



**ANNUAL 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 Franklin Sixth Form College. The College is an exempt charity for the purposes of the Charities Act 2011.

The Corporation was incorporated as Franklin Sixth Form College. Subsequently the Secretary of State granted consent to the Corporation to change its name to Franklin College.

The College designation as the Sixth Form College for North East Lincolnshire formally became effective on the 1<sup>st</sup> April 2010. Its strategic role is underpinned by this special status.

### Franklin College Mission Statement

In 2014, the Corporation approved the College's Vision, Values and Mission Statement as follows:

**Franklin Vision: 'Supporting Learning; Inspiring Success'**

#### Franklin Mission:

Franklin College will provide an excellent learning experience, in an inclusive and supportive environment, which inspires students to achieve their potential. Innovative, outward looking and working in partnership, we will raise aspirations for young people and adults.

#### Franklin Values:

***Everything we do is in the best interests of students, and we strive to achieve the highest standards. We value:***

- Aiming high and realising potential
- Respect for self, others and environment
- Working together to encourage innovation and flexibility, and to foster a spirit of community
- The commitment and contribution of our students and staff
- Supporting learning and improving life chances
- The safety and welfare of students and staff
- Openness, honesty and transparency
- Enthusiasm, enjoyment and achievement
- Inclusivity and equality in all we do
- Embracing change positively

The College regularly revisits its vision and values, and these are informed by both students and staff<sup>1</sup>.

### Public Benefit

Franklin College is an exempt charity under Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on page 13 and 14.

<sup>1</sup> The most recent staff consultation on College vision and values took place in July 2014.

## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **Public Benefit (continued)**

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

The delivery of public benefit is covered throughout the Operating and Financial Review.

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment record for students and progression to higher education programmes
- Strong student support systems
- Links with employers, industry and commerce.

### **Implementation of the Strategic Plan**

#### **Strategic Objectives 2014-2015**

The College's Strategic Objectives for 2014-17 are built around the platform for improvement that has served us well from 2011-13, namely the improvement plan at the core of Building a Better College<sup>2</sup>. The six key strategic objectives are as follows:

#### **Building a better College**

##### **The College Plan for Improving Student Outcomes**

###### **1. Individual Learner Progression**

A personalised guidance service (including tutorial), providing students with more responsive advice and guidance about their progress and future transitions and treating students and their needs holistically.

###### **2. Franklin Start**

To ensure that individual students needs are effectively identified and supported by their wider learning programmes, that individual student aims are challenged and re-negotiated if necessary, to give learners the best chances of short-term and longer term success.

###### **3. Monitoring, tracking & supporting student progress**

To provide accessible, 'live' student, course and cohort performance data and enable effective monitoring of performance and appropriate interventions.

###### **4. Curriculum Design and Accessibility**

To develop a wider range of vocational programme at level 2 and 3 providing alternative assessment methodologies and learning experiences for learners. To improve skills development programmes for all learners.

###### **5. Teaching, Learning and Assessment**

To develop outstanding, innovative, challenging and effective learning, teaching and assessment, embedded in the work of all staff and students, to underpin student retention, achievement, success and progression.

<sup>2</sup> To be the subject of a review during 2015.

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**  
**The College Plan for Improving Student Outcomes (continued)**

**6. Capacity to Improve**

Develop leadership and supporting structures throughout the College to enable greater accountability for all staff and improve feedback to staff to effectively engage in professional development.

To these key strategic objectives we have added the following:

**7. Partnerships**

To further develop effective partnership working with other providers that will improve student outcomes for young people and adult learners in the area (within the parameters of maintaining a vibrant, successful and sustainable College community); improve life chances for students and their families, including building clear and effective progression pathways with employers, other education and training providers, and local authority and voluntary organisations. To work to improve the employability skills of our learners through engaging with the emerging economic and technological changes that will impact upon the local economy in the three years of the Plan.

**8. Accommodation and facilities**

Within the parameters of sustainability and using external funding where available and appropriate, to work to ensure that students at College should be able to access high quality facilities, services and equipment that will enhance the learning environment and support the College drive to improve student outcomes.

**9. Governance**

To develop a sustainable model of Governance that ensures full participation of all Governors in order to provide appropriate scrutiny of and challenge to the Principal and College leaders.

**10. Resources**

Working within the risk appetite of senior managers and Governors, to maintain financial probity and prudence in line with our financial regulation, such that the College is able to maintain and develop staffing and other human resources. To ensure that appropriate and effective investment is made to develop staff (including in-house training and development) to maximise their ability to work to support learning and to provide services to allow the College to improve student outcomes.

In addition, to be mindful of the need for succession planning and developing sustainable and effective staffing structures (see also 6, above). To ensure that, within the risk appetite of senior managers and Governors, resources are acquired, maintained and deployed within a framework of value for money and affordability.

In serving the needs of the local community and partner schools, the College balances the following roles:

- Providing students with full and challenging programmes to raise aspirations and lead to positive outcomes
- Providing excellence in all that we do
- Providing an open and flexible curriculum that allows a wide range of students to access high quality provision at levels 1, 2 and 3
- Providing positive student outcomes, including a strong focus on attendance and retention in order to maximise the chances of student success and promotion of employability skills.
- Attaining good achievement rates through stretch and challenge, leading to positive value-added and high grades

**Operating Review, Key Developments and Strategy**

The College Corporation approved the three year Strategic and Plan 2013-16 (and student outcome targets for 2014-15) in September 2014. The Strategic Plan is consistent with, and underpins, the College Two Year Finance Plan 2014-2016<sup>3</sup>. The College will continue to review strategy as the full impact of the changing political

<sup>3</sup> As confirmed by East Coast Audit Consortium (internal audit report June 2014)

## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **Operating Review, Key Developments and Strategy (continued)**

and economic environment become clearer. Although the College's core provision of 16-18 full-time learners will remain a national priority, it should be noted that government funding for the Sixth Form College provision faces a significant reduction from 2016, when it is anticipated that the current transitional funding arrangements brought into effect to underpin the new 16-18 funding framework introduced in September 2013 will come to an end. In addition, recent changes to how 18 year olds are funded in further education; to High Needs Funding for students with particular special needs this has the potential to create significant instability in the sector. The College's plan to manage these changes includes a further revision of staffing and structures (following an extensive review and restructuring in 2011-13), its curriculum and services, including reviewing pay and non-pay costs as well as developing a wider range of partnership activities.

Student outcomes for all students (whether 16-18 or 19+) are now around the high national average for sixth form colleges. The recent Ofsted inspection (in April 2013) assessed the College as being **Good** (with Outstanding features), and made specific favourable reference to both the quality of teaching, learning and assessment, and leadership and management. The achievement of such a positive report, only a year or so after the last Ofsted visit (as part of a national pilot) judged the College to be Inadequate is testimony to the efficacy of the improvement measures put in place, and the hard work of staff and students rigorously and effectively applying these. Since the 2013 inspection, the College has continued its relentless focus on improving the quality of student outcomes, and student achievement, retention and attendance have improved and been consolidated.

#### **5-19 Provision: Partnership**

With all local secondary schools being effectively independent of the local authority (all are now members of multi-Academy trusts [MATs]), the College has developed a strategic approach to 11-19 partnerships. In response to the diminished role of the Local Authority, the College is committed to developing partnership models that enhance and support educational attainment and aspiration, and developing clear guidance and progression pathways that make a positive contribution to individual economic well-being and wider economic regeneration.

The College's support for local schools in 2013-14 included key stage 4 programmes in Computing and Modern Foreign Languages, together with wider collaborative working through a series of TeachMeet groups.

The College has a history of good partnership working with most of the ten secondary academies in North East Lincolnshire, and members of the College Leadership Team are on the governing body of two secondary academies.

In addition to the work we have and continue to do with secondary academies, the College is developing its links with primary schools in the area. In 2013-14 we delivered a wide range of enrichment activities (including sports) to local primaries, and ran a number of very successful Taster Days designed to raise aspirations amongst Y5 and Y6 pupils. Three members of the College Management Team are governors at primary schools and pre-school.

#### **16-18 Provision**

The North East Lincolnshire year 11 demography has begun to decline. It will fall from 2015-16 and will remain at about 1,650 for the four years thereafter. The greatest proportion of the decline in student numbers will be borne by three secondary academies, leaving the other seven to have relatively stable rolls throughout this period. The College is the main provider of Level 3 courses in the area, particularly GCE A levels, and the numbers of young people able to access Level 3 is expected to increase, due to a combination of the raising of the participation age; employment prospects for 16 and 17 year olds, and the underlying improvement in KS4 outcomes. To meet these challenges, we have restructured our curriculum to make our provision more accessible and relevant to young people in the area.

The College continues to recruit significant numbers of students from Lincolnshire schools where the demographic fall is less pronounced.

## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

The College competes with a wide range of local providers for 16-18 learners:

- Grimsby Institute of Further and Higher Education (GIFHE) recruiting mainly to Level 2 and Level 3 vocational programmes
- Toll Bar Academy (now branded as Toll Bar Sixth Form College) offering the International Baccalaureate (Level 3) and recently re-introduced A level programmes
- The other local 11-18 Academies (Havelock, Wintringham and Immingham) with a small, varied Level 2 and 3 offer
- Comprehensive and Grammar schools in Louth and Caistor (offering mainly GCE A level at Level 3).

The College has developed a wider range of vocational courses which provide improved access from the current arrangements in Key Stage 4, and offer successful progression pathways alongside (and in some cases combined with) GCE A levels and GCSEs.

Local competition is expected to increase during 2014-15. The College has plans in place to maintain and improve market share, however, and strong recruitment in September 2014 is an indication that such plans are bearing fruit.

The College has developed and is expanding strategic links with employers to support aspirational and sustainable progression pathways. These include successful Career Academies for Finance, Law, Health, and Science & Engineering under the national Career Academy UK programme. There are in development similar, College-designed programmes to enhance employability skills in Teaching, Media, and Performing Arts.

Key developments 2014-15 include:

- Development of pedagogy and technology to support and enhance the quality of teaching, learning and assessment;
- Further refinement of the Student Voice strategy to achieve a better match between College provision and service to student need;
- Consolidate the College's position as a Good provider, and the drive to Ofsted Outstanding

### **19+ Provision**

The College has focussed on the delivery of specialist areas of priority learning: full Level 3 for 19-25 year olds, foundation learning and full Level 2 in IT and Childcare. Despite high performance and our pursuit of priority learning, the College targets for 19+ funding have been reduced year on year in line with the national pattern. For the coming year, we are exploring 16-18 and 19+ traineeships and apprenticeships (including employing a L3 apprentice ourselves), and seeking to ensure that the College's 19+ provision remains responsive to local employer needs.

### **Quality Development**

The College has a strong focus on improving outcomes for all students, with a particular emphasis on learner retention. Value added (the difference between qualifications on entry and what a student can achieve at the next tier of learning) remains a College strength. Investment in MIS skills and systems to support the tracking and monitoring of learner attendance has made a significant impact on quality processes. These systems are now entering maturity and will inform quality developments.

Key strengths identified include:

- Good success rates in GCE A and AS Level;
- Good progress made by learners;
- Good student support arrangements, including the monitoring of teaching learning and assessment and effective and timely interventions
- Improving teaching and learning;
- Wide range of provision at L3 that meets the needs of a diverse range of students;
- Good social and educational inclusion;

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Quality Development (continued)

- Outstanding financial management;
- Extensive and successful 14-19 partnership work.
- Enhanced use of external research/analysis to aid decision making;
- Increased provision of near real-time data for staff, students and Governors;

Areas for improvement the College is addressing include:

- Further improvement to the tracking and monitoring of student performance, and enhancing the capacity of College staff to intervene promptly and effectively to improve retention and achievement
- Securing the College's capacity to improve by embedding the recent restructure of leadership and management
- Further improve the quality of teaching, learning and assessment to achieve a higher proportion of high grades
- Replacement and refurbishment of College accommodation and resources, as funding allows

### Property Strategy

The College secured a fourth round of funding under the Education Funding Agency Building College Improvement Fund (BCIF) totalling £0.9m for 2014-15. This, coupled with the earlier rounds of funding totalling £3.0m and significant match funding from its own cash reserves, has enabled the College to take forward several major capital projects including;

- Refurbishment of teaching and learning spaces for science and the humanities
- Remodelling and refurbishment of student informal learning and social space
- Essential maintenance to teaching accommodation including re-roofing
- Demolition of those parts of the estate in worst and deteriorating condition

This addresses much of the College's poorest accommodation and provides the basis for further masterplanning work (subject to capital grants) to remove temporary accommodation from the site and develop the area currently occupied by the Business Centre, along with much needed external works.

The College is hopeful that further rounds of capital funding may become available into 2014-2015. However, as this is not confirmed as of September 2014, the College two year finance plan assumes that any future capital projects will be without grant assistance.

### Financial objectives

The College remains in good financial health and has a Financial Plan in place covering the period 2014-2016 with an automatically calculated financial health score of 'Good' over the life of that plan.

Year-end financial performance indicators are as follows:

Objective	2013-2014	2012-2013
Payroll costs less than 74% of income	72.8%	71.11%
Year end current ratio greater than 1.5	1.5:1	1.92:1
Operating surplus at least 2% of income	-5.26%	0%
Cash days of 25 days or more	85 days	104 days
At least 6% income from non-funding body sources	7.03%	7.57%



## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **Financial results**

The College ended the year with an operating loss of £436,000 and cash balances of £1.9 m in line with long term financial planning assumptions.

During the year Franklin College Trading Limited continued the business of property development. The results of the College Trading Company are included in the consolidated financial statements. Supported by Franklin College as a wholly owned subsidiary, Franklin College Trading will continue for the foreseeable future.

Tangible fixed asset additions during the year 2013-2014 amounted to £1,640,000. This was split between land and buildings additions of £1,306,000 and equipment purchased of £334,000.

The College has significant reliance on the EFA and SFA for its principal funding, largely from recurrent grants. In 2013-2014 these organisations provided 92.97% of the College's total income.

Continued careful management of pay and non-pay costs, along with maximisation of available income enabled the college to report a modest deficit in 2013-2014 of £436,000 (including a £312,000 exceptional impairment charge). Operational cashflow for the year remained positive, with a reported cash surplus from operating activities of £274,000.

The College has in place a two year finance plan covering the period 2014-2016 that was approved by the Corporation in July 2014. The College management team and corporation recognise that, in the short-term, the priority over the life of the finance plan must be to return to a position of positive cash flow from ordinary operations beyond 2015. The College will be reviewing financial targets and key performance indicators during 2014-2015.

### **Performance Indicators**

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place. This policy is regularly reviewed for appropriateness by the Corporation.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Funding Agreement agreed with the EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Colleges Treasury Management Policy and the Funding Agreement. The College has no outstanding loan finance as at 31 July 2014 and has no plans as at July 2014 to enter into any new borrowing arrangements.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Current and future development and performance

#### Student numbers and achievements

#### Learner Numbers and Achievement of Funding Targets

Outturn	2011-12	2012-13	2013-14
<b>16-18</b>			
Learner Numbers	1639	1548	1526
Achievement of Funding Target	95.0%	83.8%	97.2%
<b>19+</b>			
Learner Numbers	1001	729	815
Achievement of Funding Target	94.1%	106.8%	98.2%

#### Financial

The College has £10.5m of net assets (including a £1m Local Government Pension Scheme liability). The College has no borrowing as at 31 July 2014.

#### People

The College employs 165 people (expressed as full time equivalents), of whom 95 are teaching staff.

#### Reputation

The College has a good reputation locally and nationally with a recent OfSTED grade of "Good" (with some outstanding features).

#### Principal risks and uncertainties

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

Risk management procedures are overseen by the Audit Committee, with the College Leadership Team taking responsibility for maintaining the central risk register. Individual functional risk registers are reviewed by senior managers on a termly basis.

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

Risk Management appears as a standing agenda item on all key College and corporation meetings to raise awareness and to give a wide variety of cross-College groups the opportunity to contribute to the ongoing risk management processes. In particular, risk management is considered at each College Leadership and College Management Team meeting.

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

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Government funding

The College places considerable reliance on continued government funding through the further education sector funding bodies. In 2013-2014 92.97% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. With the ongoing constraints on public spending the College continues to plan for significant cutbacks.

This risk is mitigated in a number of ways by:

- Deriving funding through a number of direct and indirect contractual arrangements
- Ensuring the College is rigorous in delivering high quality education and training
- Maintaining and managing key relationships with schools, employers and other partners
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the Local Authority, Education Funding Agency and Skills Funding Agency
- Exploring new avenues of business, such as the planned recruitment of international students
- Maintaining sufficient reserves to minimise short term financial uncertainty.

For 2014/15 no changes are anticipated in Government policy with regard to the changes in funding for post-16 learning and skills, although dependant on the outcome of the election in May 2015, new national policy may emerge for 2015/16. The significant area of uncertainty that remains concerns the maintenance of Formula Protection Funding for schools and colleges after July 2016. Franklin, like all other providers, awaits an announcement from the Education Funding Agency in this regard, although we are conscious that this may not be forthcoming until well into 2015/16, and are as a result planning with prudence. Additional income streams are being explored. The continuance of significant state funding for adult learning is very uncertain, although for 2014/15 no changes are anticipated.

### Development of a College Property Strategy

Recent developments are discussed in some detail on page 3 onwards. The College continues to develop its Property Strategy to improve the overall standard of accommodation and to facilitate excellent teaching and learning. Feedback from the EFA on funded projects completed to date are very positive, and the College has a policy of carrying out post project evaluations to assess the delivery (both financial and non-financial) of major projects, showing that, overall, new and improved facilities represent good value for money and are well regarded by staff and students.

### Stakeholder relationships

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

- Students
- Education sector funding bodies
- Staff
- Governors
- Local employers (with specific links to the curriculum, and to broader initiatives such as Career Academy)
- Individual primary and secondary schools (including single Academy schools and wider Academy Trusts)
- Local Authorities
- Government Offices/Regional Development Agencies and successor bodies/LEP's
- The local community
- Other FE institutions, particularly Sixth Form Colleges
- Training Providers
- Trade Unions
- Professional bodies