Funding body grants	2	5,415	5,594
Tuition fees and education contracts	3	21	21
Other income		326	224
Endowment and investment income	4	1	1
Total income		5,763	5,840
EXPENDITURE			
Staff costs	5	4,138	4,303
Other operating expenses	7	1,502	1,342
Depreciation	10	451	455
Interest and other finance costs	8	31	43
Total expenditure		6,122	6,143
Deficit on continuing operations after depreciation of assets at valuation but before tax		(359)	(303)
Surplus on disposal of assets		-	3
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax	9	(359)	(300)
Deficit for the year retained within general reserves		(359)	(300)

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

Statement of Historical Cost Surpluses and Deficits

	Notes	2014	2013
		£'000	£'000
Deficit on continuing operations before taxation		(359)	(300)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	16	74	74
		<u>(285)</u>	<u>(226)</u>
Historical cost (deficit)/surplus for the year after taxation		<u>(285)</u>	<u>(226)</u>

Statement of Total Recognised Gains and Losses

	Notes	2014	2013
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(359)	(300)
Actuarial gain/(loss) in respect of pension scheme	24	40	160
		<u>(319)</u>	<u>(140)</u>
Total recognised loss since last report		<u>(319)</u>	<u>(140)</u>

Reconciliation

	2014	2013
	£'000	£'000
Opening Reserves	2799	2939
Total recognised loss since last report	(319)	(140)
	<u>2,480</u>	<u>2,799</u>
Closing Reserves		

Balance sheet as at 31 July 2014

	Notes	£'000	£'000
Fixed assets			
Tangible assets	10	8,638	7,710
Current assets			
Debtors	11	59	33
Investments	23	-	600
Cash at bank and in hand		364	131
Total current assets		423	764
Less: Creditors – amounts falling due within one year	12	(494)	(756)
Net current (liabilities)/assets		(71)	8
Total assets less current liabilities		8,567	7,718
Less: Creditors – amounts falling due after more than one year	13	(313)	(387)
Net assets excluding pension liability		8,254	7,331
Net pension liability	24	(1,630)	(1,620)
NET ASSETS INCLUDING PENSION LIABILITY		6,624	5,711
Deferred capital grants	15	4,144	2,912
Income and expenditure account excluding pension reserve	17	1,369	1,604
Pension reserve	24	(1,630)	(1,620)
Income and expenditure account including pension reserve	17	(261)	(16)
Revaluation reserve	16	2,741	2,815
Total reserves		2,480	2,799
TOTAL		6,624	5,711

The financial statements on pages 25 to 28 were approved and authorised for issue by the Corporation on 11 December 2014 and were signed on its behalf on that date by:

Richard Martin
Chair

Alice Wrighton
Accounting Officer

Cash Flow Statement

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	18	(231)	176
Returns on investments and servicing of finance	19	(10)	(13)
Capital expenditure and financial investment	20	(20)	(110)
Management of liquid resources	21	600	(200)
Financing	22	(106)	(66)
		<hr/>	<hr/>
Increase/(Decrease) in cash in the year	23	<u>233</u>	<u>(213)</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(Decrease) in cash in the period		233	(213)
Cash outflow/(inflow) from liquid resources	21	(600)	200
Net cash outflow/(inflow) from financing	22	<u>106</u>	<u>66</u>
		<hr/>	<hr/>
Movement in net funds in the period		(261)	53
Net funds at 1 August		280	227
		<hr/>	<hr/>
Net funds at 31 July		<u>19</u>	<u>280</u>

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

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

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Post retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

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

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

- general equipment – 10-15 per cent per year on a straight-line basis
- computer equipment – 20 per cent 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.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Leased assets (continued)

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

Investments and endowment assets

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

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

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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

Notes to the Accounts (continued)**1. Accounting policies (continued)****Agency arrangements**

The College acts as an agent in the collection and payment of discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 28, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2 Funding body grants

	2014 £'000	2013 £'000
Recurrent grant - funding bodies	5,288	5,484
Releases of deferred capital grants (note 15)	<u>127</u>	<u>110</u>
Total	<u>5,415</u>	<u>5,594</u>

3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition fees	<u>21</u>	<u>21</u>
Total	<u>21</u>	<u>21</u>

4 Endowment and investment income

	2014 £'000	2013 £'000
Other interest receivable	<u>1</u>	<u>1</u>
Total	<u>1</u>	<u>1</u>

Notes to the Accounts (continued)**5 Staff costs**

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

	2014 No.	2013 No.
Teaching staff	57	63
Non teaching staff	54	58
	<u>111</u>	<u>121</u>

Staff costs for the above persons

	2014 £'000	2013 £'000
Wages and salaries	3,405	3,573
Social security costs	241	255
Other pension costs	492	475
	<u>4,138</u>	<u>4,303</u>

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

	Senior post-holders		Other staff	
	2014 No.	2013 No.	2014 No.	2013 No.
£20,001 to £30,000	1	1		
£30,001 to £40,000	-	-		
£40,001 to £50,000	-	-		
£50,001 to £60,000	2	3	-	-
£60,001 to £70,000	1	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
	<u>5</u>	<u>6</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)**6 Senior post-holders' emoluments**

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

	2014 No.	2013 No.
The number of senior post-holders including the Principal was:	5	6

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

	2014 £'000	2013 £'000
Salaries	284	348
Pension contributions	39	48
Total emoluments	323	396

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

	2014 £'000	2013 £'000
Salaries	93	90
Pension contributions	13	13

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

Compensation for loss of office paid to a former senior post-holder

	2014 £	2013 £
Compensation paid to the former post-holder	5,000	30,000

The members of the Corporation other than the Principal 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.

Notes to the Accounts (continued)**7 Other operating expenses**

	2014 £'000	2013 £'000
Teaching costs	302	312
Non teaching costs	898	777
Premises costs	302	253
Total	1,502	1,342

Other operating expenses include:

	2014 £'000	2013 £'000
Auditors' remuneration:		
Financial statements audit	13	12
Internal audit	13	11
Hire of plant and machinery – operating leases	5	5
Hire of other assets – operating leases	18	18

8 Interest payable

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	11	13
Pension finance costs (note 24)	20	30
Total	31	43

9 Deficit on continuing operations for the period

The deficit on continuing operations for the year is made up as follows:

	2014 £'000	2013 £'000
College's deficit for the period	(359)	(300)

Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2013	9,055	2,699	11,754
Additions	1,274	105	1,379
Disposals	-	-	0
At 31 July 2014	10,329	2,804	13,133
Depreciation			
At 1 August 2013	2,500	1,544	4,044
Charge for the year	162	289	451
Disposals	-	-	0
At 31 July 2014	2,662	1,833	4,495
Net book value at 31 July 2014	7,667	971	8,638
Net book value at 31 July 2013	6,555	1,155	7,710

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

Land and buildings were re-valued as at 1 April 1993 by Edward Rushton & Son & Kenyon Valuers and Surveyors, by reference to the depreciated replacement cost of the buildings with the open market value of the site for existing use purposes.

Land and buildings with a net book value of £4,135,428 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Council, to surrender the proceeds.

Notes to the Accounts (continued)**11 Debtors**

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	25	16
Prepayments and accrued income	33	17
Other debtors	1	-
Total	59	33

12 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	31	63
Payments received in advance	41	30
Trade creditors	73	100
Amounts owed to the EFA	183	336
Other taxation and social security	135	136
Accruals	31	91
Total	494	756

13 Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Bank loans	313	387
Total	313	387

Notes to the Accounts (continued)**14 Borrowings****(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2014 £'000	2013 £'000
In one year or less	31	63
Between one and two years	27	60
Between two and five years	80	94
In five years or more	207	233
Total	345	450

A term loan of £250,000 from Lloyds TSB was drawn down in September 2006 to finance capital expenditure. Repayments are made quarterly over ten years. Interest is charged at 0.5 points above base. The loan is unsecured but a negative pledge has been made by the Corporation. This loan has been re-paid in full. An interest free loan of £33,760 was received from Salix Finance in support of energy saving equipment purchased in year. The loan is repayable in eight six monthly instalments commencing in March 2011. A 15 year term loan of £400,000 was approved by the Board on 8 December 2011 and was drawn down from Barclays in February 2012.

15 Deferred capital grants

	Funding body grants £'000
At 1 August 2013	2,912
Released to income and expenditure account	(127)
Grants received	1,359
At 31 July 2014	4,144

Notes to the Accounts (continued)**16 Revaluation reserve**

	2014 £'000	2013 £'000
At 1 August	2,815	2,889
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(74)	(74)
At 31 July	<u>2,741</u>	<u>2,815</u>

17 Movement on general reserves

	2014 £'000	2013 £'000
Income and expenditure account reserve		
At 1 August	(16)	50
Loss retained for the year	(359)	(300)
Transfer from revaluation reserve	74	74
Actuarial loss in respect of pension scheme	40	160
At 31 July	<u>(261)</u>	<u>(16)</u>
Balance represented by:		
Pension reserve	(1,630)	(1,620)
Income and expenditure account reserve excluding pension reserve	1,369	1,604
At 31 July	<u>(261)</u>	<u>(16)</u>

Notes to the Accounts (continued)**18 Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2014 £'000	2013 £'000
Deficit on continuing operations after depreciation of assets at valuation	(359)	(300)
Depreciation (notes 1 and 10)	451	455
Deferred capital grants released to income (note 15)	(127)	(110)
Interest payable (note 8)	31	43
Interest receivable (note 4)	(1)	(1)
FRS 17 pension cost less contributions payable (note 24)	30	20
Decrease/(increase) in debtors	(26)	25
Increase/(decrease) in creditors	(230)	44
Net cash (outflow)/ inflow from operating activities	(231)	176

19 Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Other interest received	1	-
Interest paid	(11)	(13)
Net cash outflow from returns on investment and servicing of finance	(10)	(13)

20 Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(1,379)	(547)
Deferred capital grants received	1,359	437
Net cash outflow from capital expenditure and financial investment	(20)	(110)

Notes to the Accounts (continued)**21 Management of liquid resources**

	2014 £'000	2013 £'000
Withdrawals from deposits	600	400
Placing of deposits	-	(600)
Net cash (outflow)/inflow from management of liquid resources	600	(200)

22 Financing

	2014 £'000	2013 £'000
Debt due beyond a year:		
New unsecured loan	-	-
Repayment of amounts borrowed	(106)	(66)
Net cash (outflow)/inflow from financing	(106)	(66)

23 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	At 31 July 2014 £'000
Cash in hand, and at bank	131	233	364
Short term investments	600	(600)	-
	<u>731</u>	<u>(367)</u>	<u>364</u>
Debt due within 1 year	(63)	32	(31)
Debt due after 1 year	(388)	75	(313)
Total	<u>280</u>	<u>(260)</u>	<u>20</u>

Notes to the Accounts (continued)**24 Pension and similar obligations**

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

Total pension cost for the year	2013/14 £'000	2012/13 £'000
Teachers Pension Scheme: contributions paid	312	305
Local Government Pension Scheme:		
Contributions paid	150	150
FRS 17 charge	<u>30</u>	<u>20</u>
Charge to the Income and Expenditure Account (staff costs)	180	170
Total Pension Cost for Year	<u>492</u>	<u>475</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £44,079 and £18,988 were payable to the TPS and LGPS respectively at 31st July and are included within Creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is

Notes to the Accounts (continued)

equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation Of The Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015. The pension costs paid to TPS in the year amounted to £312,000 (2013: £305,000).

Notes to the Accounts (continued)**24 Pension and similar obligations (continued)****FRS 17**

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2013 was £200,000, of which employer's contributions totalled £150,000 and employees' contributions totalled £50,000. The agreed contribution rates for future years are 13.1 per cent for employers and range from 5.5% to 7.5% cent for employees.

The following information is based upon a full actuarial valuation of the fund at 31 March 2013, dated 31 July 2014 by a qualified independent actuary.

FRS 17

Principal Actuarial Assumptions	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	3.70%	4.60%
RPI inflation	3.20%	3.60%
CPI inflation	2.20%	2.70%
Discount rate for scheme liabilities	4.10%	4.50%
Commutation of pensions to lump sums	75%	75%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	24.40	24.00
Females	26.20	25.00
<i>Retiring in 20 years</i>		
Males	26.50	25.70
Females	28.50	26.90

Notes to the Accounts (continued)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

The assets and liabilities in the scheme (of which the college's share is estimated to be 0.056%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013
		£'000		£'000
Equities	7.50%	1,776	7.80%	1,702
Government Bonds	3.20%	705	3.30%	722
Corporate Bonds	3.70%	38	4.00%	36
Property	6.80%	227	7.30%	222
Cash	1.10%	112	0.90%	89
Other	7.50%	92	7.80%	189
Total market value of assets		2,950		2,960
Present value of scheme liabilities				
- Funded		(4,580)		(4,580)
Deficit in the scheme		(1,630)		(1,620)

Analysis of the amount charged to income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	190	170
Past service cost	-	-
Total operating charge	190	170

Analysis of pension finance costs

Expected return on pension scheme assets	190	140
Interest on pension liabilities	(210)	(170)
Pension finance costs	(20)	(30)

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

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	40	160
Change in financial and demographic assumptions underlying the scheme liabilities	-	-
Actuarial gain/(loss) recognised in STRGL	40	160

Notes to the Accounts (continued)**24 Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****Movement in surplus/(deficit) during year**

	2014	2013
	£'000	£'000
Deficit in scheme at 1 August	(1,620)	(1,730)
Movement in year:		
Employer service cost (net of employee contributions)	(190)	(170)
Employer contributions	160	150
Past service cost	-	-
Net interest/return on assets	(20)	(30)
Actuarial gain or loss	40	160
Deficit in scheme at 31 July	<u>(1,630)</u>	<u>(1,620)</u>

Asset and Liability Reconciliation

	2014	2013
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	4,580	4,150
Service cost	190	170
Interest cost	210	170
Employee contributions	50	50
Actuarial loss	(390)	100
Benefits paid	(60)	(60)
Past Service cost	-	-
Liabilities at end of period	<u>4,580</u>	<u>4,580</u>

Reconciliation of Assets

Assets at start of period	2,960	2,420
Expected return on assets	190	140
Actuarial gain/(loss)	(350)	260
Employer contributions	160	150
Employee contributions	50	50
Benefits paid	(60)	(60)
Assets at end of period	<u>2,950</u>	<u>2,960</u>

Notes to the Accounts (continued)**24 Pension and similar obligations****Local Government Pension Scheme (Continued)****History of experience gains and losses**

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	(350)	260	(50)	(120)	150
percentage of scheme assets	-12%	9%	-2%	-6%	8%
Experience gains and losses on scheme liabilities:					
Amount £'000	230	-	(20)	160	30
percentage of scheme liabilities	5%	0%	-1%	5%	1%
Total amount recognised in STRGL:					
Amount £'000	40	160	(430)	(70)	290
percentage of scheme liabilities		3%	-10%	-2%	8%

25 Post-balance sheet events

There were no post balance sheet events

26 Capital commitments

	2014 £'000	2013 £'000
Commitments contracted for at 31 July	<u>85</u>	<u>1,064</u>
Authorised but not contracted at 31 July	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)**27 Related party transactions**

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

Transactions with the funding bodies are detailed in notes 2, 12, and 15.

28 Amounts disbursed as agent

Learner support funds			
		2014	2013
		£'000	£'000
Funding body grants – hardship funds		184	231
		<u>184</u>	<u>231</u>
Disbursed to students		(181)	(194)
Balance unspent as at 31 July, included in creditors		<u><u>3</u></u>	<u><u>37</u></u>

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

29 Current asset investments

Current asset investments represent cash balances held on deposit.

Independent auditor's report on regularity to the corporation of Richard Taunton Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 3 November 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular in accordance with the authorities that govern them as defined by and in accordance with the Funding Agreement with the Secretary of State for Education.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Responsibilities of the Corporation of Richard Taunton Sixth Form College

The Corporation of Richard Taunton Sixth Form College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Richard Taunton Sixth Form College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Framework and our engagement letter dated 3 November 2014. The International Standards on Auditing (UK and Ireland) and Regularity Framework require that we plan and perform this engagement to obtain reasonable assurance in respect of the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion, the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Baker Tilly UK Audit LLP

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Date *18 December 2014*