Chelmsford College

CHELMSFORD COLLEGE
Report and Financial Statements
for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Group and were represented by the following in 2015/16:

Andrew Sparks Principal; Accounting officer
Caroline Williams Deputy Principal
Mike Tadman Assistant Principal People & Services
Debs Hurst Assistant Principal Finance & Risk

Board of Governors

A full list of Governors is given on page 18 of these financial statements.

Mr Robert Millea has acted as Clerk to the Corporation since January 2016.
Mr John Fowl acted as Clerk from 1 August 2015 to 31 December 2016.

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Internal auditors:
RSM LLP
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

Bankers:
Lloyds Bank Plc
77-81 High Street
Chelmsford
CM1 1DU

Solicitors:
Prettys LLP
Elm House
25 Elm Street
Ipswich
Suffolk
IP1 2AD

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MEMBERS' REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016. These statements include the results of the College's wholly owned subsidiary businesses, Dovedale Nursery CIC, Chelmsford Training Services Limited to 30th June 2016 ("the College Group") and 50% share of the assets and liabilities of Essex Shared Services Limited. Chelmsford Training Services Limited transferred all the assets and liabilities of the company to the College on 1st July 2016 and once audited the company will be made dormant.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Chelmsford College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

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

"Chelmsford College: unlocking potential"

Chelmsford College aims to enable success for all our learners through the provision of high quality, flexible teaching and learning across a wide range of vocational and academic disciplines. Our community comprises young people, adults, businesses and public and third sector organisations within mid-Essex and the wider county. We aim to align our provision to the needs, hopes and aspirations of this community and to add value to the social, economic and educational well-being of the community of which we are part.

The Values of the College

In aiming for excellence the College has adopted six essential values which are:

- Excellence in teaching, learning and assessment
- Innovation in how we work and develop
- Ambition - for all in the College community to be the best we can be
- Respect and support for every individual
- Fairness and equity in all our undertakings
- Outward looking in our development

Public Benefit

Chelmsford College is an exempt charity under Part 3 of the Charities act 2011 and from 1st September 2013, is regulated by the Secretary of State for the Department of Education and the Secretary of State for Business, Energy and Industrial Strategy all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18.

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

- Delivery of a broadly based education and training provision for young people, adults, groups and employers
- Developing wider skills to equip learners to be successful in life and work
- Support economic growth and development in the City and wider region
- Continuously improving access to learning opportunities
- Quality teaching learning and assessment

Implementation of strategic plan

The College's direction is reviewed annually and incorporates actions required under the College Improvement Plan.

Our Strategic Plan 2014-17 sets out the following strategic goals:

To become an outstanding college

- To provide greater access to learning
- To inspire and motivate members of staff
- To prioritise partnership working
- To be financially sound to enable the delivery of the College's strategic objectives

The College's priorities for 2015/16 were:

1. Ensure that all managers have high expectations and are clear about the areas for which they will be held accountable, across all types of provision;
2. Embed a culture of high expectations, through the use of robust target setting and associated action planning;
3. Strengthen and further develop governors oversight of the College's educational activity and challenge of senior leaders;
4. Increase the proportion of students on 16-19 study programmes who make good progress and achieve their qualifications, including those for English and mathematics;
5. Improve teaching, learning and assessment within 16-19 study programmes further through the achievement of 5 key expectations;
6. Improve the teaching of English and mathematics by ensuring that learners' specific skill gaps are identified and tackled;
7. Raise standards within classroom based learning.

In order to deliver these priorities a review of the academic delivery and restructure of the academic teams was carried out. This included creating concise units with a reduced span of control but with more accountability. This would enable

CURRICULUM REVIEW

The Quality of Provision

The College was last inspected by Ofsted in November 2015 when the College was judged to 'require improvement' for overall effectiveness.

The latest self- assessment report for the academic year 2015-16 judges the College to require improvement with the same grade profile as the last Ofsted report. However, the self-assessment report also reports on the significant increase in the number and percentage of learners who achieved A*-C grade in GCSE English or mathematics.

A full analysis of the College's academic performance can be found in the College Self-Assessment Report. Overall success rates for 16-18 classroom provision remain above the most recent national rate. Provision for 19+ classroom overall success remains above the most recent national rates, although it declined to 87.3% in 2015/16.

Curriculum areas where performance has increased in 15/16 include: Health & Social Care, Sport, Travel & Tourism, Preparation for Work, Accounting & Finance and Law.

Curriculum areas where performance dipped in 15/16 include Hair & Beauty, Public Services, Hospitality, Art & Design, ICT and Business.

GCSE English A*-C for 2015/16 significantly increased to 17.6% (+12.3 vs 14/15) with an overall pass rate of 91.9% (483 completers).

Resources for Learning

College students benefit from many high quality, industry standard facilities. These include hair and beauty salons at the Lee Stafford Academy, industry standard teaching kitchens, engineering and electrical workshops and a purpose built art and media block.

In addition, the College has two purpose built Assessment Centres which are large open plan timetabled classroom areas. These spaces provide opportunity for large numbers of students to work independently on-line to complete assessment tasks under the supervision of Learning Coaches, Academic Tutors and Learning Centre staff. This reflects the College's move from teacher centred activities to mixed modes of learning with the creation of flexible learning spaces supporting individualised learning.

Tutorial provision takes place in two purpose built Tutorial Centres which provide flexible teaching, learning and assessment opportunities. The College has two large Learning Centres on the Moulsham Street and Princes Road campuses and a smaller centre at the Lee Stafford Academy. The centres provide access to books, journals, e-books, computers, printers and the expertise of the Learning Centre staff.

Curriculum developments

The curriculum (Further and Higher Education) has been reviewed to ensure it meets the needs and expectations of learners and employers and to provide a realistic opportunity for learners to achieve their goals and exceed their expectations. All Curriculum Area Managers regularly review their curriculum offer to ensure it is relevant and offers a point of difference from local 16 – 19 school based curriculum.

We have continued the transition of level 2 BTEC provision from QCF to NQF (NQF includes the externally assessed elements) started in 2014/15 and this year started the transition of level 3 BTEC provision from QCF to NQF with Childcare.

All Art and Media qualifications (with the exception of level 3 second year) has been moved from BTEC to UAL following extensive research ensuring the offer is appropriate, allows creative flexibility and is in line with other local providers.

Functional Skills level 2 has been removed from the curriculum offer for the majority of learners. The awarding body for English FS level 1 has moved to Pearson from City and Guilds. For all GCSE Maths and English, the decision has been made to remain with the legacy qualifications for a final year.

Travel and Tourism have changed awarding body to City and Guilds and now includes Aviation and Cabin Crew making it more industry relevant.

Due to poor retention and resulting low success rates, we have discontinued GCSE Science evening class.

The Engineering provision has been redesigned to enable learners to focus on one main qualification in place of the previous combined qualification offer. This will ensure greater academic success as learners will only need to achieve the requirement of one qualification. Most learners undertaking multiple qualifications last year failed to achieve one or more of these objectives. Further support will be undertaken with learners in undertaking engineering maths modules that will support progress. These modules will focus on the key fundamental principles of analytic skills required for progression and will be undertaken in the 3rd term of the academic year for learners looking to progress from level 1 or level 2 qualifications.

All electrical qualifications have migrated to EAL from C&G to ensure a consistent approach to delivery and further support and guidance with assessment and delivery from resources accessible via EAL. In addition, the introduction of a level 1 in Electrical will allow further opportunities for learners to undertake this career choice.

The introduction of the level 3 Diploma in Professional Patisserie and Confectionary will provide further opportunity for learners to refine their skills to meet the growing demand within this area. This new course will provide opportunities for further progression from level 2.

We have also introduced a bespoke approach to curriculum delivery for learners that have specific educational needs or individual academic requirements that enables learners to infill within existing provision on a specific learning aim that meets their own requirements, often a sub qualification of the main programme of study. This has provided further opportunity for learners in meeting specific needs and provided greater enrolment potential.

Learner performance

Learner performance is shown below. The College recognises it has a challenge at level 2 and the College Self-Assessment and Improvement Plan detail the reasons and actions that need to be addressed to improve this position.

Programmes (all figures rounded)	**2014/15**	**2015/16**	**15/16 v National rate**	**14/15 National rate**
16-19 Study programmes	83	81	3	78
Level E & 1	85	84	8	76
Level 2	80	70	(5)	75
Level 3	84	86	1	85
Adult Learning	92	89	3	86
High Needs Funded Learners	96	86	(2)	88
Apprenticeships overall	74	66	(4)	70
Positive Destinations (% of achievers)	96	N/A		

FINANCIAL REVIEW

Financial Objectives

The Corporation set financial objectives which aim to ensure that the College remains financially sound in order to:

- protect itself from adverse changes in enrolments and funding.
- generate sufficient income to fulfil its core purpose of teaching, learning and assessment across a broad base of activities
- maintain cash flows to service debt arising from investment in the property estate over recent years.

The College is achieving these objectives by continuing to reduce costs, ensuring robust resource utilisation and socially responsible purchasing practices, maintaining confidence of funding bodies, bankers and auditors through accurate timely information and paying suppliers to terms where possible and communication of the financial environment to all staff on a regular basis and continuous review of its financial flexibility and opportunities for reducing reliance on Government funding.

Financial targets

The financial targets set in the financial recovery plan are shown below

- achieve a surplus of £0.2m before adjustments for LGPS pension provision. The reported surplus is £130k, which is 0.86% of total income excluding release of capital grants. The reduction is due to reduced income from commercial activity and increased costs in staffing due to employment of agency staff to cover vacancies.
  After the FRS 102 pension adjustments the Group reports a loss of £241k.

- pay expenditure as a percentage of income was 60% compared to a target of 62%

- Maintain financial health at Satisfactory. The methodology for calculating financial health in 2015/16 changed and become more stringent. The College has maintained its satisfactory financial health position and is expecting to have the financial notice of concern issued in February 2015 lifted once the finance record for 2015/16 is submitted.

Financial results

Chelmsford College Group returned a deficit of £270k after the adjustment for Local Government Scheme pension service and interest costs of £371k and including 50% proportion of Essex Shared Services Ltd £29k (£23k 2014/15).

Total income in 2015/16 was £15.3m compared to £15.0m in the previous year predominately due to the increase in Local Authority income for high needs students. Staff costs reduced by £0.3m and other costs increased by £0.3m due to costs to deliver increased high needs student provision.

The College took the opportunity with the implementation of FRS102 to revalue land at Moulsham Street and Princes Road on existing use basis as this had not been done since 1992. The revised values have increased assets by £9.0m.

Deferred capital grants are now shown in creditors (due in one year and falling due after one year) which has resulted in Net Current Assets reporting a negative result of (£1.2m) compared with a restated 2015 of (£2.0m). Deferred capital grants are released to the Statement of Comprehensive Income over the life of the assets to which they relate.

FRS102 presentation shows defined pension obligations included in net assets and these have increased by £1.9m from £5.3m to £7.2m. The triennial review is underway and the actual pension 'cash' deficit should be known by December 2016; the last valuation was a deficit of £1.8m. Essex Pension Fund are requesting security on the pension fund deficit; the College is reviewing this position.

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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and compliance with the requirements of the Financial Memorandum.

Cash flows and liquidity

The net cash flow from operating activities was £1.2m (2014/15 (£1.0m), an improvement in the cash position of £0.2m. The College total debt with Lloyds of £7.2m comprises £3.6m expiring in 2035; the remaining value of £3.6m is a revolving credit facility (RCF) secured on the property known as Beacon House. The RCF expires in December 2017 and will need to be renegotiated.

Reserves Policy

The College reserves policy will be reviewed in light of the change of accounting methodology from UK GAAP to FRS102. Total reserves have increased from £6.7m (2014/15 as restated) to £14.9m (2015/16) due to the revaluation of land at both Moulsham Street and Princes Road. The reserves are sufficient to cover bank covenants and pension obligations.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £9.5m in Education Funding Agency main allocation funding (2014/15 – £9.5m). The College achieved 2,225 total EFA funded learners against a target of 2,227.

Across all provision the College had 3,547 funded and 427 non-funded students.

The breakdown of total funded learners is:

Education Funding Agency	2,225
Skills Funding Agency (classroom based)	833
Skills Funding Agency (apprentices)	489

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 49% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no post balance sheet events.

FUTURE PROSPECTS

Financial recovery

The financial recovery plan put in place in 2014 is on track with the College achieving a surplus before LGPS pension adjustments of £130k from a loss of over £900k in 2013/14. The current financial health is 'satisfactory' and we expect the notice of financial concern to be lifted in 2017.

Going concern

Chelmsford College currently have a 'notice of financial concern' which was issued in February 2015. Since this date intervention and monitoring has been implemented by the Skills Funding Agency. The College posted a deficit of £0.9m in 2013/14 and recovered to a break even position in 2014/15. The current financial position shows a management accounting surplus of £130k and the College is on track to produce a surplus of circa £0.2m in 2016/17 before pension costs.

Cash generated during 2015/16 was £0.2m, an improvement of £0.7m on 2014/15. Continued reduction in capital expenditure and achievement of surpluses has increased cash holdings. The College has prepared a detailed cash flow to December 2017 and is not expecting to require an overdraft during January – April 2017.

The financial risks to the College are:

- The ability to dispose of the campus at Beacon House as soon as possible; this disposal was put on hold due to the Further Education Essex based area review.
- The under recruitment in 2016/17 of 16-18 year- old students will result in a lagged learner shortfall of £0.7m. The College will have an action plan to mitigate this shortfall by either increasing income in other areas and reducing costs.

- Local Government Pension Scheme deficits and deficit repair payments which will be known once the actuarial review has been carried out. The College currently makes annual payments of £0.1m in addition to 15.6% contributions to the pension fund.
- The requirement that Essex Pension Fund may require security on college premises.

The Governing Body are assured that the College has sufficient resources to continue in operation for the foreseeable future.

Ofsted

The College's current Ofsted grade is 'Requires Improvement' with Adult, Apprenticeship and High Needs provision graded as 'Good'. A support and challenge visit will take place on 16th March 2017 and the next inspection expected after this visit.

Area Review

The Essex Area Review commenced on 7th November and is scheduled to complete in March 2017. The process is designated to review the post 16 Further Education provision offered within the County, to improve quality, reduce duplication and improve efficiency - ultimately resulting in a more sustainable College Sector.

In the build-up to the Review, the College's Governing Body reflected on the needs of the community it serves in order that at a clear and relevant strategic direction/vision could be identified. Once this clear vision was identified, a Governors Steering Group was established to guide the College through the process. The Steering Group met twice during the year and feeds directly in to the Main Board in an advisory capacity.

Just prior to the commencement of the Area Review in November, the College successfully hosted its Site Visit with 2 advisors from the FE Commissioner validating the College's chosen strategic direction.

LGPS Pension security requirements

Essex Pension Fund are requesting security against the pension deficit to protect other scheme employers. This can be in the form of cash, financial bond or security on premises. The College is reviewing options.

Resources

The College is located over three campuses in Chelmsford - Moulsham Street, Princes Road and Beacon House. Significant improvements have been made to the campus at Moulsham Street over the last 5 years and a plan for Princes Road is now required. Furthermore, the intention to relocate the hair and beauty operation to one of the main campuses by September 2017 and complete a sale of Beacon House is still a key priority. However, this is dependent on the outcomes of the area review.

It is possible to grow activity in construction and new areas of provision such as motor vehicle at Princes Road but this will require investment of circa £3m and a five-year plan is being put in place to take this forward. Both the Moulsham Street and Princes Road sites are based in residential areas which brings about difficulties in expanding operations.

Financial

The College has £13.3m of net assets after providing for £7.2m pension liability and long term debt of £7.2m.

People

The College employs 288 (2014/15 303) people (expressed as full time equivalents), of whom 135 (2014/15 135) are teaching staff and 74 (2014/15 69) teaching support staff and 79 (2014/15 99) support staff.

Reputation

Chelmsford College is the only General and Further Education College in Mid Essex. The College has a good reputation for providing vocational and occupational education to learners post 16 who wish to undertake further education, at key stage 5.

The numbers of learners who choose the College as the institute of first choice for their studies post 16 is high and continues to grow at level entry 1, level 2 and level 3. In addition, the College has established a good reputation for provision for adults, apprentices and learners with higher needs. The curriculum areas where the college has seen significant growth in numbers reflects the seven Essex County Council priority areas and includes construction, engineering and electrical.

The college has a good reputation for offering a true comprehensive education, a reputation that under pins the College's mission statement 'Unlocking potential'.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Based on the strategic plan, the College Executive Group and Senior Management Team review the risks to which the College is exposed on a regular basis. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The risk management process is part of the system of internal control and is reviewed and reported to Audit Committee at each meeting.

The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

The key risks the College is currently managing are:

Area review outcome

The outcome of the area review process will not be known until March 2017, but this should not distract from the two key strategic imperatives of improving financial health and improving quality of teaching learning and assessment.

Ofsted Grade

The College has been assessed as 'requires improvement' at the last two reviews. Since the last inspection, the College has substantially changed its middle management structure by making smaller departments and a reduced span of control for curriculum managers. This enables curriculum managers to have an element of teaching as well as managing an area. The impact of this change will be known at the end of the first full academic year it has been in place – 2016/17.

Improvement in English and maths

There is a significant improvement in results from 2014/15 to 2015/16. GCSE English A*-C for 2015/16 significantly increased to 17.6% (+12.3 vs 14/15) with an overall pass rate of 91.9% (483 completers). GCSE Maths A*-C for 2015/16 significantly increased to 30% (+21.1 vs 14/15) with an overall pass rate of 92.4% (397 completers). However, this is still below the national average and continues to be an area of intervention for the College.

Rapid improvement

One of the main issues in the last report was the speed of improvement across all disciplines. The impact of curriculum managers will be key to ensuring rapid improvement.

16-18 funding

The impact of any shortfall in learner numbers in 2016/17 will lead to reduced funding in 2017/18 and impact on financial recovery. This is being addressed through additional marketing, working closely with Essex County Council and understanding the numbers of students not in education, training or employment, January starts and traineeships. In addition, the cost base will be reduced to accommodate any shortfall.

Apprenticeship levy

There is still uncertainty on how this will work for Small & Medium Enterprises which is where the majority of apprentices come from for Chelmsford College. Employer engagement and keeping up to date with information from Government is a priority so that we are ready to impact in this area. For 2016/17 we are ahead of current learner numbers and expect to achieve contract values.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities Chelmsford College has many stakeholders, these include:

- Students;
- Education Sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The Local community
- Other FE institutions
- Trade unions
- Professional bodies

The college recognises the importance of these relationships and engages in regular communication with them through stakeholder meeting and the College internet site.

SAFEGUARDING AND EQUAL OPPORTUNITIES

Safeguarding and Child Protection

The College places significant importance on safeguarding children and vulnerable adults and meets fully the statutory requirements for safeguarding and child protection. Specifically, the College has:

- Implemented statutory guidance contained within the revised Department for Education publication: 'Keeping Children Safe in Education September 2016'.
- Ensured that all new staff receive training on safeguarding, child protection and PREVENT and that refresher training is carried out regularly for existing staff.
- Maintained a Safeguarding Committee, a designated senior manager and a designated governor with responsibility for safeguarding.
- Audited its safeguarding practices through the 'Essex Schools & Colleges Safeguarding Audit 2015/16' with the outcome of "very high compliance".
- Ensured that key managers receive local authority training as 'designated persons' for child protection purposes, which is regularly updated in accordance with statutory guidance.
- Developed robust arrangements for the planning and approval of educational visits through the use of EVOLVE, an online recording portal.
- Carried out a security review and appointed 'Campus Officers' to provide a visible presence within the main college campuses, help resolve emerging issues and ensure those entering the buildings have a legitimate need to be there.
- Achieved the Online Compass Silver Award for the quality of online safety provision.
- Carried out a full review of all safeguarding and safer recruitment related policies and procedures.

The College ensures that all relevant individuals undertake appropriate Disclosure and Barring Service (DBS) checks before commencing work. This includes a check of the DBS 'barred lists' where appropriate. Well established arrangements exist to ensure that concerns about individuals who may pose a threat to children or vulnerable adults are reported to the DBS.

The College maintains a 'Single Central Record' of all vetting and barring checks for all individuals undertaking Regulated Activity.

The College complies fully with its statutory PREVENT duties under the Counter Terrorism and Security Act 2015. The PREVENT strategy aims to stop people from being drawn into terrorism, including violent and non-violent extremism, by working with individuals and communities to support and challenge views and activities that may be conducive to terrorism, or that seek to popularise views which extremism may seek to exploit. Central to the College's strategy is the promotion of fundamental British values, including democracy, the rule of law, individual liberty and mutual respect and tolerance of different faiths and beliefs.

A full Ofsted inspection in November 2015 concluded that the arrangements for safeguarding were effective, and identified as a strength, that learners feel safe and value the welcoming atmosphere of the College and culture of tolerance and respect.

Equal opportunities

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

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

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

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College provides information, advice and arranges support where necessary for students with disabilities.

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

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 9 December 2016 and signed on its behalf by:

EOddie

Elaine Oddie

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply 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.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. 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. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 10 July 2015.

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

The Corporation

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

Attendance*

Governance Full Board Attendance 2015-16

Name	Date of Appointments	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
A Baxter	March 2015	4 years	24/02/2016	Independent Governor	Chair: Quality & Learners; Remuneration; Search& Governance	50%
P Bridge	March 2014	4 years	02/10/2015	Independent Governor	Quality & Learners	100%
M Kemp	October 2014	4 years	03/03/2016	Staff	Audit	0%
H Clarke	September 2012	4 years	31/07/2016	Staff	Quality & Learners;Audit	50%
G Evans	December 2012	4 Years	31/07/2016	Independent Governor	PF&GP; Remuneration; Search & Governance	100%
R Joy	July 2015	4 years	22/06/2016	Co-opted (Audit)	Audit	N/A
M Lager	March 2014	4 years		Independent Governor	PF&GP; Remuneration; Search & Governance	100%
A Sparks	September 2014	ex officio		Principal	PF&GP; Quality & Learners; Search & Governance	100%
J Maclean	May 2015	8 months	31/12/2015	Independent Governor	PF&GP; Quality & Learners: Remuneration; Search & Governance	100%
E Oddie	July 2013	4 years		Independent Governor	Chair:PF&GP; Chair:Remuneration; Search & Governance	100%
W Pigram	December 2012	4 years	02/10/2015	Independent Governor	PF&GP	100%
J Swan	December 2012	4 years		Independent Governor	Chair: Audit; Search & Governance	50%
B Vohmann	December 2015	4 years		Independent Governor	Quality & Learners	75%
S Noble	March 2014	4 years		Independent Governor	Chair: Quality & Learners; Search & Governance	75%
S Hughes	March 2014	4 years		Independent Governor	Audit; Quality & Learners	50%
L Hain	December 2015	1 year	08/07/2016	Student	Quality & Learners	33%
D Zeeman	December 2015	1 year		Independent Governor	Audit	100%
S Houghton	December 2015	4 years		Independent Governor	Quality & Learners	100%
A Montague	May 2016	4 years		Independent Governor	PF&GP	100%
S Hodges	July 2016	4 years		Staff	Audit	100%

With effect from 8 July 2016, the Search & Governance Committee and Remuneration Committee were merged.
J Maclean served as Chair of Corporation until 31 December 2015 and was succeeded as Chair by E Oddie, who remains in post.
R I Millea FCA is the Clerk to the Corporation (appointed 1 January 2016). The previous Clerk was John Fowl.

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 four times per annum.

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 Quality & Learners, Search, Governance & Remuneration, Personnel, Finance & General Purposes and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website http://www.chelmsford.ac.uk or from the Clerk to the Corporation at:

Chelmsford College
Moulsham Street
Chelmsford
Essex
CM2 0JQ

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance & Remuneration Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

Whilst recognising there is still room for improvement the Corporation has self assessed its performance as 'Good'.

Search, Governance & Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

With effect from 8 July 2016, the Search & Governance Committee and the Remuneration Committee were merged.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation and one co-opted member (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 auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Chelmsford College and the funding bodies. He 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 in Chelmsford College for the year ended 31 July 2016 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 2016 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.

Chelmsford 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 internal audit provides the governing body with a report on internal audit activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal 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 reporting accountant for regularity assurance, 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 his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

Going concern

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

Approved by order of the members of the Corporation on 9 December 2016 and signed on its behalf by:

Elaine Oddie	**Andrew Sparks**
Chair	**Accounting Officer**

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 Skills Finding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

	EOddie
Andrew Sparks	**Elaine Oddie**
Accounting Officer	**Chair of Governors**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the College *Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and 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 a Strategic Report 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 9 December 2016 and signed on its behalf by:

EOddie

Elaine Oddie

Chair

Independent auditor's report to the Corporation of Chelmsford College

We have audited the Group and College financial statements ("the financial statements") of Chelmsford College for the year ended 31 July 2016 set out on pages 29 to 60. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required 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 Chelmsford College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 23, 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 applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group's and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Independent auditor's report to the Corporation of Chelmsford College (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) 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 by the College; or
- the College financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

S Beavis

Stephanie Beavis
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR

21 December 2016

Reporting Accountant's Report on Regularity to the Corporation of Chelmsford College and the Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Chelmsford College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Chelmsford College and the reporting accountant

The corporation of Chelmsford College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Reporting Accountant's Report on Regularity to the Corporation of Chelmsford College and the Secretary of State for Education acting through Skills Funding Agency (continued)

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

SBeavis

Stephanie Beavis
For and on behalf of KPMG LLP, Reporting Accountant
Botanic House, 100 Hills Road, Cambridge, CB2 1AR
21 December 2016

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
INCOME					
Funding body grants	2	11,687	9,882	11,815	9,739
Tuition fees and education contracts	3	2,138	2,090	2,055	1,969
Other income	4	1,499	1,004	1,171	701
Endowment and investment income	5	3	2	2	2
Total income		**15,327**	**12,978**	**15,043**	**12,411**
EXPENDITURE					
Staff costs	6	9,235	7,976	9,596	8,067
Other operating expenses	7	4,538	3,732	4,199	3,141
Depreciation	10	1,350	1,119	1,340	1,087
Interest and other finance costs	8	445	403	468	423
Total expenditure		**15,568**	**13,230**	**15,603**	**12,718**
(Deficit)/surplus before other gains and losses		**(241)**	**(252)**	**(560)**	**(307)**
Share of operating surplus/(deficit) in Essex Shared Services Limited		(29)	-	(23)	-
(Deficit)/surplus before tax		**(270)**	**(252)**	**(583)**	**(307)**
Taxation	9	-	-	3	-
(Deficit)/surplus for the year		**(270)**	**(252)**	**(580)**	**(307)**
Actuarial loss in respect of pensions schemes		(1,711)	(1,568)	(36)	12
Total Comprehensive Income for the year		**(1,981)**	**(1,820)**	**(616)**	**(295)**

The statement of consolidated income is in respect of continuing activities.

The notes on pages 32 to 59 form part of these financial statements.

Balance sheets as at 31 July

Balance sheets as at 31 July

	Notes	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College 2015 £'000
Fixed assets					
Tangible fixed assets	10	32,443	31,993	33,328	29,710
Investments	11	-	-	-	36
		32,443	**31,993**	**33,328**	**29,746**
Current assets					
Stocks		21	21	21	19
Trade and other receivables	12	357	558	687	4,906
Cash and cash equivalents	17	666	467	437	152
		1,044	**1,046**	**1,145**	**5,077**
Less: Creditors – amounts falling due within one year	13	(2,231)	(2,213)	(3,136)	(2,625)
Net current assets		**(1,187)**	**(1,167)**	**(1,991)**	**2,452**
Total assets less current liabilities		**31,256**	**30,826**	**31,336**	**32,198**
Less: Creditors – amounts falling due after more than one year	14	(10,627)	(10,357)	(10,837)	(10,440)
Provisions					
Defined benefit obligations	16	(7,203)	(7,203)	(5,265)	(5,265)
Other provisions		(243)	-	(70)	-
Total net assets		**13,183**	**13,266**	**15,164**	**16,493**
Unrestricted reserves					
Income and expenditure account		13,183	13,266	15,164	16,493
Total unrestricted reserves		**13,183**	**13,266**	**15,164**	**16,493**

The financial statements on pages 28 to 59 were approved and authorised for issue by the Corporation on 9 December 2016 and were signed on its behalf on that date by:

Elaine Oddie	**Andrew Sparks**
Chair	**Accounting Officer**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated balance at 1st August 2014	387	6,363	6,750
Surplus/(deficit) from the income and expenditure account	(580)	-	(580)
Other comprehensive income	(36)	9,030	8,994
Transfers between revaluation and income and expenditure reserves	130	(130)	-
	(486)	8,900	8,414
Balance at 31st July 2015	(99)	15,263	15,164
Surplus/(deficit) from the income and expenditure account	(270)	-	(270)
Other comprehensive income	(1,711)	-	(1,711)
Transfers between revaluation and income and expenditure reserves	130	(130)	-
Total comprehensive income for the year	(1,851)	(130)	(1,981)
Balance at 31st July 2016	**(1,950)**	**15,133**	**13,183**
College			
Restated balance at 1st August 2015	1,395	6,363	7,758
Surplus/(deficit) from the income and expenditure account	(307)	-	(307)
Other comprehensive income	12	9,030	9,042
Transfers between revaluation and income and expenditure reserves	130	(130)	-
	(165)	8,900	8,735
Balance at 31st July 2015	1,230	15,263	16,493
Surplus/(deficit) from the income and expenditure account	(252)		(252)
Other comprehensive income	(1,568)	-	(1,568)
Transfer of subsidiary company	(1,407)	-	(1,407)
Transfers between revaluation and income and expenditure reserves	130	(130)	-
Total comprehensive income for the year	(3,097)	(130)	(3,227)
Balance at 31st July 2016	**(1,867)**	**15,133**	**13,266**

Consolidated Statement of Cash Flows

	2016 £'000	2015 £'000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(270)	(580)
Adjustment for non cash items		
Depreciation	1,350	1,340
(Increase)/decrease in stocks	-	10
(Increase)/decrease in debtors	330	(299)
Increase/(decrease) in creditors due within one year	(671)	(430)
Increase/(decrease in creditors due after one year	(163)	302
Increase/(decrease) in provisions	-	-
Pensions costs less contributions payable	370	329
Share of operating surplus/(deficit) in joint venture	29	23
Taxation	-	(3)
Adjustment for investing or financing activities		
Investment income	(3)	(2)
Interest payable	257	270
Taxation paid/received	-	3
Loss on sale of fixed assets	-	3
Net cash flow from operating activities	**1,229**	**966**
Cash flows from investing activities		
Investment income	3	2
Payments made to acquire fixed assets	(396)	(1,079)
	(393)	(1,077)
Cash flows from financing activities		
Interest paid	(233)	(270)
Interest element of finance lease rental payments	(24)	
New unsecured loans		395
Repayments of amounts borrowed	(260)	(518)
Capital element of finance lease rental payments	(90)	(70)
	(607)	(463)
Increase / (decrease) in cash and cash equivalents in the year	**229**	**(574)**
Cash and cash equivalents at beginning of the year	437	1,011
Cash and cash equivalents at end of the year	666	437

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2015* (the 2015 FE HE SORP), the College *Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The College has also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 24.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value of two assets.
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Notes to the Accounts (*continued*)

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Chelmsford Training Services Ltd and Dovedale Nursery CIC, controlled by the College. Control is achieved where the College has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2016.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £7.2m of loans outstanding with bankers, additionally there is uncommitted facility of £0.4m overdraft and £0.5m relocation of provision from Beacon House if required. This is secured by a charge on College assets. The loan term is until 2035. The revolving credit facility is to be renegotiated in December 2017. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

Notes to the Accounts (*continued*)

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and 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 plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Enhanced Pensions

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

Notes to the Accounts (*continued*)

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Revaluation basis

Land

Land at Moulsham Street and Princes Road was revalued as at 31st July 2014. This was a one off revaluation under FRS102 conversion rules.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- All buildings – 50 years
- Refurbishments – 10 -25 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the 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 after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Notes to the Accounts (*continued*)

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment 4 years
- plant 10 years
- computer equipment 4 years
- furniture, fixtures and fittings 4 - 10 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost.

Investments in joint ventures

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group accounts, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Notes to the Accounts (*continued*)

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 income 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 sections 478-488 of the 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 around 3% of the 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.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount

Notes to the Accounts (*continued*)

rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (*continued*)

2 Funding body grants

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Recurrent grants				
Skills Funding Agency	2,003	719	2,144	666
Education Funding Agency	9,509	9,013	9,545	8,952
Specific Grants				
Releases of government capital grants	175	150	126	121
Total	**11,687**	**9,882**	**11,815**	**9,739**

3 Tuition fees and education contracts

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Adult education fees	519	513	545	537
Fees for FE loan supported courses	144	144	126	126
Fees for HE loan supported courses	7	7	11	11
Total tuition fees	670	664	682	674
Education contracts	1,468	1,426	1,373	1,295
Total	**2,138**	**2,090**	**2,055**	**1,969**

Funding from the Local Authority has been included with Funding body grants (note 2) as non recurrent grants under the previous accounting standard. Income of £1,289,000 is now included in education contracts (2014-15 £1,073,000).

Notes to the Accounts (*continued*)

4 Other income

	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
Catering	417	417	457	495
Other income generating activities	690	214	507	4
Other grant income	353	353	-	-
Miscellaneous income	39	20	207	202
Total	**1,499**	**1,004**	**1,171**	**701**

5 Investment income

	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
Other interest receivable	3	2	2	2
	3	**2**	**2**	**2**
	3	**2**	**2**	**2**

Notes to the Accounts (*continued*)

6 Staff costs - Group and College

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

	2016 No.	2015 No.
Teaching staff	135	135
Learner support staff	74	69
Non teaching staff	79	99
	288	**303**

Staff costs for the above

	2016 Group	2016 College	2015 Group	2015 College
	£'000	£'000	£'000	£'000
Wages and salaries	7,277	6,146	7,657	6,252
Social security costs	547	455	518	420
Other pension costs (including LGPS pension adjustments of £183,000 (2015: £438,000)	1,076	1,049	1,228	1,209
Payroll sub total	**8,900**	**7,650**	**9,403**	**7,881**
Contracted out staffing services	350	337	240	223
	9,250	**7,987**	**9,643**	**8,104**
Employee leave accrual	(15)	(11)	(47)	(37)
	9,235	**7,976**	**9,596**	**8,067**

Key management personnel

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

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	9	8

Notes to the Accounts (*continued*)

6 Staff costs - Group and College

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	
	Year ended 31 July 2016 No.	Year ended 31 July 2015 No.	Year ended 31 July 2016 No.	Year ended 31 July 2015 No.
£60,001 to £70,000	-	-	-	2
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	1	-	-
	3	**3**	**0**	**2**

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

	Key management		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£40,001 to £50,000	2	2	6	10
£50,001 to £60,000	2	1	-	-
£60,001 to £70,000	2	2	-	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000				
	9	**8**	**6**	**10**

Notes to the Accounts (*continued*)

6 Staff costs - Group and College

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	743	527
Benefits in kind	3	1
	746	**528**
Pension contributions	93	40
Total emoluments	**839**	**568**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	110	103
Benefits in kind	1	-
	111	103
Pension contributions	18	14

The members of the Corporation other than the Accounting Officer and the staff members 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

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Teaching costs	1,685	1,363	1,699	1,002
Non teaching costs	2,204	1,812	1,903	1,515
Premises costs	649	557	597	624
Total	**4,538**	**3,732**	**4,199**	**3,141**

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit*	25	28
Internal audit**	9	18
Other services provided by the internal auditors	2	-
Hire of assets under operating leases	20	47

* includes £4,000 in respect of Chelmsford Training Services Limited and Dovedale Nursery CIC (2014/15
** includes nil in respect of Chelmsford Training Services Limited and Dovedale

8 Interest payable - Group

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	237	249
	237	249
On finance leases	21	21
Pension finance costs (note 25)	187	198
Total	**445**	**468**

9 Taxation - Group only

	2016 £'000	2015 £'000
United Kingdom corporation tax		
Provision for deferred corporation tax in the accounts of the subsidiary company	-	3
Total	**-**	**3**

Notes to the Accounts (*continued*)

10 Tangible fixed assets (Group)

	Land and buildings freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	36,602	7,653	204	44,459
Additions	128	313	24	465
At 31 July 2016	**36,730**	**7,966**	**228**	**44,924**
Depreciation				
At 1 August 2015	6,129	5,002	-	11,131
Charge for the year	582	768	-	1,350
At 31 July 2016	**6,711**	**5,770**	**-**	**12,481**
Net book value at 31 July 2016	**30,019**	**2,196**	**228**	**32,443**
Net book value at 31 July 2015	30,473	2,651	204	33,328

Notes to the Accounts (*continued*)

10 Tangible fixed assets (College only)

	Land and buildings fereehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	32,713	7,074	206	39,993
Additions	127	245	24	396
Transfers and Revaluation	2,857	149	-	3,006
Disposals	-	-	-	-
At 31 July 2016	**35,697**	**7,468**	**230**	**43,395**
Depreciation				
At 1 August 2015	5,685	4,598	-	10,283
Transfer				0
Charge for the year	449	670	-	1,119
At 31 July 2016	**6,134**	**5,268**	**0**	**11,402**
Net book value at 31 July 2016	**29,563**	**2,200**	**230**	**31,993**
Net book value at 31 July 2015	27,028	2,476	206	29,710

The net book value of equipment includes an amount of £204,000 (2014/15 – £216,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £12,000 (2014/15 – £13,500).

Notes to the Accounts (*continued*)

11 Non current Investments

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	-	36
Total	**-**	**36**

The College owns 100 per cent of the issued ordinary £1 shares of Chelmsford Training Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Dovedale Nursery CIC, a company incorporated in England and Wales. The principal business activity of Chelmsford Training Servies Limited was the provision of training, but the Company is now dormant following the transfer of its trade to the College on 1 July 2016. The principal activity of Dovedale Nursery CIC Limited is to provide pre-school nursery facilities.

12 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	31	36	393	364
Other Debtors	(17)	17	9	9
Amounts owed by group undertakings:				
Subsidiary undertakings	7	155	-	4,338
Prepayments and accrued income	336	350	207	195
Amounts owed by the Funding Agencies	-	-	78	-
Total	**357**	**558**	**687**	**4,906**

Notes to the Accounts (*continued*)

13 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	280	280	549	549
Obligations under finance leases	99	99	90	90
Payments received on account	-	-	14	14
Trade payables	136	101	186	180
Other taxation and social security	281	163	144	122
Accruals and deferred income	1,321	1,476	1,790	1,368
Deferred income - government capital	114	94	156	145
Amounts owed to the Funding Agencies	-	-	207	157
Total	**2,231**	**2,213**	**3,136**	**2,625**

14 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	6,912	6,912	6,903	6,903
Obligations under finance leases	136	136	235	235
Pension liability re joint venture transfer	313	313	313	313
Deferred income - government capital	3,266	2,996	3,386	2,989
Total	**10,627**	**10,357**	**10,837**	**10,440**

Notes to the Accounts (*continued*)

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	280	280	548	548
Between one and two years	4,155	4,155	556	556
Between two and five years	983	983	1,736	1,736
In five years or more	1,774	1,774	4,612	4,612
Total	**7,192**	**7,192**	**7,452**	**7,452**

Bank loans and overdrafts at 7.25 per cent repayable by instalments falling due between 1 August 2015 and 31 July 2035 totalling £4,500,000 are secured on a portion of the freehold land and buildings of the College.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	99	99	90	90
Between one and two years	136	136	99	99
Between two and five years	-	-	136	136
In five years or more	-	-	-	-
Total	**235**	**235**	**325**	**325**

Finance lease obligations are secured on the assets to which they relate.

Notes to the Accounts (*continued*)

16 Provisions

	Group and College		
	Defined benefit Obligation £'000	Other £'000	Total £'000
At 1 August 2015	(5,265)	(70)	(5,335)
Transferred from statement of comprehensive income	(1,938)	(173)	(2,111)
At 31 July 2016	**(6,774)**	(243)	**(7,017)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

17 Cash and cash equivalents

	At 1 August £'000	Cash flows £'000	At 31 July £'000
Cash and cash equivalents	437	229	666
Overdrafts	-	-	-
Total	**437**	**229**	**666**

18 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating

	Group and College	
	2016 £'000	2015 £'000
Future minimum lease payments		
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	47
later than five years	-	-
	-	47

19 Contingent liabilities

The College had no contingent liabilities as at 31 July 2016 (2015: nil).

20 Events after the reporting period

There are no events after the reporting period

Notes to the Accounts (*continued*)

21 Defined benefit obligations

The College's employees belong to three principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS); and the Local Government Pension Scheme (LGPS) and NEST government pension scheme.

Total pension cost for the year		**2016** **£'000**		**2015** **£'000**
Teachers Pension Scheme: contributions paid		425		373
NEST contributions		5		5
Local Government Pension Scheme:				
Contributions paid	429		411	
FRS 102 (28) charge	183		131	
Charge to the Statement of Comprehensive Income		612		542
Curtailments		-		313
Total Pension Cost for Year		**1,042**		**1,233**

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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Notes to the Accounts (*continued*)

21 Defined benefit obligations (*continued*)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of
  £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2016.

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 commenced on 1 April 2015.

Notes to the Accounts (*continued*)

21 Defined benefit obligations (*continued*)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The pension costs paid to TPS in the year amounted to £425,000 (2015: £373,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council . The total contribution made for the year ended 31 July 2016 was £570,000, of which employer's contributions totalled £429,000 and employees' contributions totalled £141,000. The agreed contribution rates for future years are 15.6 % for employers and range from 5.5% to 9.9% cent for employees.

Principal Actuarial Assumptions

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

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	2.10%	4.30%
Future pensions increases	2.10%	2.50%
Discount rate for scheme liabilities	2.50%	3.70%
Inflation assumption (CPI)	2.10%	2.50%
Commutation of pensions to lump sums		

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 2016	**At 31 July 2015**
	years	**years**
Retiring today		
Males	22.90	22.80
Females	25.30	25.20
Retiring in 20 years		
Males	25.20	25.10
Females	27.70	27.60

Notes to the Accounts (*continued*)

21 Defined benefit obligations (*continued*)

Local Government Pension Scheme (*continued*)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £'000
Equities	69.00%	9,052	65.00%	7,846
Government Bonds	4.00%	474	4.00%	489
Bonds	4.00%	594	10.00%	1,171
Property	11.00%	1,462	12.00%	1,396
Cash	3.00%	400	2.00%	298
Alternative Assets	4.00%	587	7.00%	869
Other managed funds	5.00%	635	n/a	-
Total market value of assets		**13,204**		**12,069**
Weighted average expected long term rate of return	9.00%		12.00%	
Actual return on plan assets		**605**		**803**

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	13,204	12,069
Present value of plan liabilities	(20,353)	(17,282)
Present value of unfunded liabilities	(54)	(52)
Net pensions (liability) (Note 16)	**(7,203)**	**(5,265)**

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	(606)	(543)
Past service cost	-	0
Curtailments and settlements	-	313
Total	**(606)**	**(230)**

Amounts recognised in Other Comprehensive Income

	2016	2015
Return on pension plan assets	605	833
Experience losses arising on defined benefit obligations		
Changes in assumptions underlying the present value of plan liabilities	(2,173)	(1,122)
Amount recognised in Other Comprehensive Income	**(1,568)**	**(289)**

Notes to the Accounts (*continued*)

21 Defined benefit obligations (*continued*)

Local Government Pension Scheme (*continued*)

Movement in net defined benefit (liability)/asset during the year

	2016 £'000	2015 £'000
Surplus/(deficit) in scheme at 1 August	(5,265)	(4,954)
Movement in year:		
Current service cost	(612)	(543)
Transfer pension deficit to Joint venture	-	313
Employer contributions	429	412
Net interest on the defined (liability)/asset	(187)	(34)
Actuarial gain or loss	(1,568)	(459)
Settlements and curtailments	-	-
Net defined benefit (liability)/asset at 31 July	**(7,203)**	**(5,265)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,334	16,424
Current Service cost	612	543
Interest cost	635	651
Contributions by Scheme participants	141	141
Actuarial (gain)/loss	2,167	1,122
Estimated benefits paid	(482)	(571)
Curtailments and settlements	-	(976)
Defined benefit obligations at end of period	**20,407**	**17,334**

Reconciliation of Assets

	2016	2015
Fair value of plan assets at start of period	12,069	11,470
Actuarial (loss)/gain	-	-
Interest on plan assets	448	453
Return on plan assets	605	833
Employer contributions	429	412
Contributions by Scheme participants	141	141
Estimated benefits paid	(482)	(571)
Settlement prices received/(paid)	-	(663)
Assets at end of period	**13,210**	**12,075**

Notes to the Accounts (*continued*)

22 Related party transactions

Due 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. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the main funding bodies are detailed in notes 2, 13, 14 and 24.

Chelmsford College entered in to a 50:50 joint venture agreement with South Essex College which formed Essex Shared Services Limited in August 2014 with the purpose to provide back office shared services to both Colleges. The annual shared cost for these services were £337k (£317k 2014-15). The Statement of Comprehensive Income includes a cost of £29k (£23k 2014-15) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the deficit of Essex Shared Services Ltd of £173k (£70k 2014-15), which includes a provision of £144k (£47k 2014-15) for the pension deficit of the joint venture.

23 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants	353	619
Interest earned	-	-
	353	619
Disbursed to students	(277)	(400)
Administration costs	(18)	(19)
Balance unspent as at 31 July, included in creditors	58	200

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 Statement of Comprehensive Income.

Notes to the Accounts (*continued*)

24 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	1st August 2014		31st July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Financial Position				
Total reserves under previous	7,118	8,055	6,438	7,723
Employee leave accrual	(368)	(297)	(321)	(260)
Revaluation	9,030	9,030	9,030	9,030
Total effect of transition to FRS 102 and 2015 FE HE SORP	8,662	8,733	8,709	8,770
Total reserves under 2015 FE HE SORP	15,780	16,788	15,147	16,493

	Year ended 31st July 2015	
	Group £'000	**College £'000**
Financial Performance		
Surplus/(deficit) for the year after tax under previous SORP	(151)	127
Employee leave accrual	47	37
Pensions provision – actuarial loss	(36)	12
Changes to measurement of net finance cost on defined benefit plans	(471)	(471)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(460)	(422)
Total comprehensive income for the year under 2015 FE HE SORP	(611)	(295)

Notes to the Accounts (*continued*)

24 Transition to FRS 102 and the 2015

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employment benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 15 days unused leave for teaching staff and 5 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £368,000 was recognised at 1 August 2014, and an accrual of £321,000 was recognised at 31 August 2015. Following a re-measurement exercise in 2015/16, the reduction on this provision of £15,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Revaluation

Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value of two assets.

c) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

d) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

e) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.