



**Chelmsford College**

**CHELMSFORD COLLEGE**  
**Annual Report and Financial**  
**Statements**  
**for the year ended 31 July 2019**

## **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 2018/19:

Andrew Sparks Principal; Accounting officer  
Caroline Williams Deputy Principal  
Debs Hurst Vice Principal Finance & Corporate Services

### **Board of Governors**

A full list of Governors is given on page 19 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:**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
Suffolk  
IP1 3LG

#### **Banker:**

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

#### **Solicitor:**

Ellisons  
115 New London Road  
Chelmsford CM3 2QT

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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 2019. 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

### Implementation of strategic plan

The College's direction is reviewed annually and incorporates actions required under the College Improvement Plan. Our Strategic Plan 2018-2021 can be found by following the link <https://www.chelmsford.ac.uk/assets/downloads/our-college/governance/documents/strategic-plan-digital-2018-2021.pdf>

The plan sets out our strategic goals and priorities as follows:

The College's delivery goals are:

- 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 delivery priorities are:

1. Ensure high quality teaching, learning and assessment for all learners.
2. Meet the ever changing/evolving needs of learners.
3. Meet the ever changing/evolving needs of employers, thereby supporting economic growth and development in the county.
4. Increase learner numbers
5. Ensure efficient and effective ways of working across the organisation
6. Support and prioritise progression to higher levels of education and training to meet the needs and aspirations of individuals and businesses.

## **RESOURCES**

Chelmsford College now has two campuses, one at Moulsham Street and one at Princes Road. The third campus at Beacon House has been sold. Significant improvements have been made to the campus at Moulsham Street over the last few years and Princes Road campus has been upgraded to accommodate the transfer of Hair and Beauty from Beacon House.

The redevelopment of the front of Princes Road campus commenced in early July 2018 which resulted in the;

- Creation of two Hair & two Beauty Salons
- Creation of a Hair & Beauty Reception and client parking
- Upgrade of visitor and disabled toilets
- Additional staff and student toilets and the creation of a first aid room
- Additional cycle shelters near the main entrance.

A new main reception area has also been completed which has enabled the reception area to be akin to Moulsham Street. This has enabled the opening up of the existing atrium to create more seating areas for students in 2019/20 academic year.

## **Financial**

The Group has £15.2m of net assets after providing for £5.8m pension liability and total debt of £3.9m.

## **People**

The Group employs 304 (2017/18 297) people (expressed as full time equivalents), of whom 135 (2017/18 135) are teaching staff, 80 (2017/18 81) teaching support staff and 89 (2017/18 81) are business support staff which includes 31 staff employed by Dovedale Nursery.

## **Reputation**

Chelmsford College is the only General Further Education College in Mid-Essex, delivering to approximately 40% of the core 16 - 18s within Mid-Essex. The College has a good reputation for providing vocational and occupational education to post 16 learners who wish to undertake further education continuing to key stage 5.

Around 94% of students said "I feel I'm on the right course". Over 75% of learners achieve above their set targets and the College has a pass rate of 95+% (16 - 18s' pass rate is 95% and 19+ pass rate is 97%). Between 93 to 95% of students achieve sustained, relevant employment which is one of the reasons FE Week ranked Chelmsford College top of the league tables for 16-18 progression across the UK. The College offers a comprehensive education, including essential Work Related Experience; English and Maths GCSEs and a solid foundation of support.

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 underpins the College's mission statement 'Unlocking potential'.

## **Stakeholders**

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 education 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

## **DEVELOPMENT AND PERFORMANCE**

### **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 for the group are shown below.

Key performance indicator	Measure/Target	Actual 2018/19
Financial health score	Satisfactory	Requires Improvement*
Management accounting surplus (before LGPS adjustments)	0.34%	1.74%
Pay (excluding year end FRS102 adjustments) as a % of income	64.4%	64.1%
Current Ratio	0.28	0.23
Borrowing as % of income, (less than prior year outturn)	40%	25%
Cash days in hand	20	15

\*The ESFA changed the terminology during 2018/19.

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

## Financial results

Chelmsford College Group generated a deficit before other gains and losses in the year of £588k (2017/8 – deficit of £688k), with total comprehensive income deficit of (£414k) (2017/18 - £1,336k). The difference between 2017/18 and this current year is the actuarial loss on the LGPS Pension Fund offset with a profit on disposal for the sale of Beacon House.

Total income in 2018/19 was £16m compared to £15.9m in the previous year. Staff costs are £10.8m, the same as previous year. Other operating expenses were £4,149k compared to £4,141k in 2017/18.

FRS102 presentation shows defined pension obligations included in net assets and these have increased by £0.7m from £5.1m to £5.8m. A triennial valuation of the Essex Pension Fund was carried out during 2019, the result of which have been received and further discussion is required with Essex Pension Fund.

## Student numbers

In 2018/19 the College has delivered activity that has produced £9.8m in Education and Skills Funding Agency main allocation funding (2017/18 – £9.6m). The College achieved 2,181 total EFA funded learners against a target of 2,211. Across all provision the College had 3,359 funded and 328 non-funded students.

The breakdown of total funded learners is:

Education and Skills Funding Agency	2,181
Skills Funding Agency (classroom based)	750
Skills Funding Agency (apprentices)	428

## Developments

Tangible fixed asset additions during the year amounted to £1.4m, this was split between buildings £1,013k, equipment purchased of £336k and assets in the course of construction £45k. The additions were mainly for Hair & Beauty relocation phase 1, Princes Road Reception and Sport Centre works.

## Reserves

The Group has accumulated reserves of £15.2m and cash balances of £664k. The financial plan aims to increase cash holdings to circa £1.5m by July 2021.

## Sources of funding

The Group is reliant on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 75% of the Group's total income.

## Group Companies

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 out of school club for children of working parents. Any surplus generated by the community interest company is 'gift aided' to the College for the benefit of education. The surplus generated in 2018/19 was £186k (2017/18 £168k).

The College is a 50% shareholder in Essex Shared Services Ltd, which provides back office support for the College's payroll, procurement, transactional processing and accounting services each year. Chelmsford College's share of the costs of Essex Shared Services was £298k, compared with 2017/18 of £289k.

## FUTURE PROSPECTS

The College continues to invest in its facilities to improve the course offer to students, the relocation of Hair & Beauty to Princes Road and the reduction to two campuses has achieved cost savings as well as a more rounded student experience. A new single storey building with two classrooms and a personal care room is being constructed for up to 8 students with special educational needs. This is expected to be complete by Christmas 2019. The building is being funded from Essex County Council and the College.

## **Financial plan**

The governors approved the three-year financial plan in July 2019 which sets out the objectives to 2021.

## **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 inflow from group operating activities was £1.5m (2017/18 (£1.6m)), a reduction in the cash position of £0.1m. The College's total debt with Lloyds of £3.9m comprises £2.7m expiring in 2027; the remaining value of £1.2m is a revolving credit facility (RCF). The College will repay the RCF with the term loan from Barclays Bank. The College meets all bank covenants.

## **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 is £15.2m (2017: £15.4m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of surpluses.

## **Going concern**

The Governors are satisfied that Chelmsford College is a going concern even though there is currently a net current liability position of £3m because:

- Financial Health is 'Requires Improvement' for the period ending 31<sup>st</sup> July 2019.
- Beacon house sale proceeds of £2.9m have been used to reduce the Revolving Credit Facility to £1.2m. The £1.2m remaining balance will be refinanced with a new long term Barclays loan which has been agreed, approved by the Board and Barclays Bank.
- Projected cash flows for the period to 31<sup>st</sup> July 2020 shows the College has sufficient cash to operate without the need for an overdraft.
- Student numbers in 2019/20 are slightly over the contracted numbers and additional income of £0.3m is expected in the lagged learner model in 2019/20.

A full report on going concern was presented to the Audit Committee and the Corporation.

## **PRINCIPAL RISKS AND UNCERTAINTIES:**

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.

### **Failure to raise the importance of English and Maths and embed into the curriculum**

Pass rates for the new GCSEs in English are positive with an increase of 2.5% points compared to 2017/18, which is 9.3 percentage points above national rates and for maths it is 2.8 points above prior year and 6.8 percentage points above national rates. However, this is not yet good enough and will remain a risk to the College and strategies will be employed to continue to improve results.

### **16-18 funding**

Increased costs from BREXIT, inflation, Local Government employer contribution percentages and paying premiums for agency staff in difficult to recruit areas are eroding any possibility for the Group to achieve a significant surplus. The funding rate of £4000 per student has now been reviewed by Government and a new rate has been confirmed for the academic year 2020/21. In addition, the retention of students is key to ensuring that funding received through the lagged learner funding model and strategies are in place to keep student retention as high as possible. The College has recruited the 2<sup>nd</sup> highest number of students during 2019/20 with 2018/19 being the highest year on record.

### **Recruitment and retention of suitably qualified staff in specialist subjects**

There were a number of vacancies in Engineering & Construction during 2018/19 which led to the need to employ a number of agency staff. This continues to be a factor for Construction during 2019/20.

### **LGPS Pension security requirements**

Essex Pension Fund has carried out the triennial actuarial review but the impact on ongoing service costs and deficit repair payments is not yet known.

### **Teachers' Pension Scheme**

There has been an increase in employer contribution requirements from 16.8% to 23.68% which for 2019/20 has been funded by the Government. We have received confirmation that the increase in TPS costs will be funded until March 2021.

## **CURRICULUM REVIEW**

### **The Quality of Provision**

The College was last inspected by Ofsted in December 2017 when the College was judged to be 'Good' for overall effectiveness. The key findings were: -

- Governors and senior leaders have high expectations and communicate well and there is an effective learning strategy to improve the quality of provision and outcomes for learners.
- Leaders and managers carefully monitor and review the progress of learners to ensure that they are on track.
- On successful completion of their qualifications, almost all learners progress into meaningful employment or further study.
- The large majority of teachers and work-based tutors have high expectations of their learners. Their effective teaching and coaching encourage learners to reflect and develop deeper and wider understanding of their subjects.
- Effective partnerships with employers enable learners to participate in high-quality work experience. As a result, learners gain good skills, highly valued by employers.
- Learners who have learning difficulties or disabilities profit from good provision that ensures that almost all complete their programmes and achieve their qualifications. They gain effective independent living skills.
- The large majority of teachers provide stimulating teaching activities which are purposeful and enable most learners to make good progress.
- Learners and apprentices are respectful and behave well. They increase their levels of confidence and demonstrate a good work ethic.
- Learners have good awareness of the risks from extremist groups and possible radicalisation. However, too few adult learners have a good understanding of such issues.
- Too few teachers enable learners to improve their standard of written English and communication skills.
- Too few learners studying English and mathematics at GCSE achieve the high grades of which they are capable.
- Not enough apprentices aged 16-18 complete their programmes within their planned timescales.

The full Ofsted report can be found at <https://www.chelmsford.ac.uk/our-college/ofsted.asp>

The latest self-assessment report for the academic year 2018/19 judges the College to be good under the new Education Inspection Framework 1<sup>st</sup> September 2019. The self-assessment was presented to Quality and Learners Committee.

## Learner performance

Learner performance is shown below.

<b>Programmes (all figures rounded)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>National rate</b>
16-18 study programmes	86.4	84.9	82.8
16-18 Level E & 1	89.9	87.9	80.9
16-18 Level 2	78.9	79.1	82.2
16-18 Level 3	86.2	85.1	85.8
19+ adult Learning	92.9	89.3	89.1
16-18 high needs learners	93.2	87.5	n/a
19+ high needs learners	93.2	98.1	n/a
Apprenticeships overall	66.3	76.8	68.7

## Resources for Learning

College learners benefit from many high quality, industry standard facilities. These include hair and beauty salons, 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. The centres provide access to books, journals, e-books, computers, printers and the expertise of the Learning Centre staff.

## Curriculum developments

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

The changes implemented in 2018/19 were:

### 16-19 study programmes

- New reformed GCSE qualifications in English and mathematics;
- Certificate sized qualification in business studies for level 2 learners;

- Alternative provision for learners studying at level 1 within construction;
- VRQs at levels 1-3 within Engineering;
- Advanced level 3 health and social care and business studies to move to new NCF qualification;
- Remove administration pathway within advanced level 3 business and replace with finance and marketing;
- Introduce multimedia pathway into advanced level 3 media;
- Partnership with Colchester United;
- Closed level 2 applied science.

#### Adult learning

- Deferred the implementation of the new reformed GCSE qualifications in English and mathematics for adult learners.

#### Apprenticeships

- Implementation of the new reforms and transition from frameworks to the new apprenticeship standards;
- Closure of underperforming frameworks including hospitality and catering and beauty;
- Responded to the changing demands in provision as a result of the levy and digital voucher.
- Provision for learners with high needs
- Increased number of applicants from learners aged 19+ as a consequence of the expansion of Thriftwood School and College (SEN), post 16 provision;
- Accommodating the slow roll out of Education Health and care Plans (EHCP).

### **OTHER INFORMATION**

#### **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 20.

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)

## **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 2018'.
- 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 2017' 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.
- 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.

The full Ofsted inspection in December 2017 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.

### Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were relevant period	FTE employee number
131	2

Percentage of time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Total cost of facility time	£4,039
Total pay bill	£10,752,000
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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### 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 2018 to 31 July 2019, the College paid 35% of its invoices within 30 days. However, there are a number of suppliers who have agreed different payment terms with the College and this explains the difference to the Treasury recommended period of 30 days payment term. The College incurred no interest charges in respect of late payment for this period.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Loan Finance**

A loan has been approved by Barclays Bank of £1.5m. The funds from this loan will be used to repay the £1.2m Revolving Credit Facility that the College has with Lloyds Bank.

### **Area Review**

Writtle University College wrote to the Board of Governors in September 2019 confirming that they will not be progressing a collaboration with Chelmsford College. The Board of Governors is now undertaking a strategic review and will have a new course of action agreed by June 2020.

### **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 6th December 2019 and signed on its behalf by:**

Godrie

**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 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

Name	Appointed Date	Term of Office	Resigned	Appointed status	Committees served	Attendance Full Board 2018/19
Beaumont, J	August 2018	4 years		Independent Governor	Audit SG&R	100%
Hodges, S	July 2016	4 years		Staff	Audit	100%
Houghton, S	December 2015	4 years	Resigned 01/02/19	Independent Governor	Quality & Learners	25%
Hughes, S	March 2014	4 years		Independent Governor	<b>Chair:</b> Audit; Quality & Learners SG&R	100%
Maynard, J	August 2016	4 years		Staff	Quality & Learners	100%
Montague, A	May 2016	4 years		Independent Governor	Audit	71%
Noble, S	March 2014	4 years		Independent Governor	<b>Vice Chair:</b> Corporation <b>Chair:</b> Quality & Learners; SG&R	86%
Norman, C	July 2018	4 years		Independent Governor	Quality & Learners	100%
Oddie, E	July 2017	4 years		Independent Governor	<b>Chair:</b> Corporation; Quality & Learners <b>Chair:</b> SG&R	100%
Patten, J	July 2019	4 years		Independent Governor	Audit	100%
Shah, S	October 2017	4 years		Independent Governor	Quality & Learners	57%
Shrimpton, F	September 2017	1 year	4/7/2018	Student	Quality & Learners	0%
Sparks, A	September 2014	Ex officio		Principal	Quality & Learners; SG&R	100%
Vohmann, B	December 2015	4 years		Independent Governor	Quality & Learners	86%
Zeeman, D	December 2016	3 years		Independent Governor	Audit	86%

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 2016 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 2019. 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**

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

J Beaumont was appointed at the Board in on 9<sup>th</sup> July 2018, effective from 1<sup>st</sup> August 2018 as an Independent Governor and will serve on the Audit Committee. The appointment is for a term of 4 years. J Patten was appointed on 4<sup>th</sup> July 2019 commencing 1<sup>st</sup> August 2019 for a period of 4 years and will serve on the Audit Committee.

R I Millea FCA CA ANZ 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 and Audit.

Full minutes of all meetings, except those deemed to be confidential by the Corporation (either in whole or in part), 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 College's Personnel Finance & General Purposes Committee was abolished with effect from 1 August 2017, its functions now being executed directly by the Board and two designated Finance Governors.

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 Chair 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 four 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 2019, the College's Search, Governance & Remuneration Committee comprised four or five 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 2019 are set out in note 6 to the financial statements.

## **Audit Committee**

The Audit Committee comprised four members of the Corporation during the year ended 31 July 2019 (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 2019 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 2019 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 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. The internal audit service provides the governing body with an annual report on audit carried out by the service during the year.

#### *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 Committee provides an Annual Report on these matters.

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 it 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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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".

**Approved by order of the members of the Corporation on 6<sup>th</sup> December 2019 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) of 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 2017 to 2018* 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 adequate 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 Funding 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 6<sup>th</sup> December 2019 and signed on its behalf by:

Godrie

**E 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 2019 which comprise Group and College's balance sheets as at 31 July 2019, the Group and College Statements of Comprehensive Income, the Group and College Statements of Changes in Reserves, and the Group 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 2019, 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.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Corporation including related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the College or to cease their operations, and as they have concluded that the Group and the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

### **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, Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding and the statement of Responsibilities of the Members of the Corporation. 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 2018 to 2019 (February 2019) issued by the Education and Skills 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 25, 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](http://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 Article 22 of 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.

*SBean's*

**Stephanie Beavis**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date *17 December 2019*

## **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 (ESFA)**

In accordance with the terms of our engagement letter dated 16 August 2017 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, 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 2018 to 31 July 2019 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 by the ESFA. 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 ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Chelmsford College and the ESFA 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 the ESFA 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 ESFA 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 established in the United Kingdom by our profession's ethical guidance and 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 2018 to 31 July 2019 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 by the ESFA. 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*SBeavis*

Stephanie Beavis

**For and on behalf of KPMG LLP, Reporting Accountant**

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date *17 December 2019*

## Consolidated Statements of Comprehensive Income

	Note	Year ended 31 2019		Year ended 31 2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	11,993	11,972	11,741	11,720
Tuition fees and education contracts	3	2,378	2,378	2,500	2,500
Other income	4	1,607	1,095	1,679	1,204
Endowment and investment income	5	7	7	0	0
<b>Total income</b>		<b>15,985</b>	<b>15,452</b>	<b>15,920</b>	<b>15,424</b>
<b>EXPENDITURE</b>					
Staff costs	6	10,751	10,355	10,832	10,453
Other operating expenses	7	4,149	4,053	4,141	4,049
Depreciation	9	1,324	1,286	1,238	1,202
Interest and other finance costs	8	349	348	397	397
<b>Total expenditure</b>		<b>16,573</b>	<b>16,042</b>	<b>16,608</b>	<b>16,101</b>
<b>(Deficit)/surplus before other gains and losses</b>		<b>(588)</b>	<b>(590)</b>	<b>(688)</b>	<b>(677)</b>
Gain on disposal of assets		363	363	-	-
Share of operating deficit in Essex Shared Services Limited		(26)	-	(47)	-
<b>(Deficit) before tax</b>		<b>(251)</b>	<b>(227)</b>	<b>(735)</b>	<b>(677)</b>
Taxation		-	-	-	-
<b>(Deficit)/surplus for the year</b>		<b>(251)</b>	<b>(227)</b>	<b>(735)</b>	<b>(677)</b>
Actuarial loss in respect of pensions schemes		(163)	(70)	2,071	1,884
<b>Total Comprehensive Income for the year</b>		<b>(414)</b>	<b>(297)</b>	<b>1,336</b>	<b>1,207</b>

The statement of consolidated income is in respect of continuing activities. The notes on pages 36 to 56 form part of these financial statements.

**Consolidated and College Statement of Changes in Reserves**

	<b>Total</b>
	<b>£'000</b>
<b>Group</b>	
<b>Balance at 31st July 2018</b>	<b>15,452</b>
(Deficit) from the income and expenditure account	(251)
Other comprehensive income	(163)
Gift aid transfers between Nursery and College	212
rounding difference	(1)
<b>Total comprehensive income for the year</b>	<u>(203)</u>
<b>Balance at 31st July 2019</b>	<u><b>15,249</b></u>
<b>College</b>	
<b>Adjusted Balance at 31st July 2018</b>	<b>15,468</b>
(Deficit) from the income and expenditure account	(227)
Gift aid transfers between Nursery and College	212
Other comprehensive income	(70)
<b>Total comprehensive income for the year</b>	<u>(85)</u>
<b>Balance at 31st July 2019</b>	<u><b>15,383</b></u>

**Balance sheets as at 31 July**

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Fixed assets</b>					
Tangible fixed assets	9	29,794	29,402	32,210	31,808
Investments	10	-	-	-	-
		<b>29,794</b>	<b>29,402</b>	<b>32,210</b>	<b>31,808</b>
<b>Current assets</b>					
Stocks		12	12	7	7
Trade and other receivables	11	251	488	383	373
Cash and cash equivalents	16	664	424	720	460
		<b>927</b>	<b>924</b>	<b>1,110</b>	<b>840</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(3,945)	(3,856)	(2,914)	(2,568)
<b>Net current liabilities</b>		<b>(3,018)</b>	<b>(2,932)</b>	<b>(1,804)</b>	<b>(1,728)</b>
<b>Total assets less current liabilities</b>		<b>26,776</b>	<b>26,470</b>	<b>30,406</b>	<b>30,080</b>
Less: Creditors – amounts falling due after more than one year	13	(5,502)	(5,275)	(9,748)	(9,499)
<b>Provisions</b>					
Defined benefit obligations	15	(5,812)	(5,812)	(5,113)	(5,113)
Other provisions	15	(213)	-	(93)	-
<b>Total net assets</b>		<b>15,249</b>	<b>15,383</b>	<b>15,452</b>	<b>15,468</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		15,249	15,383	15,452	15,468
Revaluation reserve		-	-	-	-
<b>Total unrestricted reserves</b>		<b>15,249</b>	<b>15,383</b>	<b>15,452</b>	<b>15,468</b>

The financial statements on pages 32 to 56 were approved and authorised for issue by the Corporation on 6th December 2019 and were signed on its behalf on that date by:



**Elaine Oddie**  
**Chair**



**Andrew Sparks**  
**Accounting Officer**

## Consolidated Statement of Cash Flows

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash inflow from operating activities</b>		
Surplus/(deficit) for the year	(251)	(735)
<b>Adjustment for non cash items</b>		
Depreciation	1,324	1,238
(Increase)/decrease in stocks	(5)	39
(Increase)/decrease in debtors	132	(136)
Increase/(decrease) in creditors due within one year	56	337
Increase/(decrease) in creditors due after one year	(273)	(189)
Pensions costs less contributions payable	628	723
Share of operating surplus/(deficit) in joint venture	33	47
<b>Adjustment for investing or financing activities</b>		
Investment income	7	-
Interest payable	222	237
Gain on sale of fixed assets	(363)	-
	<u>1,510</u>	<u>1,561</u>
<b>Net cash flow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	2,868	-
Disposal of non-current asset investments	-	-
Investment income	-	-
Payments made to acquire fixed assets	(1,165)	(1,195)
	<u>1,703</u>	<u>(1,195)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(214)	(231)
Interest element of finance lease rental payments	(8)	(6)
New unsecured loans		
Repayments of amounts borrowed	(2,998)	(291)
Capital element of finance lease rental payments	(49)	(108)
	<u>(3,269)</u>	<u>(636)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<u>(56)</u>	<u>(270)</u>
Cash and cash equivalents at beginning of the year	720	990
Cash and cash equivalents at end of the year	664	720

## **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 2018 to 2019* 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.

#### **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. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2019.

#### **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. A separate going concern statement accompanies the accounts at the point of signing.

#### **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.

## **Notes to the Accounts (*continued*)**

Government capital grants are capitalised, held as deferred income and recognised to 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 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.

### **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.

## Notes to the Accounts (*continued*)

### Revaluation basis

#### *Land*

Land at Moulsham Street and Princes Road was revalued as at 31<sup>st</sup> 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 20-60 years
- Refurbishments 10-25 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to revalue land and retain the book value of 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

## **Notes to the Accounts (*continued*)**

### **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 1<sup>st</sup> 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 1<sup>st</sup> August 2014.

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

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

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

### **Investments**

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost 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.

## **Notes to the Accounts (*continued*)**

### **Cash and cash equivalents**

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

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

### **Financial liabilities**

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

All loans and investments held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires

that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### **Foreign currency translation**

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

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

### **Provisions and contingent liabilities**

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

## **Notes to the Accounts (*continued*)**

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. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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 2019. 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 2019		Year ended 31 2018	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	886	886	920	920
Education and Skills Funding Agency – 16 -18	9,752	9,752	9,641	9,641
Education and Skills Funding Agency - apprenticeships	1,074	1,074	981	981
<b>Specific Grants</b>				
Releases of government capital grants	281	260	199	178
<b>Total</b>	<b>11,993</b>	<b>11,972</b>	<b>11,741</b>	<b>11,720</b>

### 3 Tuition fees and education contracts

	Year ended 31 2019		Year ended 31 2018	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	371	371	490	490
Fees for FE loan supported courses	184	184	218	218
Total tuition fees	555	555	708	708
Education contracts	1,823	1,823	1,792	1,792
<b>Total</b>	<b>2,378</b>	<b>2,378</b>	<b>2,500</b>	<b>2,500</b>

### 4 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Catering	412	412	399	399
Other income generating activities	706	11	831	177
Other grant income	421	421	424	424
Miscellaneous income	68	251	25	204
<b>Total</b>	<b>1,607</b>	<b>1,095</b>	<b>1,679</b>	<b>1,204</b>

### 5 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	7	7	-	-

## 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:

#### Staff costs for the above

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

	<b>2019</b>	<b>2018</b>		
	<b>No.</b>	<b>No.</b>		
Teaching staff	135	135		
Learner support staff	80	81		
Non teaching staff	89	81		
	<b>304</b>	<b>297</b>		
<b>Staff costs for the above</b>				
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,988	7,616	7,766	7,415
Social security costs	675	660	676	654
Other pension costs (including LGPS pension adjustments of £502,000 (2018: £562,000))	1,752	1,745	1,750	1,744
<b>Payroll sub total</b>	<b>10,415</b>	<b>10,021</b>	<b>10,192</b>	<b>9,813</b>
Contracted out staffing	336	334	640	640
	<b>10,751</b>	<b>10,355</b>	<b>10,832</b>	<b>10,453</b>

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 College Executive Team which comprises the Principal & Chief Executive Officer, the Deputy Principal and the Vice Principal Finance and Corporate Services.

Staff costs include compensation paid to key management personnel for loss of office.

	<b>Key management</b>		<b>Other Staff</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£65,001 to £70,000	-	-	2	2
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	1	1	-	-
£80,001 to £85,000	-	-	-	-
£85,001 to £90,000	-	1	-	-
£90,001 to £95,000	1	-	-	-
£105,001 to £110,000	-	1	-	-
£115,001 to £120,000	1	-	-	-
	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

## Notes to the Accounts (*continued*)

Key management personnel emoluments are made up as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	287	276
Benefits in kind	4	2
	<u>291</u>	<u>278</u>
National insurance contributions	36	35
Pension contributions	49	47
	<u>376</u>	<u>360</u>

The Search, Remuneration and Governance Committee undertake an annual review of the members' of the College Executive Group performance and evaluate their performance against the college's overall objectives using both qualitative and quantitative measures of performance.

The above compensation includes amounts paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	116	110
Benefits in kind	1	1
	<u>117</u>	<u>111</u>
National insurance contributions	15	14
Pension contributions	19	18
	<u>151</u>	<u>143</u>

The governing body has not adopted the AoC's Senior Staff Remuneration Code published in July 2019 but will follow its principles in future. The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Principal and CEO's basic salary as a multiple of the median of all staff	5.1	4.8
Principal and CEO's total remuneration as a multiple of the median of all staff	5.1	4.9

## Notes to the Accounts (*continued*)

### 7 Other operating expenses

	Year ended 31 2019		Year ended 31 2018	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	1,398	1,352	1,349	1,339
Non teaching costs	1,993	1,973	2,045	1,968
Premises costs	758	728	747	742
<b>Total</b>	<b>4,149</b>	<b>4,053</b>	<b>4,141</b>	<b>4,049</b>

### Other operating expenses include:

	2019 £'000	2018 £'000
Auditor's remuneration:		
Financial statements audit*	30	19
Internal audit	20	7
Other services provided by the external auditors	1	-
Hire of assets under operating leases	86	6

\* includes £2,589 in respect of Dovedale Nursery CIC (2017/18 £1,900)

### 8 Interest payable - Group

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	<u>214</u>	<u>230</u>
	214	230
On finance leases	8	6
Pension finance costs (note 20)	<u>127</u>	<u>161</u>
<b>Total</b>	<b>349</b>	<b>397</b>

## 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
<b>Cost or valuation</b>				
At 1 August 2018	37,715	9,051	260	47,026
Additions	1,013	336	45	1,394
Disposals	(3,274)	(411)		(3,685)
<b>At 31 July 2019</b>	<b>35,454</b>	<b>8,976</b>	<b>305</b>	<b>44,735</b>
<b>Depreciation</b>				
At 1 August 2018	7,940	6,877	-	14,817
Charge for the year	710	614	-	1,324
Disposals	(809)	(391)	-	(1,200)
<b>At 31 July 2019</b>	<b>7,841</b>	<b>7,100</b>	<b>-</b>	<b>14,941</b>
<b>Net book value at 31 July</b>	<b>27,613</b>	<b>1,876</b>	<b>305</b>	<b>29,794</b>
Net book value at 31 July 2018	29,776	2,174	260	32,210

### 9 Tangible fixed assets (College only)

	Land and buildings freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	37,099	9,002	260	46,361
Additions	1,013	316	43	1,372
Transfers and Revaluation				0
Disposals	(3,274)	(410)		(3,684)
<b>At 31 July 2019</b>	<b>34,838</b>	<b>8,908</b>	<b>303</b>	<b>44,049</b>
<b>Depreciation</b>				
At 1 August 2018	7,716	6,843	-	14,559
Transfer				
Charge for the year	677	609	-	1,286
Elimination in respect of	(808)	(390)		(1,198)
<b>At 31 July 2019</b>	<b>7,585</b>	<b>7,062</b>	<b>-</b>	<b>14,647</b>
<b>Net book value at 31 July</b>	<b>27,253</b>	<b>1,846</b>	<b>303</b>	<b>29,402</b>
Net book value at 31 July 2018	29,389	2,159	260	31,808

The net book value of equipment includes an amount of £168,000 (2017/18 - £180,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £12,000 (2017/18 - £12,000).

**Notes to the Accounts (continued)**

**10 Non current Investments**

	<b>College 2019 £'000</b>	<b>College 2018 £'000</b>
Investments in subsidiary companies	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

The College owns 100 per cent of the issued ordinary 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 including pre and after school clubs. The registered address of Dovedale Nursery is 102 Moulsham Street, Chelmsford, Essex CM2 0JQ. The profit on ordinary activities before taxation is £185,580 (2017/18 - £178,908) and net assets are £79,077 (2017/18 - £76,107).

**11 Trade and other receivables**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Amounts falling due within one year:				
Trade receivables	39	36	152	142
Other Debtors	-	-	17	17
Amounts owed by group undertakings:	(2)	238	-	-
Prepayments and accrued income	214	214	214	214
<b>Total</b>	<b>251</b>	<b>488</b>	<b>383</b>	<b>373</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**12 Creditors: amounts falling due within one year**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Bank loans and overdrafts	1,605	1,605	602	602
Obligations under finance leases	-	-	28	28
Trade payables	245	228	329	50
Amounts owed to group	-	-	-	-
Other taxation and social security	322	313	347	338
Accruals and deferred income	1,773	1,710	1,600	1,542
Deferred income - government	0	0	8	8
<b>Total</b>	<b><u>3,945</u></b>	<b><u>3,856</u></b>	<b><u>2,914</u></b>	<b><u>2,568</u></b>

**13 Creditors: amounts falling due after one year**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Bank loans	2,345	2,345	6,318	6,318
Obligations under finance leases	-	-	-	-
Provision for liability and charges	313	313	313	313
Deferred income - government	2,844	2,617	3,117	2,868
<b>Total</b>	<b><u>5,502</u></b>	<b><u>5,275</u></b>	<b><u>9,748</u></b>	<b><u>9,499</u></b>

## Notes to the Accounts (*continued*)

### 14 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	1,605	1,605	602	602
Between one and two years	412	412	3,863	3,863
Between two and five years	1,236	1,236	976	976
In five years or more	697	697	1,479	1,479
<b>Total</b>	<b><u>3,950</u></b>	<b><u>3,950</u></b>	<b><u>6,920</u></b>	<b><u>6,920</u></b>

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%; the current balance is £2.74m. The revolving credit facility of £1.213m of borrowings is due to be repaid during December 2019, this will be funded from a

#### (b) Finance leases

The net finance lease obligations to which the institution is committed

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	-	-	28	28
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>28</u></b>	<b><u>28</u></b>

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

## 15 Provisions

	Group and College		
	Defined benefit Obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2018	(5,113)	(94)	(5,207)
Expenditure in the period	(629)	(93)	(722)
Transferred from statement of comprehensive income	(70)	(26)	(96)
<b>At 31 July 2019</b>	<b>(5,812)</b>	<b>(213)</b>	<b>(6,025)</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 20.

## 16 Cash and cash equivalents

	At 1 August 2018	Cash flows	At 31 July 2019
	£'000	£'000	£'000
Cash and cash equivalents	720	(56)	664
Overdrafts	-	-	-
<b>Total</b>	<b>720</b>	<b>(56)</b>	<b>664</b>

## 17 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2019	2018
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Other</b>		
Not later than one year	87	6
Later than one year and not later than five years	80	8
later than five years	-	-
	<b>167</b>	<b>14</b>

## 18 Contingent liabilities

The College had no contingent liabilities as at 31 July 2019 (2018: nil).

## 19 Events after the reporting period

A loan of £1.5m has been agreed with Barclays Bank and is expected to complete during December 2019.

## Notes to the Accounts (*continued*)

### 20 Defined benefit obligations

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

<b>Total pension cost for the year</b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Teachers Pension Scheme: contributions	614	607
NEST contributions	4	3
Local Government Pension Scheme:		
Contributions paid	632	578
FRS 102 (28) charge	<u>502</u>	<u>562</u>
Charge to the Statement of Comprehensive Income	1,134	1,140
Curtailments		
<b>Total Pension Cost for Year</b>	<b><u>1,752</u></b>	<b><u>1,750</u></b>

### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed 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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis-these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan

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 valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce real rate of return.

## **Notes to the Accounts (*continued*)**

### **Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contribution together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 18/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

## Notes to the Accounts (*continued*)

### 20 Defined benefit obligations (*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 2019 was £740,000, of which employer's contributions totalled £554,000 and employees' contributions totalled £186,000. The agreed contribution rates for future years are 17.3 % for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by actuary

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
Rate of increase in salaries	1.00%	2.35%
Future pensions increases	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	1.40%	1.35%
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:

	<b>At 31 July 2019 years</b>	<b>At 31 July 2018 years</b>
<i>Retiring today</i>		
Males	21.30	22.30
Females	23.60	24.80
<i>Retiring in 20 years</i>		
Males	23.00	24.50
Females	25.40	27.10

## Notes to the Accounts (*continued*)

### 20 Defined benefit obligations (*continued*)

#### Local Government Pension Scheme (*continued*)

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

	Split of assets at 31 July 2019	Fair Value at 31 July 2019 £'000	Split of assets at 31 July 2018	Fair Value at 31 July 2018 £'000
Equities	63.00%	11,687	64.00%	10,854
Government Bonds	5.00%	1,020	5.00%	911
Bonds	6.00%	1,043	6.00%	996
Property	8.00%	1,483	9.00%	1,520
Cash	3.00%	541	3.00%	581
Alternative Assets	10.00%	1,815	9.00%	1,529
Other managed funds	5.00%	951	4.00%	655
<b>Total market value of assets</b>	<b>100.00%</b>	<b>18,540</b>	<b>100.00%</b>	<b>17,046</b>
<b>Weighted average expected long term rate of return</b>	2.10%		2.65%	
<b>Actual return on plan assets</b>		<b>867</b>		<b>1,072</b>

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

	2019 £'000	2018 £'000
Fair value of plan assets	18,540	17,046
Present value of plan liabilities	(24,307)	(22,111)
Present value of unfunded liabilities	(45)	(48)
<b>Net pensions (liability) (Note 15)</b>	<b>(5,812)</b>	<b>(5,113)</b>

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(1,127)	(1,134)
Past service cost	-	-
Curtailments and settlements	-	-
<b>Total</b>	<b>(1,127)</b>	<b>(1,134)</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	867	1,072
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(937)	812
<b>Amount recognised in Other Comprehensive Income</b>	<b>(70)</b>	<b>1,884</b>

## Notes to the Accounts (*continued*)

### 20 Defined benefit obligations (*continued*)

#### Local Government Pension Scheme (*continued*)

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(5,113)	(6,274)
Movement in year:		
Current service cost	(1,127)	(1,134)
Transfer pension deficit to Joint venture	-	-
Employer contributions	632	578
Administration Expenses	(7)	(6)
Net interest on the defined (liability)/asset	(127)	(161)
Actuarial gain or loss	(70)	1,884
Settlements and curtailments	-	-
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(5,812)</u></b>	<b><u>(5,113)</u></b>

#### Asset and Liability Reconciliation

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	22,159	21,737
Current Service cost	1,127	1,134
Interest cost	581	580
Contributions by Scheme participants	186	178
Actuarial (gain)/loss	-	-
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	2,207	(812)
Change in demographic assumptions	(1,270)	-
Estimated benefits paid	(638)	(658)
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b><u>24,352</u></b>	<b><u>22,159</u></b>

#### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	17,046	15,463
Interest on plan assets	454	419
Return on plan assets	867	1,072
Other actuarial (loss)/gain	-	-
Administration Expenses	(7)	(6)
Contributions by employer including unfunded	632	578
Contributions by Scheme participants	186	178
Estimated benefits paid	(638)	(658)
Settlement prices received/(paid)	-	-
<b>Assets at end of period</b>	<b><u>18,540</u></b>	<b><u>17,046</u></b>

## 21 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was nil. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None)

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 £298k (£289k 2017-18). The Statement of Comprehensive Income includes a cost of £33k (£47k 2017-18) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the deficit of Essex Shared Services Ltd of £144k (£140k surplus 2017-18), which includes a provision of £111k (£187k surplus 2017-18) for the pension deficit of the joint venture.

## 22 Amounts disbursed as agent

### Learner support funds

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Funding body grants	300	257
Interest earned	-	-
	<u>300</u>	<u>257</u>
Disbursed to students	(239)	(211)
Administration costs	(15)	(13)
	<u>46</u>	<u>33</u>
Balance unspent as at 31 July, included in creditors	<u>46</u>	<u>33</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.