



CHELMSFORD COLLEGE
Report and Financial Statements
for the year ended 31 July 2017

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 2016/17:

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 17 of these financial statements.

Mr Robert Millea has acted as Clerk to the Corporation since January 2016.

Professional advisers

Financial statement auditor and reporting accountants:

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Internal auditor:

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

Banker:

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

Solicitor:

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 2017. These statements include the results of the College's wholly owned subsidiary business, Dovedale Nursery CIC and 50% share of the assets and liabilities of Essex Shared Services Limited.

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 following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Developing wider skills to equip learners to be successful in life and work
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

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 2016/17 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 by teachers;
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.

The strategic plan for 2018-2021 is under review and will be completed post Ofsted inspection.

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 College is expecting to be inspected in the near future.

The latest self- assessment report for the academic year 2016/7 judges the College to be good.

A full analysis of the College's academic performance can be found in the College Self-Assessment Report. Overall success (achievement) rate for learners aged 16-18 remains above the most recent national rate. The success (achievement) rate for adult learners aged 19+ also remains above the most recent national rates.

All sector subject areas tier 2 have increased in success (achievement) rate with the exception of: health and social care (254 leavers); social sciences (14 leavers); accounting and finance (22 leavers) and administration (12 leavers).

GCSE English A*-C, all ages, for 2016/17 has increased by 8.4 percentage points to 25.6% with an overall pass rate of 92.8% (418 completers).

GCSE mathematics A*-C, all ages, for 2016/17 has increased by 2.5 percentage points to 30.1% with an overall pass rate of 91.6% (439 completers).

The overall framework success rate for apprentices, all ages has also increased by 5.6 percentage points and is now 1.4 percentage points above the most recent national rate. However, the timely framework success rate has not increased and is only just at national rate.

The success (achievement) rate of learners aged 16-18 with high needs has increased by 11.9 percentage points to 93.2% (59 leavers). The success (achievement) rate of learners aged 19+ with high needs 95.8% (71 leavers).

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.

During 2016/7 upgrading of the College campus at Princes Road continued with the replacement of windows and blinds on the second floor and creation of four additional classrooms.

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 has been moved from BTEC to UAL.

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.

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 Confectionery 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.

In trade construction a more learner centred curriculum is being delivered for learners that have specific educational needs or individual academic requirements.

The sector based work academy, offering employability courses, continues to meet the needs of adult learners trying to re-enter the job market

Learner performance

Learner performance is shown below.

Programmes (all figures rounded)	2015/16	2016/17	National rate
16-18 study programmes	79.7	86.8	80.2
Level E & 1	82.1	88.6	76.5
Level 2	70.2	81.0	76.1
Level 3	86.2	90.4	84.8
19+ adult Learning	85.7	92.2	86.1
16-18 high needs learners	81.3	93.2	NA
19+ high needs learners	95.3	95.8	NA
Apprenticeships overall	64.7	70.3	68.9

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 agreed by the Corporation are shown below.

Key performance indicator	Measure/Target	Actual 2016/17
Financial health score	Satisfactory	Satisfactory
Operation surplus	1.40%	1.41%
Pay as a % of income	62%	63%
Current Ratio	0.53	0.57
Borrowing as % of income	122.2%	112.0%
Cash days in hand	20 days	26 days

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance for the Education and Skills Funding Agency (ESFA). The college is assessed by the ESFA as having 'Satisfactory' financial health grading.

Financial results

Chelmsford College Group generated a deficit before other gains and losses in the year of £331k (2015/16 – deficit of £270k), with total comprehensive income of £1,159k (2015/16 deficit of £1,981k).

Total income in 2016/17 was £15.7m compared to £15.3m in the previous year due to the increased income for high needs students funded by the Local Authority and increased nursery activity. Staff costs increased by £0.9m mainly due to changes in pension and increased hourly paid staff. Other operating expenses reduced by £0.4m.

FRS102 presentation shows defined pension obligations included in net assets and these have reduced by almost £1m from £7.2m to £6.3m. Discussions with Essex Pension Fund will resume in early 2018 to discuss deficit repayments.

The Group has accumulated reserves of £14.3m and cash and short-term investment balances of £990k. The Group wishes to continue to accumulate reserves and cash balances to create a contingency fund.

Tangible fixed asset additions during the year amounted to £1m, this was split between land and buildings £400k, and equipment purchased of £600k. This relates to upgrading of building assets and the purchase of computer and other educational resources.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 73% of the Group's total income.

The College has one subsidiary company, Dovedale Nursery CIC. The principal activity of Dovedale Nursery is to provide nursery provision to children under school age and an out of hours club for working parents. Any surplus generated by the community interest company are 'gift aided' to the group for the benefit of education.

The College is a 50% shareholder in Essex Shared Services Ltd, which provides back office support for the colleges payroll, procurement, transactional processing and accounting

services for the year. Chelmsford College share of the costs of Essex Shared Services were £324k.

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 £1.9m (2015/16 (£1.2m)), an improvement in the cash position of £0.7m. The College total debt with Lloyds of £7m comprises £3.4m 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 the Lloyds Bank have agreed to extend this facility until June 2019. The College meets all bank covenants.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Reserves Policy

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group Income and Expenditure reserve at the balance sheet date are £14.3m (2016: £13.1m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of surpluses.

Financial health

The financial recovery plan put in place in 2014 is on track with the College achieving a surplus before LGPS pension adjustments of £87k. The current financial health is 'satisfactory' and the notice of financial concern was lifted in April 2017. The college expects to maintain satisfactory financial health in 2017/18, returning to good in 2018/19.

Student numbers

In 2016/17 the College has delivered activity that has produced £9.7m in Education Funding Agency main allocation funding (2015/16 – £9.5m). The College achieved 2,124 total EFA funded learners against a target of 2,222.

Across all provision the College had 3,265 funded and 366 non-funded students.

The breakdown of total funded learners is:

Education Funding Agency	2,124
Skills Funding Agency (classroom based)	707
Skills Funding Agency (apprentices)	434

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 46% of its invoices within 30 days, other payments were in agreement with suppliers. 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

Ofsted

Academic year 2016-17 has been another challenging year for Chelmsford College, but our collective and relentless drive for improvement has delivered much improved outcomes in both teaching, learning and assessment and outcomes for learners. As a consequence of improved standards across all four judgement areas and all 4 provision types the College's is self-assessment (SAR) grade is good.

Area Review

The 2016/17 Essex Area Review ran for most of the academic year and completed in March 2017, with the report being published in August 2017. Through a series of meetings and working groups the process reviewed 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.

The outcomes for Chelmsford College are as follows:

Chelmsford College and Writtle University College to establish a formal collaborative partnership to rationalise and improve the curriculum offer, drive up quality and share services to reduce costs. As stand-alone institutions, the colleges should continue to review provision and collaboration to ensure a sustainable local offer is available for employers and learners.

- the two colleges will remain independent, with no merger planned in the future, but will work collaboratively on the curriculum areas where there are areas of synergy that will allow them to develop a more coherent offer to meet employer and learner needs.
- in terms of meeting current and future needs, the collaborative approach will enable the mapping of provision and progression routes to HE, enhancing delivery in mid-Essex. The colleges intend to expand provision to higher level skills, including apprenticeships, aligned to LEP priorities meeting the needs of learners and employers.
- with regard to financial sustainability, Chelmsford College is in a stable position and showing signs of improving. Writtle University College is in a relatively strong position meeting most of the benchmarks. The initial financial assessment and college accounts indicate the partnership will place both institutions in a stronger position and will meet all the financial benchmarks.

- in respect of quality of provision, the most recent Ofsted inspection judged Chelmsford College to be 'Requires Improvement'. Writtle University College currently has a 'Good' Ofsted rating. The proposed partnership will provide an opportunity to further improve quality.
- the colleges' joint specialisms include construction, engineering, land-based provision and med-tech. Chelmsford College offers provision for learners with special educational needs. The partnership will enable opportunities to combine and co-ordinate expertise and facilities.

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 2018 and complete the sale of Beacon House.

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 £14.3m of net assets after providing for £6.3m pension liability and long term debt of £6.6m.

People

The College employs 301 (2015/16 288) people (expressed as full time equivalents), of whom 139 (2015/16 135) are teaching staff and 79 (2015/16 74) teaching support staff and 83 (2015/16 79) 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.

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. Chelmsford College self- assessment grade for 2016/17 is Good and the key points of the SAR are:

- Leaders and managers have been highly effective at bringing about rapid improvement in success rates for learners on 16-19 study programmes
- The large majority of learners (16-18 and 19+) achieve their vocational qualifications and the vast majority make good progress.
- Teaching, learning and assessment are effective in enabling the majority of learners to make good progress, achieve their qualifications and realise their ambitions.
- Learners gain good technical and practical skills within well-resourced learning environments which prepare them well for the next steps in learning and employment.
- Staff provide high levels of pastoral and academic support that enables learners and apprentices to thrive and succeed in an inclusive environment.
- Learners feel safe; they value the inclusive and welcoming atmosphere of the college and the culture of tolerance and respect.
- Learners benefit from good and productive links with employers, the local enterprise partnership (LEP) and other local and regional stakeholders
- The A*-C pass rate for GCSE English and mathematics has increased significantly, however too many learners still fail to achieve the C grade
- Whilst attendance for learners following a study programme is improving, it remains low at level 1 and 2, particularly in English and mathematics.

Improvement in English and maths

The A*-C pass rate for GCSE English and mathematics has increased significantly, however too many learners still fail to achieve the C grade.

16-18 funding

The lagged learner model has resulted in a drop in the Education Skills Funding Agency (ESFA) grant in 2017/18. This has been mitigated in the budget by reducing costs and returning a break even budget. There is a risk that costs will increase above budgeted amounts.

Apprenticeship Reform

Employers are reluctant to sign the levy contract without making changes resulting in a different contract for each employer and delays to signing up apprentices. The ESFA initiated a new procurement exercise for non-levy funding for the period 1st January 2018 – 31st March 2019, the College may not be successful in its bid.

LGPS Pension security requirements

Essex Pension Fund requested security against College assets for the LGPS pension deficit. The Federation of Essex Colleges (FEDEC) negotiated a one- year delay to any discussions until the outcome of the Area Review was known.

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.

- Maintains good safeguarding practices as audited 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.
- Continues to develop robust arrangements for the planning and approval of educational visits and visiting speakers through the use of EVOLVE, an online recording portal.
- Maintains the role of '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.
- Maintain 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 including safer recruitment training for managers.

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. All new employees are required to register with the DBS update service and to maintain membership during their employment with the Corporation. 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 7 December 2017 and signed on its behalf by:



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 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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 2017. 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 this Report.

The Corporation

This is a list of Governors who held office during the year ended 31 July 2017.

Attendance*

Governance Full Board Attendance 2016-17

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees served	Attendance
Dean, W	September 2016	1 year	6/7/2017	Student	Quality & Learners	50%
Hodges, S	July 2016	4 years		Staff	Audit	100%
Houghton, S	December 2015	4 years		Independent Governor	Quality & Learners	100%
Hughes, S	March 2014	4 years		Independent Governor	Chair: Audit; Quality & Learners	100%
Lager, M	March 2014	4 years		Independent Governor	PF&GP; SG&R	80%
Maynard, J	August 2016	4 years		Staff	Quality & Learners	100%
Montague, A	May 2016	4 years		Independent Governor	PF&GP	80%
Noble, S	March 2014	4 years		Independent Governor	Chair: Quality & Learners; SG&R	100%
Oddie, E	July 2017	4 years		Independent Governor	Chair: PF&GP Chair: SG&R	100%
Sparks, A	September 2014	Ex officio		Principal	PF&GP; Quality & Learners; SG&R	100%
Swan, J	December 2012	4 years	31/12/16	Independent Governor	Chair: Audit; SG&R	50%
Vohmann, B	December 2015	4 years		Independent Governor	Quality & Learners	100%
Zeeman, D	December 2016	3 years		Independent Governor	Audit	100%

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

E Oddie served as Chair of Corporation throughout 2016/17.

R I Millea FCA is the Clerk to the Corporation.

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 2017 the College's Remuneration Committee comprised four 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 2017, the Search & Governance Committee and the Remuneration Committee were merged.

Details of remuneration for the year ended 31 July 2017 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 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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 ESFA'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 December meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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 for the following reasons.

Chelmsford College has satisfactory financial health, the financial notice to improve has been removed and the college will continue its journey to good financial health.

Cash has increased by £324k in 2016/17 and the need for an overdraft in 2017/18 is not anticipated.

The financial risks to the College known and are being appropriately managed

- The under recruitment in 2016/17 of 16-18 year- old students has resulted in a reduction in 16-19 funding for 2017/18; however, this reduction has been mitigated in the budget for 2017/18.
- Apprenticeship reform and the employer levy are taking time to embed. Also the non-levy income for the period 1st January 2018 – 31st March 2019 is not yet known as a further procurement exercise has been carried out by the agency. The cash flow for the period to 31st December 2018 has been prepared under a conservative basis.
- Local Government Pension Scheme deficit repair payments and employer contributions at 15.6% contributions to the pension fund are causing higher employer costs however these are included in the current break even budget for 2017/18.

- Lloyds Bank have confirmed that the revolving credit facility will be extended to June 2019.
- The requirement that Essex Pension Fund may require security on college premises for the Local Government Scheme Pension deficit.

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:



Elaine Oddie
Chair



Andrew Sparks
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 Education and Skills Funding Agency (ESFA) if material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum in place between the College and the ESFA. 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 not able to identify any material irregularity or improper use of funds by the College, or any material non-compliance with the ESFA 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.



Andrew Sparks
Accounting Officer



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

In preparing the group and parent College 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
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about 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 parent 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum/ Financial Agreement with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's

resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:



Elaine Oddie

Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF CHELMSFORD COLLEGE

Opinion

We have audited the financial statements of Chelmsford College ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's 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.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 24, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

- A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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 College and the Corporation for our audit work, for this report, or for the opinions we have formed.

SBeavis

Stephanie Beavis
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House

100 Hills Road

Cambridge CB2 1AR

United Kingdom

14 December 2017

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

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and 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 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Chelmsford College and the Education and 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 Education 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 the Education 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 Post-16 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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.

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 Post-16 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

S Beavis

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

14 December 2017

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	11,743	11,722	11,687	9,882
Tuition fees and education contracts	3	2,551	2,551	2,138	2,090
Other income	4	1,452	895	1,499	1,004
Endowment and investment income	5	-	-	3	2
Total income		15,746	15,168	15,327	12,978
EXPENDITURE					
Staff costs	6	10,187	9,863	9,235	7,976
Other operating expenses	7	4,183	4,097	4,538	3,732
Depreciation	9	1,261	1,226	1,350	1,119
Interest and other finance costs	8	405	405	445	403
Total expenditure		16,036	15,591	15,568	13,230
(Deficit)/surplus before other gains and losses		(290)	(423)	(241)	(252)
Share of operating surplus/(deficit) in Essex Shared Services Limited		(41)	-	(29)	-
(Deficit)/surplus before tax		(331)	(423)	(270)	(252)
(Deficit)/surplus for the year		(331)	(423)	(270)	(252)
Actuarial (loss)/gain in respect of pensions schemes		1,490	1,439	(1,711)	(1,568)
Total Comprehensive Income for the year		1,159	1,016	(1,981)	(1,820)

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

The notes on pages 34 to 57 form part of these financial statements.

Consolidated and College Statement of Changes in Reserves

	Total
	£'000
Group	
Balance at 31st July 2016	13,183
Other	(6)
Adjusted Balance at 31st July 2016	13,177
Surplus/(deficit) from the income and expenditure account	(331)
Other comprehensive income	1,490
Total comprehensive income for the year	<u>1,159</u>
Balance at 31st July 2017	<u><u>14,336</u></u>
College	
Balance at 31st July 2016	13,266
Other	(16)
Adjusted Balance at 31st July 2016	13,250
Surplus/(deficit) from the income and expenditure account	(423)
Other comprehensive income	1,439
Total comprehensive income for the year	<u>1,016</u>
Balance at 31st July 2017	<u><u>14,266</u></u>

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2017	2017	2016	2016
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	9	32,171	31,737	32,443	31,993
Investments	10	-	-	-	-
		32,171	31,737	32,443	31,993
Current assets					
Stocks		46	46	21	21
Trade and other receivables	11	247	237	357	558
Cash and cash equivalents	16	990	793	666	467
		1,283	1,076	1,044	1,046
Less: Creditors – amounts falling due within one year	12	(2,364)	(2,297)	(2,231)	(2,213)
Net current liabilities		(1,081)	(1,221)	(1,187)	(1,167)
Total assets less current liabilities		31,090	30,516	31,256	30,826
Less: Creditors – amounts falling due after more than one year	13	(10,247)	(9,976)	(10,627)	(10,357)
Provisions					
Defined benefit obligations	15	(6,274)	(6,274)	(7,203)	(7,203)
Other provisions		(233)	-	(243)	-
Total net assets		14,336	14,266	13,183	13,266
Unrestricted reserves					
Income and expenditure account		14,336	14,266	13,183	13,266
Total unrestricted reserves		14,336	14,266	13,183	13,266

The financial statements on pages 30 to 56 were approved and authorised for issue by the Corporation on 7th December 2017 and were signed on its behalf on that date by:


 Elaine Oddie
 Chair


 Andrew Sparks
 Accounting Officer

Consolidated Statement of Cash Flows

	2017	2016
	£'000	£'000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(331)	(270)
Adjustment for non cash items		
Depreciation	1,261	1,350
(Increase)/decrease in stocks	(25)	-
(Increase)/decrease in debtors	110	330
Increase/(decrease) in creditors due within one year	94	(671)
Increase/(decrease) in creditors due after one year	40	(163)
Increase/(decrease) in provisions	-	-
Pensions costs less contributions payable	510	370
Share of operating surplus/(deficit) in joint venture	41	29
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	-	(3)
Interest payable	232	257
Taxation paid/received	-	-
Loss on sale of fixed assets	3	-
	<u>1,935</u>	<u>1,229</u>
Net cash flow from operating activities		
Cash flows from investing activities		
Investment income	-	3
Payments made to acquire fixed assets	(1,001)	(396)
	<u>(1,001)</u>	<u>(393)</u>
Cash flows from financing activities		
Interest paid	(215)	(233)
Interest element of finance lease rental payments	(17)	(24)
New unsecured loans	-	-
Repayments of amounts borrowed	(280)	(260)
Capital element of finance lease rental payments	(99)	(90)
	<u>(611)</u>	<u>(607)</u>
Increase / (decrease) in cash and cash equivalents in the year	<u>323</u>	<u>229</u>
Cash and cash equivalents at beginning of the year	667	437
Cash and cash equivalents at end of the year	990	667

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 2015 FE HE SORP requires colleges to prepare a single statement of 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.

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 subsidiary, 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 2017.

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.

Notes to the Accounts (continued)

The College currently has £7m of loans outstanding with bankers, with £3.56m of this secured by a charge on College assets as a revolving credit facility. The revolving credit facility is to be renegotiated in December 2017. The balance of the outstanding loans is unsecured and repayable in instalments by 2027. 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.

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

Notes to the Accounts (*continued*)

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.

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

Notes to the Accounts (*continued*)

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.

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.

Notes to the Accounts (*continued*)

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any impairment.

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.

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

Notes to the Accounts (continued)

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 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

Notes to the Accounts (*continued*)

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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Skills Funding Agency	1,836	1,836	2,003	719
Education Funding Agency	9,724	9,724	9,509	9,013
Specific Grants				
Releases of government capital grants	183	162	175	150
Total	11,743	11,722	11,687	9,882

3 Tuition fees and education contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	526	526	519	513
Fees for FE loan supported courses	190	190	144	144
Fees for HE loan supported courses	-	-	7	7
Total tuition fees	716	716	670	664
Education contracts	1,835	1,835	1,468	1,426
Total	2,551	2,551	2,138	2,090

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 £1,712,000 is now included in education contracts (2015-16 £1,289,000). There were no HE learners supported by loans in 2016/17.

Notes to the Accounts (continued)

4 Other income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Catering	416	416	417	417
Other income generating activities	720	163	690	214
Other grant income	306	306	353	353
Miscellaneous income	10	10	39	20
	1,452	895	1,499	1,004
Total				

5 Investment income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	-	-	3	2
	-	-	3	2
	-	-	3	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:

	2017	2016		
	No.	No.		
Teaching staff	139	135		
Learner support staff	79	74		
Non teaching staff	83	79		
	<u>301</u>	<u>288</u>		
Staff costs for the above				
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	7,724	7,416	7,277	6,146
Social security costs	655	643	547	455
Other pension costs (including LGPS pension adjustments of £337,000 (2016: £183,000))	1,439	1,435	1,076	1,049
	<u>9,818</u>	<u>9,494</u>	<u>8,900</u>	<u>7,650</u>
Contracted out staffing services	369	369	350	337
	<u>10,187</u>	<u>9,863</u>	<u>9,250</u>	<u>7,987</u>
Employee leave accrual	-	-	(15)	(11)
	<u>10,187</u>	<u>9,863</u>	<u>9,235</u>	<u>7,976</u>

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 Management 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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	9
	<u>9</u>	<u>9</u>

Notes to the Accounts (*continued*)

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	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	3	2	-	-
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	1	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	-	-	-
	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>

6 Staff costs - Group and College

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	604	743
Benefits in kind	4	3
	<u>608</u>	<u>746</u>
National insurance contributions	73	64
Pension contributions	99	93
Total emoluments	<u>780</u>	<u>903</u>

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

	2017 £'000	2016 £'000
Salaries	110	110
Benefits in kind	1	1
	<u>111</u>	<u>111</u>
National insurance contributions	<u>14</u>	<u>13</u>
Pension contributions	<u>18</u>	<u>18</u>

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		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,400	1,389	1,685	1,363
Non teaching costs	2,108	2,058	2,204	1,812
Premises costs	675	646	649	557
Total	4,183	4,093	4,538	3,732

Other operating expenses include:

	2017	2016
	£'000	£'000
Auditor's remuneration:		
Financial statements audit*	15	25
Internal audit	14	9
Other services provided by the internal	-	2
Hire of assets under operating leases	16	20

* includes £2,100 in respect of Dovedale Nursery CIC (2015/16 £2,000)

8 Interest payable - Group

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	215	237
	215	237
On finance leases	17	21
Pension finance costs (note 25)	173	187
Total	405	445

Notes to the Accounts (continued)

9 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 2016	36,730	8,102	24	44,856
Additions	401	600	-	1,001
Disposals	-	(94)	(14)	(108)
At 31 July 2017	37,131	8,608	10	45,749
Depreciation				
At 1 August 2016	6,711	5,701	-	12,412
Charge for the year	599	662	-	1,261
Elimination in respect of disposals		(95)		(95)
At 31 July 2017	7,310	6,268	-	13,578
Net book value at 31 July 2017	29,821	2,340	10	32,171
Net book value at 31 July 2016	30,019	2,400	24	32,443

Notes to the Accounts (continued)

9 Tangible fixed assets (College only)

	Land and buildings freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	36,112	8,072	24	44,208
Additions	401	598	2	1,001
Disposals	0	(98)	(16)	(114)
At 31 July 2017	36,513	8,572	10	45,095
Depreciation				
At 1 August 2016	6,553	5,674	-	12,227
Charge for the year	566	660	-	1,226
Elimination in respect of disposals	-	(95)	-	(95)
At 31 July 2017	7,119	6,239	-	13,358
Net book value at 31 July 2017	29,394	2,333	10	31,737
Net book value at 31 July 2016	29,571	2,398	24	31,993

The net book value of equipment includes an amount of £325,000 (2015/16 – £351,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £26,350 (2015/16 – £26,350).

Notes to the Accounts (continued)

10 Non current Investments

	College 2017 £'000	College 2016 £'000
Investments in subsidiary companies	-	-
	<hr/>	<hr/>
Total	<hr/> - <hr/>	<hr/> - <hr/>

The College owns 100 per cent of the issued ordinary £1 shares of Dovedale Nursery CIC, a company incorporated in England and Wales. The principal activity of Dovedale Nursery CIC Limited is to provide pre-school nursery facilities.

11 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	45	35	31	36
Other Debtors	17	17	(17)	17
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	7	155
Prepayments and accrued income	185	185	336	350
Amounts owed by the Funding Agencies	-	-	-	-
Total	<hr/> 247 <hr/>	<hr/> 237 <hr/>	<hr/> 357 <hr/>	<hr/> 558 <hr/>

Notes to the Accounts (*continued*)

12 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	291	291	280	280
Obligations under finance leases	127	127	99	99
Trade payables	205	162	136	101
Other taxation and social security	336	329	281	163
Accruals and deferred income	1,402	1,385	1,321	1,476
Deferred income - government capital	3	3	114	94
Total	<u>2,364</u>	<u>2,297</u>	<u>2,231</u>	<u>2,213</u>

13 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	6,620	6,620	6,912	6,912
Obligations under finance leases	9	9	136	136
Provision for liability and charges	339	337	313	313
Deferred income - government capital	3,280	3,010	3,266	2,996
Total	<u>10,248</u>	<u>9,976</u>	<u>10,627</u>	<u>10,357</u>

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	291	291	280	280
Between one and two years	3,863	3,863	4,155	4,155
Between two and five years	976	976	983	983
In five years or more	1,781	1,781	1,774	1,774
Total	<u>6,911</u>	<u>6,911</u>	<u>7,192</u>	<u>7,192</u>

Unsecured bank loans drawn down totalling £4.50m are repayable by instalments due by 31 March 2027 at a fixed rate of interest of 3.745%. A revolving credit facility of £3.56m of borrowings is secured by a charge on College assets and renegotiated annually. This facility attracts a variable rate of interest.

(b) Finance leases

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

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	108	108	99	99
Between one and two years	28	28	136	136
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>136</u>	<u>136</u>	<u>235</u>	<u>235</u>

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

Notes to the Accounts (*continued*)

15 Provisions

	Group and College		
	Defined benefit Obligation £'000	Other £'000	Total £'000
At 1 August 2016	(7,203)	(243)	(7,446)
Expenditure in the period	929	10	939
Transferred from statement of comprehensive income	-	-	-
At 31 July 2017	(6,274)	(233)	(6,507)

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.

16 Cash and cash equivalents

	At 1 August £'000	Cash flows £'000	At 31 July £'000
Cash and cash equivalents	667	323	990
Overdrafts	-	-	-
Total	667	323	990

17 Lease Obligations

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

	Group and College	
	2017 £'000	2016 £'000
Future minimum lease payments		
Other		
Not later than one year	6	16
Later than one year and not later than five years	14	20
later than five years	-	-
	20	36

18 Contingent liabilities

The College had no contingent liabilities as at 31 July 2017 (2016: nil).

19 Events after the reporting period

There are no events after the reporting period.

Notes to the Accounts (*continued*)

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	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	601	425
NEST contributions		5
Local Government Pension Scheme:		
Contributions paid	496	429
FRS 102 (28) charge	<u>337</u>	<u>183</u>
Charge to the Statement of Comprehensive Income	833	612
Curtailments		
Total Pension Cost for Year	<u>1,434</u>	<u>1,042</u>

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.

Valuation of the Teachers' Pension Scheme

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

Notes to the Accounts (*continued*)

Teachers' Pension scheme (*continued*)

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.

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 £601,000 (2016: £425,000)

Notes to the Accounts (*continued*)

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 2017 was £583,000, of which employer's contributions totalled £423,000 and employees' contributions totalled £160,000. 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 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.60%	2.10%
Future pensions increases	2.60%	2.10%
Discount rate for scheme liabilities	2.70%	2.50%
Inflation assumption (CPI)	2.60%	2.10%
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 2017	At 31 July 2016
	years	years
<i>Retiring today</i>		
Males	22.20	22.90
Females	24.70	25.30
<i>Retiring in 20 years</i>		
Males	24.30	25.20
Females	27.00	27.70

Notes to the Accounts (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 2017	Fair Value at 31 July 2017	Long- term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equities	65.00%	10,085	69.00%	9,052
Government Bonds	6.00%	963	4.00%	474
Bonds	4.00%	603	4.00%	594
Property	10.00%	1,499	11.00%	1,462
Cash	3.00%	478	3.00%	400
Alternative Assets	8.00%	1,179	4.00%	587
Other managed funds	4.00%	656	5.00%	635
Total market value of assets		<u>15,463</u>		<u>13,204</u>
Weighted average expected long term rate of return	15.00%		9.00%	
Actual return on plan assets		<u>1,671</u>		<u>605</u>

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

	2017	2016
	£'000	£'000
Fair value of plan assets	15,463	13,204
Present value of plan liabilities	(21,686)	(20,353)
Present value of unfunded liabilities	(51)	(54)
Net pensions (liability) (Note 16)	<u>(6,274)</u>	<u>(7,203)</u>

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	(830)	(606)
Past service cost	-	-
Curtailments and settlements	-	-
Total	<u>(830)</u>	<u>(606)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,671	605
Experience losses arising on defined benefit obligations	920	-
Changes in assumptions underlying the present value of plan liabilities	(1,152)	(2,173)
Amount recognised in Other Comprehensive Income	<u>1,439</u>	<u>(1,568)</u>

Notes to the Accounts (*continued*)

Local Government Pension Scheme (*continued*)

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

	2017	2016
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(7,203)	(5,265)
Movement in year:		
Current service cost	(833)	(612)
Transfer pension deficit to Joint venture	-	-
Employer contributions	496	429
Net interest on the defined (liability)/asset	(173)	(187)
Actuarial gain or loss	1,439	(1,568)
Settlements and curtailments	-	-
Net defined benefit (liability)/asset at 31 July	<u>(6,274)</u>	<u>(7,203)</u>

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	20,407	17,334
Current Service cost	833	612
Interest cost	505	635
Contributions by Scheme participants	159	141
Actuarial (gain)/loss	364	2,167
Estimated benefits paid	(531)	(482)
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>21,737</u>	<u>20,407</u>

Reconciliation of Assets

Fair value of plan assets at start of period	13,204	12,069
Actuarial (loss)/gain	132	(6)
Interest on plan assets	332	448
Return on plan assets	1,671	605
Employer contributions	496	429
Contributions by Scheme participants	159	141
Estimated benefits paid	(531)	(482)
Settlement prices received/(paid)	-	-
Assets at end of period	<u>15,463</u>	<u>13,204</u>

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 £324k (£333k 2015-16). The Statement of Comprehensive Income includes a cost of £41k (£29k 2015-16) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the surplus of Essex Shared Services Ltd of £10k (£173k deficit 2015-16), which includes a provision of £51k (£144k deficit 2015-16) for the pension surplus of the joint venture.

23 Amounts disbursed as agent

Learner support funds

	2017	2016
	£'000	£'000
Funding body grants	306	353
Interest earned	-	-
	<u>306</u>	<u>353</u>
Disbursed to students	(271)	(277)
Administration costs	(13)	(18)
	<u>(284)</u>	<u>(295)</u>
Balance unspent as at 31 July, included in creditors	<u>22</u>	<u>58</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

