Report and Financial Statements

for the year ended 31 July 2019

Key Management Personnel, Corporation Membership and Professional Advisers

Key management personnel

Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2018/19 and from 1st August 2019:
Shelagh Legrave, Chief Executive & Accounting Officer
Andrew Green, Executive Principal
Stephen Coulthard, Chief Financial Officer
Julie Sleeman, Chief Operating Officer (to 30th April 2019)
Julie Kapsalis, Managing Director Commercial
Victoria Illingworth, Principal Crawley College
Sally Challis-Manning, Principal Brinsbury & Group Deputy Principal Quality
Paul Riley, Principal Worthing College (from 29th March 2019)

Corporation Membership

A full list of members of the Corporation is given on page 15 of these financial statements.

Catherine Vinall acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
RSM UK Audit LLP
Portland,
25 High Street,
Crawley
RH10 1BG

Internal auditors:
Mazars LLP
Tower Bridge House,
St Katherine's Way,
London
E1W 1DD

Solicitors:
Irwin Mitchell LLP
Thomas Eggar House,
Friary Lane,
Chichester
PO19 1UF

Bankers:
Lloyds Bank plc
10 East Street,
Chichester
PO19 1HJ

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Members' Report

OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2019.

LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Chichester College of Arts, Science and Technology. The merger with Brinsbury College took place on 1st August 2002, at which point the Secretary of State granted consent to the Corporation to change the College's name to Chichester College. Chichester College merged with Central Sussex College under a Type B Merger on 1st August 2017, thus triggering the dissolution of Central Sussex College. Following an application to the Secretary of State the Corporation's name was changed to Chichester College Group from 1st January 2018. On 29th March 2019, Chichester College Group merged with Worthing College under a Type B Merger, triggering the dissolution of Worthing College.

The Group is an exempt charity for the purposes of the Charities Act 2011.

MISSION, VISION AND STRATEGY

Chichester College Group's Mission is Changing Lives through Learning.

We do this by:

- Delivering an outstanding quality of education;
- Inspiring young people, building confidence and preparing them for life;
- Training people for new or improved careers;
- Providing opportunities to respond to the skills needs of our local communities and employers;
- Positively welcoming all.

Our Vision

Chichester College Group will remain in the top quartile of colleges for achievement within three years whilst remaining inclusive. It will be first choice for:

- Further education for our local communities;
- Regional businesses;
- International further education.

Chichester College Group has an aspiration to grow and will do this by:

- Consolidating its growth ensuring financial stability whilst remaining innovative and responsive.

Implementation of Strategic Plan

Following the merger with Worthing College in March 2019, the Group updated its Strategic Plan to 2022. The Corporation monitors the performance of the Group against this and other plans. The Group's updated strategic objectives are as follows:

- To sustain and promote high quality education which ensures the highest levels of achievement for our students.
- To provide a curriculum relevant for today and the future which equips students with appropriate employability and life skills.;

- To engage with employers to supply and upskill their workforce;
- To develop and grow substantial commercial businesses to support the Group's financial health;
- The College community is a fulfilling place to work;
- To create a strong College Group which provides the skills to deliver significant economic benefit to the region it serves.;
- The College Group is financially viable in the long term.

The Group is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group was assessed by the ESFA as having a "satisfactory" financial health for the year 2018/19. This rating is considered an acceptable outcome in the light of the Group's three year post-merger plan.

Financial objectives

The Group's financial objectives for 2018/19 were:

- To achieve the budgeted deficit;
- To maintain a positive cash balance throughout the year;
- To achieve the adult education budget allocation.

The Group did not achieve its adult education budget allocation and its actual results were worse than the budget deficit however positive cash balances were maintained throughout the year.

Following a period of significant growth through merger, CCG is currently in a consolidation period with a focus on financial stability whilst remaining innovative and responsive.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategic objectives.

Tangible

Tangible resources include four main sites, and one leased building at Terminus Road in Chichester.

Financial

The Group has £93,987,000 (2017/18 - £90,514,000) of net assets (including £3,035,000 pension asset (2016/17 - £9,881,000)). This includes long term liabilities of £24,272,000 (2016/17 - £20,186,000).

People

The Group employs 1,171 (2017/18 – 1,063) people (expressed as full time equivalents), of whom 473 (2017/18 – 448) are teaching staff. Over the period April to July 2019, Worthing College employed 99 people (expressed as full time equivalents)

Students

The Group enrolled approximately 17,529 students in 2018/19 (17,392 - 2017/18). The student population includes 6,140 (2017/18 - 4,761) 16-to-18 year old students (or 19 to 24 year old students with an EHC plan), 3,130 apprentices (2017/18 - 4,451), 319 higher education students (2017/18 – 292) and 3,576 classroom based funded adult learners (2017/18 – 3,276). The increase in 16-18 years olds arising from the Worthing merger was partially offset in the total student count for the Group as a result of a reduction in sub-contracted 19+ apprentices.

Reputation

Chichester College Group has an outstanding reputation locally, nationally and internationally and continues to work hard to improve quality and reputation at Crawley College (formerly Central Sussex College). Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

STAKEHOLDERS

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

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

The Group recognises the importance of these relationships and engages in regular communication with stakeholders through a number of different channels.

FINANCIAL PERFORMANCE

Results

The Group generated a surplus before other gains and losses in the year of £4,804,000 (2017/18 – £28,741,000), with total comprehensive income of £3,390,000 (2017/18 - £44,116,000). These amounts include the merger grant of £3,094,000 (2017/18 - £21,373,000) and gain from the gift on merger of £7,378,000 (2017/18 - £13,066,000), along with the FRS102 pension adjustments in the year, which impacted investment income by £226,000 (2017/18 – interest payable of £71,000), staff costs by £2,857,000 (2017/18 - £3,004,000) and actuarial loss in respect of pension schemes by £2,620,000 (2017/18 – actuarial gain of £14,114,000). These adjustments are shown in the table below.

	2018/19	**2017/18**
	£'000	£'000
(Deficit) before other gains and losses prior to pension and merger adjustments	(3,037)	(2,623)
Less adjustments related to merger:		
- Merger grant (note 26)	3,094	21,373
- Gain from gift on merger (note 26)	7,378	13,066
Less adjustments related to year end pension valuation:		
- Included within staff costs (note 23)	(2,857)	(3,004)
- Included within investment income (note 4)	226	-
- Included within Interest costs (note 8)	-	(71)
Surplus before other gains and losses per statutory accounts	4,804	28,741

Income decreased for the group in the year by £24,323,000. The decrease mainly came from the merger grant (£18,279,000) and gain from gift on consolidation (£5,688,000). There is an expected clawback of £635,000 (2017/18 - £1,053,000) in creditors in respect of the Adult Skills budget, with a £338,000 (2017/18 - £672,000) debtor for Apprentices included in debtors.

Tuition fees and education contracts income increased by £528,000, an increase in Education contract fees of £584,000 offset by a decrease in tuition fees in total of £56,000. International student fees increase by £49,000, although, the International market continues to prove challenging.

The Group's payroll staff costs increased by £1,467,000 to £39,763,000, mainly due to the FRS102 pension adjustments (£147,000 decrease), Worthing campus pay costs (£1,862,000 increase). Restructuring costs of £269,000 related to 35 individuals in the year.

Other operating expenditure decreased by £2,155,000 to £18,198,000. This was partly due to a reduction in partner costs (£956,000) offset by costs associated with Worthing (£506,000). With the continued pressure on funding income, other operating expenditure continues to be tightly controlled.

The consolidated results, show a total comprehensive income for the year of £3,390,000 (2017/18 – £44,116,000), which have been taken to reserves.

Developments

Excluding the fixed assets taken on from Worthing College (£18,337,000) fixed asset additions during the year amounted to £2,338,000 (£2,286,000 tangible and £52,000 intangible). This was split between land and buildings acquired of £460,000, equipment purchased of £1,408,000, assets in the course of construction of £418,000 and software (treated as an intangible asset) of £52,000.

Reserves

The Group has accumulated reserves of £72,933,000 (2017/18 - £66,135,000) and cash at bank and in hand balance of £7,556,000 (2017/18 - £9,077,000). Increasing cash balances to enable further development of the Group's infrastructure and campuses remains a priority and outcome from an improved operating position for the Group. Unrestricted reserves prior to the Pension reserve adjustment (2018/19 –£3,035,000 asset, 2017/18 - £9,881,000 asset), came to £69,898,000 (2017/18 - £56,254,000).

Sources of Income

The Group has a significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 67.6% excluding one-off merger income (2017/18 – 67.4%) of the Group's total income.

Group Companies

The Group has two active subsidiary companies, Chichester College Services Limited and Anglia Examination Syndicate Limited. The principal activity of Chichester College Services Limited is the provision of nursery services, whilst Anglia Examination Syndicate Limited principal activity is the establishment and administration of an education syllabus in a number of countries. Any surpluses generated by the subsidiaries are transferred to the Group under gift aid. In the current year, the surpluses generated were £322,000 (2017/18 - £232,000) and £159,000 (2017/18 - £172,000) for Chichester College Services Limited and Anglia Examination Syndicate Limited respectively.

FUTURE PROSPECTS

Developments

The Group expanded further in 2018/19 with the successful merger with Worthing College on 29th March 2019.

There is a continuing focus at Crawley College on improving quality of teaching and learning and its reputation in the local community. Student numbers are growing and new curriculum is being introduced. The comprehensive estates strategy has been drawn up with an associated masterplan for the campus. £5m has been committed from C2C LEP for a STEM building to be completed by 2020.

Following a period of significant growth through merger, CCG is currently in a consolidation period with a focus on financial stability whilst remaining innovative and responsive.

Financial Plan

The Corporation approved a three year financial plan in July 2019 which sets objectives for the period to 2021.

Treasury policies and objectives

Treasury management is the management of the Group'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 Group has a separate treasury management policy in place within the Group Financial Procedures.

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

Cash flows and liquidity

Net cash outflow from operating activities came to £926,000 in the year. Ignoring the one-off merger gift and merger grant received this year, net cash flow from operating activities amounted to £5,262,000 (2017/18 - £5,486,000), and remains very strong. There was a net inflow of cash from investing activities of £1,170,000 (2017/18 - £4,432,000 inflow) due to the sale of land at the Brinsbury. This inflow of cash will be used to further invest in the infrastructure and buildings of the Group's campuses.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. By the end of the financial year, cash and cash equivalents decreased by £1,521,000 (2017/18 - £2,999,000 increase) to £7,556,000.

Group's bank borrowings at the end of the financial year amount to £8,533,000 (2017/18 - £9,653,000). Four separate borrowings make up the total: a 2008/09 unsecured loan to help finance the professional fees associated with the scrapped LSC era project totalling £173m, a £8m loan secured during 2011/12 to partly finance the new construction centre and animal care buildings and two new loans taken on from the Central Sussex College merger. The Group also has borrowings with the DfE in relation to the merger with Central Sussex College of £3,000,000.

The closing cash balance for the year was £7,556,000 and net current assets amounted to £6,656,000 (2017/18 - £12,350,000). The Group's target remains to maintain positive working capital cash levels throughout the year. The Group did not achieve the EBITDA financial covenant on the Barclays loan for 2018/19. A full Letter of Waiver was agreed with the bank alongside an agreement to update the covenant suite to cover the next few years.

Reserves

The Group 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 Group's core activities. The Group reserves include £89,000 (2017/18 - £6,000) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £72,933,000 (2017/18: £66,135,000).

Future prospects

Mainstream curriculum and support areas across the Group are likely to face further challenge over the next few years, primarily as a result of further pressure on government funding. As a result, there is an increased need to retain current learner numbers and grow these wherever possible.

Group commercial business areas and post-merger Colleges provide the greatest opportunities for growth.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the Group, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

The Group prepared and submitted financial plans to support the merger with Worthing College on 29th March 2019. Post-merger, further plans were developed and submitted to the ESFA by 31st July 2019 which were subsequently updated with the ESFA Integrated Financial Model (IFM) submitted by the 28th February 2020. Each of these financial plans were prepared and submitted on that basis that the merged entity remains a going concern.

The current COVID-19 pandemic has required a further update to financial forecasts to include likely impact on 2019/20 and 2020/21 financial plans. The revised forecasts to 2020-21 have been used as the basis for the going concern assessment.

16-18 and Adult Education funding allocations have been confirmed for 2020/21 and form the largest source of income for the Group at over 60% of total income for that period.

Apprenticeships and other fee income have been assessed for impact and adjusted downwards to take account of likely course cancellations, refunds and planned start dates not now occurring or being delayed.

Each commercial income line has been assessed for impact and adjusted downwards in both 2019/20 and 2020/21. Pre COVID-19, these areas were expected to account for circa 18% of the Group income for the year 2019-20 and are the most widely impacted by the crisis. Modelling suggests the proportion of total income of these commercial areas reducing to circa 14% with the largest reductions in income from international course and accommodation fees and Anglia examinations. The dependency on international travel and access to overseas exam centres being the biggest barrier to a return to normal operating conditions. Other commercial businesses such as the Childcare nurseries, commercial courses and the Sports Centres should return to more normal trading more quickly and in line with any relaxation of UK social distancing measures.

By way of mitigation, the Group has accessed the government Coronavirus Job Retention Scheme for all members of staff where the eligibility criteria apply. The leadership team are reviewing existing plans on a weekly basis to ensure all mitigations to the loss of income are fully explored. Focus is also on detailed planning for reopening and restarting all parts of the Group businesses that have not been able to continue through the extended lockdown period.

Operating cost reductions have been assumed at varying levels across most parts of the Group business during the shutdown however many are fixed costs relating to overheads and depreciation so no savings have been assumed in these areas. The group is working with key suppliers /partners on a risk-sharing approach to major contracts across the Group during the extended lockdown period. Savings on general utilities are being naturally achieved through extended lockdown where buildings are not being opened.

There are two major capital programmes underway across the Group – one is a new £5m grant funded STEM building at the Crawley site, the other a £2m (50% grant funded) refurbishment programme to reopen Haywards Heath College in September 2020. These are both committed projects however future outgoings would cease on these projects should they pause in light of the crisis. However, at the time of signing the financial statements, both projects are progressing well with no major delays to build programmes. Further significant claims were submitted to the grant funder in April 2020 in line with the grant agreement and the outstanding grant funding is expected to remain accessible to the College as the projects progress.

The Group currently has £8.5m of bank loans and £2.8m of government loans outstanding with terms negotiated in 2017. Further details are given in note 17. Covenants with both banks have been tested against the pre COVID-19 2019-20 plans and show that no breaches of covenants were forecast for 2019-20 or 2020-21. Post COVID-19 forecasts for 2019-20 and 2020-21 predict breaches on both banks' covenants but discussions with banks have been positive and on the basis of these and guidance issued by the PRA (Prudential Regulation Authority) in respect of breaches of covenants caused by COVID-19, it is considered highly unlikely there will be any recall of debt in these instances.

The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due. Latest modelling shows a reduction in cash balances at 31st July 2020 and 2021, however the Group is still expected to maintain positive cash balances during this challenging period.

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

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

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

Based on the strategic plan, the Group Leadership Team undertakes a comprehensive review of the risks to which the Group is exposed. Each Group Leadership Team lead identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group.

A risk register is maintained at Group level which is reviewed termly by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Risk management training is part of the induction programme for all new members of staff joining Chichester College Group.

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

Government funding

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through OFS. In 2018/19, 67.5% excluding one-off merger income (2017/18 – 67.4%) of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of several issues which may impact on future funding:

- Significant uncertainty remains in the way apprentices are funded, following changes several years ago on the introduction of the Apprenticeship Levy
- Further reductions in funding (and/or lack of sufficient increases to funding) from Government agencies in response to a decline in the economic fortunes of the UK
- Impact of Brexit on the recruitment of EU students
- Possible expansion of 24+ loans to level 2 provision impacts on student numbers and insufficient funds to support demand

This risk is mitigated in a number of ways

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the Group is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and groups
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies
- Focus on improving forecasting skills within the Group

Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Chichester College Group will seek to increase tuition fees in accordance with the fee assumptions. The risk for the Group is that demand falls off as fees increase. This will impact on the growth strategy of the Group.

This risk is mitigated in a number of ways:

- By ensuring the Group is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Attracting and retaining excellent staff

The Group is the third largest employer in Chichester and is a significant employer across West Sussex. It works hard to ensure that its reward strategies are sufficient to attract excellent staff and retain them. However, salaries, particularly in some vocational and professional teaching areas cannot reach the levels offered in the private sector and therefore attracting staff to remain with the Group is challenging, particularly at Crawley.

Commercial Income

The Group has a strong reputation internationally and attracts 900 students annually to study in Chichester. It also has significant commercial income streams including two halls of residence, a sports complex, a farm and many full cost courses. In the current economic climate, in particular the continued Brexit uncertainty, there is a risk that these income streams could weaken. 2018/19 saw a small increase in International income but a decrease in income from Anglia Examinations. Childcare nurseries income increased by just under £300,000 partly due to the addition of Worthing nursery. The Group remains committed to growing its commercial areas.

Capital Strategy

The Group continues to implement the capital strategy, which includes largely incremental growth and activity, subject to cashflow and affordability. It has drawn up masterplans for all four campuses during the year.

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme surplus/(deficit) on the Group's balance sheet in line with the requirements of FRS 102. The College Group's share is valued as an asset for 2018/19 based upon the actuary's report.

The deficit risk had previously been mitigated by an agreed deficit recovery plan with the West Sussex LGPS.

Failure to maintain the financial viability of the Group

The Group's current financial health grade is classified as Satisfactory as described above. The continuing challenge to the Group's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

Post-merger risk

The mergers with Central Sussex College on the 1st August 2017 and Worthing College on 29th March 2019 presents ongoing risks for the organisation, which needs to be carefully managed. The key risks relate to delivering on the merger implementation plans agreed by government, maintaining a stable workforce whilst delivering the change and improvement required, ensuring there is sufficient management capacity in the Group, an inability to realise planned efficiency savings and a failure to achieve the growth identified in the merger plans. In addition, stakeholder engagement and improved reputation at Crawley and Worthing are also risk areas that need to be managed alongside ensuring focus is maintained at Chichester and Brinsbury.

KEY PERFORMANCE INDICATORS

Key Performance Indicator	Measure/Target	Actual for 2018/19
Student number targets	5,141	4,831
Student classroom achievement	85%	86.7%
Apprentice achievement	> 70%	75.4%
Progression to work, university or further education	> 90+	94.1%
Operating Surplus after interest payable & reorganisation costs (Management Accounts measure)	£2,497,000	£1,415,000
Staff satisfaction "I am proud to be an employee of Chichester College Group"	> 90%	93%
Student satisfaction "My teaching is good"	Above 90%	96%
Creation of a strong College Group	Crawley retention > 90%	93.3%

Student achievements

Chichester College Group is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying. For the academic year 2018/19 the achievement rate for Group's classroom based learning was 86.7% (2017/18: 86.5%), including English and Maths. The Group's apprentice achievement rate was 75.4% (2017/18: 78.7%), which remains 6.7 percentage points above the 2017/18 national average for General FE colleges.

The Group is continuing to implement a number of measures to improve its teaching and learning which include, but are not limited to, teacher development from the professional development unit, student observers, regular student feedback and the use of value added and distance travelled measures to encourage students to achieve their full potential.

OTHER INFORMATION

Public Benefit

Chichester College Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 15.

In setting and reviewing the Group's strategic objectives, the Corporation 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 Group 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
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

Equality

Chichester College Group is committed to providing equal opportunities for staff, students and service users and to eliminating discrimination, As detailed in the Strategic Plan, the Group's mission is achieved, in part, by remaining in the top quartile of colleges for achievement within three years whilst remaining inclusive. It will be the first choice for international further education. In addition, 'respecting and valuing all individuals' forms one of the Group's core values. The Group understands and appreciates the benefits of a diverse workforce/College community and strives to create and maintain an inclusive environment. The Group aims to eliminate discrimination on the grounds of age, disability, gender, race, religion or belief, ethnic or national origin, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership or socio-economic status.

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

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the 'Positive about Disabled' standard. The Group 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 Group continues. The Group'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.

Disability statement

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

- To install lifts and ramps etc., so that as far as is practicable, all facilities will be accessible to people with disabilities.
- Providing specialist equipment which Colleges within the Group can make available for use by students.
- To take whatever steps it can to ensure that the admissions policy does not discriminate against students with disabilities. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are also learning support assistants at Chichester, Brinsbury and Crawley who 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.
- Specialist programmes are described in Colleges prospectuses, and achievements and destinations are recorded.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

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

FTE employee number	1,147

Percentage of time	**Number of employees**
0%	0
1-50%	6
51-99%	0
100%	**0**

Total cost of facility time	£23,186
Total pay bill	£40,462,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	3.6%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1^{st} 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%. During the accounting period 1^{st} August 2018 to 31^{st} July 2019, the College paid 94% (2017/18: 94%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

EVENTS AFTER THE REPORTING PERIOD

The Group sold one of its investment properties on 22^{nd} November 2019 for £812,000. The Group will be opening a new campus at Haywards Heath for the 2020/21 academic year. The Haywards Heath campus will largely deliver courses to 16-19 year olds.

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 Group'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 Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 30^{th} April 2020 and signed on its behalf by:

Dr James Sarmecanic

Chairman

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group 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.

The Group 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");

In the opinion of the Corporation, the Group complies with the provisions of the Code, and it has complied throughout the year ended 31st July 2019. The Corporation 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 21st March 2016.

The Corporation

The members who served on the Corporation during the year 2018/19 and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2018/19
Jeff Alexander	1 January 2019	4 years		Independent Member	Finance & General Purposes Committee	50%
Marilyn Billingham	1 August 2012, re-appointed 1 August 2016	4 years, plus 4 years		Independent Member	Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board	78%
Dr Roy Bowden	29 March 2019	Until 28 March 2023 (continued term of office from Worthing College Corporation)		Independent Member	Audit & Risk Committee, Worthing Quality & Stakeholder Board	100%
Steve Cooper	29 March 2019	Until 16 July 2022 (continued term of office from Worthing College Corporation)		Independent Member	Finance &General Purposes Committee	33%
Tom Crowley	1 April 2018	4 years		Independent Member	Resources Committee	50%
Anne Curle	1 January 2019	4 years		Staff Governor		33%
Andrew Davies	1 August 2013, re-appointed ratified from 1 August 2017	4 years, plus 4 years		Staff Governor	Chichester Quality & Stakeholder Board	83%
Jane Dodsworth	1 August 2013, re-appointed 1 August 2017 Appointed as Vice-Chair from 1 August 2019	4 years, plus 4 years		Independent Member	Resources Committee, Chichester Staff Committee	100%
Margaret Eva OBE	Original appointment 1 August 2012			Independent Member	Governance & Search Committee, Remuneration Committee,	79%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2018/19
					Chichester Quality & Stakeholder Board	
Nick Fox	1 January 2013 Re-appointment ratified from 1 January 2018	4 years, plus 4 years		Independent Member	Resources Committee, Audit & Risk Committee, Governance & Search Committee, Remuneration Committee	67%
David Hobson	1 August 2014 Re-appointment ratified from 1 August 2018	4 years, plus 4 years		Independent Member	Resources Committee, Finance & General Purposes Committee	78%
Helen Kilpatrick CB	1 January 2019	4 years		Independent Member	Audit & Risk Committee	75%
Shelagh Legrave OBE	1 September 2010	Ex-officio		Chief Executive	Finance & General Purposes Committee, Resources Committee, Governance & Search Committee, Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board, Chichester Staff Committee, Chichester Student Committee, Crawley Staff Committee, Worthing Quality & Stakeholder Board	89%
Chris Maidment	1 August 2017		25th September 2018		Audit & Risk Committee	0%
Ryan Sallows	1 August 2017, re-appointed from 1 March 2018	4 years from 1 March 2018		Independent Member	Crawley Quality & Stakeholder Board, Crawley Staff Committee	67%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2018/19
Dr James Sarmecanic	1 August 2017, appointed as Chairman from 1 August 2019			Independent Member	Audit & Risk Committee (until 31 July 2019), Governance & Search Committee, Remuneration Committee	100%
Sophie Sargent	1 August 2018	To the end of her term as Student President, Chichester College		Student Governor	Chichester Quality & Stakeholder Board, Chichester Staff Committee	78%
Nick Sutherland	1 August 2018	4 years		Independent Member	Chichester Student Committee, Finance & General Purposes Committee	100%
Caroline Wood	1 January 2015	4 years		Independent Member	Chichester Staff Committee, Worthing Quality & Stakeholder Board (from 1 August 2019)	67%
Paul Wright	1 August 2013, re-appointed 1 August 2017	4 years, plus 4 years		Independent Member	Finance & General Purposes Committee, Governance & Search Committee, Remuneration Committee, Chichester Student Committee	71%

Co-opted Members who served on Committees of the Corporation during the year, are as follows:

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Martyn Bell	13 September 2017	4 years		Co-opted member	Remuneration and Governance & Search Committees
Elisabeth Whitaker	1 August 2015	4 years		Co-opted member	Resources Committee
Amy Kensett	20 November 2018	4 years		Co-opted member	Audit & Risk Committee

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 Group 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.

During the year 2018/19 the Corporation met on the following dates:

- Tuesday, 23 October 2018
- Wednesday, 12 December 2018;
- Monday, 4 February 2019
- Thursday, 21 March 2019
- Wednesday, 2 April 2019;
- Tuesday, 21 May 2019
- Wednesday, 10 July 2019;

The Corporation conducts its business through a number of committees and boards, each with their own terms of reference, which have been approved by the Corporation. These are the Audit & Risk Committee, Finance & General Purposes Committee, Governance & Search Committee, Remuneration Committee, Resources Committee, Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board, Worthing Quality & Stakeholder Board, Chichester Staff Committee, Crawley Staff Committee and Chichester Student Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the Group's website at www.chichestercollegegroup.ac.uk or from the Clerk to the Corporation at:

Chichester College Group
Westgate Fields
Chichester
West Sussex
PO19 1SB

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

All members are able to take independent professional advice in furtherance of their duties at the Group's expense and it has access to the Clerk to the Corporation, who is responsible to the Corporation 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 members in a timely manner, prior to Corporation, Committee and Board meetings. Briefings are provided to members 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 to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years and may serve up to two terms of office, a maximum of eight years. This may be extended in exceptional circumstances.

Corporation Performance

The extract from Chichester College Group's Self-Assessment Report 2018/19, which relates to governance is as follows:

- *The Governors and Chief Executive/Group Leadership Team have articulated a very clear and dynamic mission and vision for the College Group, its learners and key stakeholders. This has resulted in a strategic plan which demonstrates the College Group's aspirations for the region served by the Group and its learners with clear key performance indicators which are measured termly.*
- *Governance arrangements are robust and highly effective. There is a strong and transparent relationship between the Corporation and Group Leadership Team which is based on trust and openness. Governors have a wide range of commercial and educational skills and experience, which they use to gain an insightful overview of the Group's quality of provision and financial performance. Evidence is improvement in achievement rates and delivering the budgeted deficit. Governors use a well-developed performance management scheme, informed by the views of learners and staff, to focus on key targets, for example staff and student satisfaction.*

Remuneration Committee

Throughout the year ending 31 July 2019, the Group's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and the other key management personnel. The Committee meets twice a year, in the autumn term and spring term.

The Corporation adopted the AoC's Senior Post Holder Remuneration Code in July 2019 and complies with the main principles of the Code. The Senior Post Holders within the remit of the Remuneration Committee are the Chief Executive & Accounting Officer, Executive Principal, Chief Financial Officer and Managing Director Commercial.

Details of remuneration for the year ended 31st July 2019 are set out in note 6 to the financial statements.

Audit & Risk Committee

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

The Audit & Risk Committee meets on a termly basis and provides a forum for reporting by the Group's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of Group management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business.

The Group'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 & Risk 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 & Risk Committee also advises the Corporation on the appointment of internal, 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 Group'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 Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Chichester College Group and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group 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 Chichester College Group for the year ended 31st 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 Group 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 Group's significant risks that has been in place for the period ending 31st 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.

Chichester College Group has an internal audit service, which operates in accordance with the requirements of the ESFA's *post 16 Audit code of practice*. The work of the internal audit service is informed by an analysis of the risks to which the Group 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 & Risk Committee. The Head of Internal Audit (HIA) provides the Corporation with an annual report on internal audit activity in the Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- comments made by the Group'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 her review of the effectiveness of the system of internal control by the Audit & Risk Committee, which oversees the work of the internal auditor and other sources of assurance (and risk committee, if appropriate), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Group Leadership 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. The Group Leadership Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation considered the annual report from the Audit & Risk Committee for the year ended 31st July 2019, which set out the Committee's opinion on the Group's systems for Internal Controls, Risk Management and Governance.

Based on the advice of the Audit & Risk Committee and the Accounting Officer and taking account of events since 31st July 2019, the Corporation is of the opinion that the Group 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 30th April 2020 and signed on its behalf by:

Dr James Sarmecanic
Chairman

Shelagh Legrave OBE
Accounting Officer

Chichester College Group

Statement on Regularity, Propriety and Compliance

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 Group's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

We confirm on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Group, or material non-compliance with the terms and conditions of funding under the Group's grant funding agreements and contract with ESFA.

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 ESFA.

Dr James Sarmecanic
Chairman
Date:30 April 2020

Shelagh Legrave OBE
Accounting Officer
Date: 30 April 2020

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 Group's grant funding agreements and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Group and it's surplus of income over expenditure for that period.

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

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

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 the legal and administrative status of the Group.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and relevant accounting standards. It is responsible 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 Corporation is responsible for the maintenance and integrity of the Group's websites; 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 ESFA are used only in accordance with ESFA's grant funding agreements and contracts 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 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's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

Approved by order of the members of the Corporation on 30th April 2020 and signed on its behalf by:

Dr James Sarmecanic
Chairman

Independent auditor’s report to the Corporation of Chichester College Group

Opinion

We have audited the financial statements of Chichester College Group (the “College”) and its subsidiaries (the “Group”) for the year ended 31 July 2019 which comprise the consolidated and College statements of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and of the College’s affairs as at 31 July 2019 and of the Group’s and the College’s surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the college’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Chichester College Group

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group and the 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 the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities this description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum or Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated May 2018. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 4th July 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Dated: 30 April 2020

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.

General Information

Chichester College Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Group's principal place of business is given on page 18. The nature of the Group's operations are set out in the Member's Report.

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 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The accounts are rounded to the nearest thousand pound sterling, other than where indicated, which is the functional currency of the Group.

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by revaluation of certain non-current assets.

Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, Chichester College Services Limited, Anglia Examination Syndicate Limited and First Steps Childcare Group Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College Group does not control those activities. All financial statements are made up to 31st July 2019.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the Group, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

The Group prepared and submitted financial plans to support the merger with Worthing College on 29th March 2019. Post-merger, further plans were developed and submitted to the ESFA by 31st July 2019 which were subsequently updated with the ESFA Integrated Financial Model (IFM) submitted by the 28th February 2020. Each of these financial plans were prepared and submitted on that basis that the merged entity remains a going concern.

The current COVID-19 pandemic has required a further update to financial forecasts to include likely impact on 2019/20 and 2020/21 financial plans. The revised forecasts to 2020-21 have been used as the basis for the going concern assessment.

16-18 and Adult Education funding allocations have been confirmed for 2020/21 and form the largest source of income for the Group at over 60% of total income for that period.

Apprenticeships and other fee income have been assessed for impact and adjusted downwards to take account of likely course cancellations, refunds and planned start dates not now occurring or being delayed.

Each commercial income line has been assessed for impact and adjusted downwards in both 2019/20 and 2020/21. Pre COVID-19, these areas were expected to account for circa 18% of the Group income for the year 2019-20 and are the most widely impacted by the crisis. Modelling suggests the proportion of total income of these commercial areas reducing to circa 14% with the largest reductions in income from international course and accommodation fees and Anglia examinations. The dependency on international travel and access to overseas exam centres being the biggest barrier to a return to normal operating conditions. Other commercial businesses such as the Childcare nurseries, commercial courses and the Sports Centres should return to more normal trading more quickly and in line with any relaxation of UK social distancing measures.

By way of mitigation, the Group has accessed the government Coronavirus Job Retention Scheme for all members of staff where the eligibility criteria apply. The leadership team are reviewing existing plans on a weekly basis to ensure all mitigations to the loss of income are fully explored. Focus is also on detailed planning for reopening and restarting all parts of the Group businesses that have not been able to continue through the extended lockdown period.

Operating cost reductions have been assumed at varying levels across most parts of the Group business during the shutdown however many are fixed costs relating to overheads and depreciation so no savings have been assumed in these areas. The group is working with key suppliers /partners on a risk-sharing approach to major contracts across the Group during the extended lockdown period. Savings on general utilities are being naturally achieved through extended lockdown where buildings are not being opened.

There are two major capital programmes underway across the Group – one is a new £5m grant funded STEM building at the Crawley site, the other a £2m (50% grant funded) refurbishment programme to reopen Haywards Heath College in September 2020. These are both committed projects however future outgoings would cease on these projects should they pause in light of the crisis. However, at the time of signing the financial statements, both projects are progressing well with no major delays to build programmes. Further significant claims were submitted to the grant funder in April 2020 in line with the grant agreement and the outstanding grant funding is expected to remain accessible to the College as the projects progress.

The Group currently has £8.5m of bank loans and £2.8m of government loans outstanding with terms negotiated in 2017. Further details are given in note 17. Covenants with both banks have been tested against the pre COVID-19 2019-20 plans and show that no breaches of covenants were forecast for 2019-20 or 2020-21. Post COVID-19 forecasts for 2019-20 and 2020-21 predict breaches on both banks' covenants but discussions with banks have been positive and on the basis of these and guidance issued by the PRA (Prudential Regulation Authority) in respect of breaches of covenants caused by COVID-19, it is considered highly unlikely there will be any recall of debt in these instances.

The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due. Latest modelling shows a reduction in cash balances at 31st July 2020 and 2021, however the Group is still expected to maintain positive cash balances during this challenging period.

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

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

Recognition of income

Revenue grant funding

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 achievement for the Adult Education 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.

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the Group 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.

Capital grant funding

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

Fee income

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.

Investment income

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.

Agency arrangements

The Group 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 Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the Group 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.

Teachers' pension scheme (TPS)

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 Group 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 there is insufficient information available to use defined benefit accounting. 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.

West Sussex Local Government Pensions Scheme (LGPS)

The LGPS is a funded scheme and the assets of the scheme are held separately. 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 interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial 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 Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed 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.

Investment properties are valued at the fair value at each reporting date, in accordance with FRS 102.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

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

- Buildings – up to 50 years
- Refurbishments – 10 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the Group up to a maximum of 50 years. The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to a maximum of 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred 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 Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014 (land only), 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 31st 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 Group, 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, unless part of a larger project. All other equipment is capitalised at cost.

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

- Plant and machinery 5-10 years
- motor vehicles and general equipment 4 years
- computer equipment 3 years
- furniture and fittings 5 years

A review for impairment of fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of comprehensive income and expenditure.

Non-current Assets - Intangible fixed assets

Intangibles other than Goodwill

Intangibles other than goodwill are measured after initial recognition under the cost model and recognised at cost less accumulated amortisation and impairment losses. Intangibles other than Goodwill are amortised on a straight-line basis over its remaining useful economic life as follows:

- Software and websites 3 years

Goodwill

Goodwill is amortised on a straight-line basis over it's useful economic life. In the absence of a reliable estimate of the useful life, Goodwill is amortised over 5 years on a straight-line basis.

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 to the statement of comprehensive income and expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The Group has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the Group 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 impairment in the individual financial statements.

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 (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The Group 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 Group 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 Group is partially exempt in respect of Value Added Tax, so that it can only recover around 3.4% 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 Group'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 Group 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.

Provisions for dilapidations are provided when the Group becomes obligated and the liability can be reliably estimated.

A contingent liability arises from a past event that gives the Group 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 Group. 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.

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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 31st March 2016 has been used by the actuary in valuing the pensions liability at 31st 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.

CHICHESTER COLLEGE GROUP

Consolidated Statements of Comprehensive Income for the year ended 31st July 2019

	Notes	2019		2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Income					
Funding body grants	1	39,031	39,031	39,242	39,242
Tuition fees and education contracts	2	8,890	8,955	8,362	8,470
Other income	3	9,654	7,292	10,570	8,299
Investment income	4	275	268	32	28
Donations and Endowments	5	-	408	-	579
Gain from gift on consolidation	26	7,378	7,378	13,066	13,066
Merger grant	26	3,094	3,094	21,373	21,373
Total income		68,322	66,426	92,645	91,057
Expenditure					
Staff costs	6	40,193	38,292	38,667	36,920
Restructuring costs	6	269	269	279	279
Other operating expenses	7	18,198	18,333	20,353	20,380
Depreciation & Amortisation	10-11	4,306	4,248	3,869	3,825
Interest and other finance costs	8	552	552	736	736
Total expenditure		63,518	61,694	63,904	62,140
Surplus before other gains and losses		4,804	4,732	28,741	28,917
Profit on disposal of assets		913	913	973	973
Gain on investment properties		293	293	288	288
Surplus before tax		6,010	5,938	30,002	30,178
Taxation	9	-	-	-	-
Surplus for the year		6,010	5,938	30,002	30,178
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial (loss)/gain in respect of pensions	23	(2,620)	(2,620)	14,114	14,114
Total Comprehensive Income for the year		3,390	3,318	44,116	44,292
Represented by:					
Unrestricted comprehensive income		3,390	3,318	44,116	44,292
Restricted comprehensive income		-	-	-	-
		3,390	3,318	44,116	44,292
Surplus for the year atributable to:					
Non controlling interest		-	-	-	-
Group		6,010	5,938	30,002	30,178
		6,010	5,938	30,002	30,178
Total Comprehensive Income for the year attributable to:					
Non controlling interest		-	-	-	-
Group		3,390	3,318	44,116	44,292
		3,390	3,318	44,116	44,292

All items of income and expenditure relate to continuing activities

CHICHESTER COLLEGE GROUP

Consolidated and College Statement of Changes in Reserves for the year ended 31st July 2019

	Income and Expenditure account £'000	Restrictive reserve £'000	Revaluation reserve £'000	Investment Property Revaluation reserve £'000	Total excluding Non controlling interest £'000	Non Contolling interest £'000	Total £'000
Group							
Balance at 1st August 2017	19,449	6	25,108	1,835	46,398	-	46,398
Deficit from the income and expenditure account	29,714	-	-	288	30,002	-	30,002
Other comprehensive income	14,114		-	-	14,114	-	14,114
Transfers between revaluation and income and expenditure reserves	2,858	-	(2,858)	-	-	-	-
	46,686	-	(2,858)	288	44,116	-	44,116
Balance at 31st July 2018	66,135	6	22,250	2,123	90,514	-	90,514
Surplus from the income and expenditure account	5,717	-	-	293	6,010	-	6,010
Other comprehensive income	(2,620)		-	-	(2,620)	-	(2,620)
Additions through business combination	-	83	-	-	83	-	83
Transfers between revaluation and income and expenditure reserves	3,701	-	(3,701)	-	-	-	-
Total comprehensive income for the year	6,798	83	(3,701)	293	3,473	-	3,473
Balance at 31st July 2019	72,933	89	18,549	2,416	93,987	-	93,987
College							
Balance at 1st August 2017	19,189	6	25,108	1,835	46,138	-	46,138
Deficit from the income and expenditure account	29,890	-	-	288	30,178	-	30,178
Other comprehensive income	14,114	-	-	-	14,114	-	14,114
Transfers between revaluation and income and expenditure reserves	2,858	-	(2,858)	-	-	-	-
	46,862	-	(2,858)	288	44,292	-	44,292
Balance at 31st July 2018	66,051	6	22,250	2,123	90,430	-	90,430
Surplus from the income and expenditure account	5,645	-	-	293	5,938	-	5,938
Other comprehensive income	(2,620)	-	-	-	(2,620)	-	(2,620)
Additions through business combination	-	83	-	-	83	-	83
Transfers between revaluation and income and expenditure reserves	3,701	-	(3,701)	-	-	-	-
Total comprehensive income for the year	6,726	83	(3,701)	293	3,401	-	3,401
Balance at 31st July 2019	72,777	89	18,549	2,416	93,831	-	93,831

CHICHESTER COLLEGE GROUP
Balance sheets as at 31st July 2019

	Notes	2019		2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10	111,690	111,551	98,413	98,239
Intangible fixed assets	11	130	103	133	91
Investments	12	-	71	-	71
		111,820	111,725	98,546	98,401
Current assets					
Stocks		336	318	347	320
Debtors	13	5,892	6,550	4,621	4,711
Pensions asset	23	3,035	3,035	9,881	9,881
Investments	14	1	1	1	1
Cash at bank and in hand		7,556	6,360	9,077	8,560
		16,820	16,264	23,927	23,473
Current Liabilities:					
Creditors – amounts falling due within one year	15	(10,381)	(9,886)	(11,577)	(11,062)
Net current assets		6,439	6,378	12,350	12,411
Total assets less current liabilities		118,259	118,103	110,896	110,812
Creditors – amounts falling due after more than one year	16	(24,272)	(24,272)	(20,186)	(20,186)
Provisions					
Defined benefit obligations	18	-	-	-	-
Other provisions	18	-	-	(196)	(196)
Total net assets		93,987	93,831	90,514	90,430
Restricted reserves					
Income and expenditure reserve - restricted reserve		89	89	6	6
Unrestricted reserves					
Income and expenditure reserve		72,933	72,777	66,135	66,051
Revaluation reserve		18,549	18,549	22,250	22,250
Investment Property Revaluation Reserve		2,416	2,416	2,123	2,123
Total reserves		93,987	93,831	90,514	90,430

The financial statements on pages 28 to 59 were approved and authorised for issue by the Corporation on 30th April 2020 and were signed on its behalf on that date by:

Dr James Sarmecanic
Chairman

Shelagh Legrave OBE
Accounting Officer

CHICHESTER COLLEGE GROUP

Consolidated Statement of Cash Flows for the year ended 31st July 2019

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		6,010	30,002
Adjustment for non cash items			
Depreciation		4,306	3,869
Gain on investment properties		(293)	(288)
Decrease/(Increase) in stocks		11	(44)
(Increase) in debtors		(1,271)	(1,793)
(Decrease)/Increase in creditors due within one year		(368)	2,517
Increase in creditors due after one year		5,311	3,035
(Decrease) in provisions		(196)	(99)
Pensions costs less contributions payable		2,857	3,004
Defined benefit assets in merger gift		1,595	(859)
Fixed assets in merger gift		(18,337)	(42,390)
Restrictive reserves in merger gift		82	-
Adjustment for investing or financing activities			
Investment income		(275)	(32)
Interest payable		552	736
(Profit)/Loss on sale of fixed assets		(910)	(982)
Net cash flow from operating activities		(926)	(3,324)
Investing activities			
Proceeds from sale of fixed assets		4,299	6,259
Investment income		49	32
Payments made to acquire fixed assets		(3,178)	(1,859)
		1,170	4,432
Financing activities			
Placed on deposit		-	7
Interest paid		(539)	(566)
Interest element of finance lease rental payments		(18)	(23)
New unsecured loans		3,093	39,631
Repayments of amounts borrowed re merger		(3,093)	(33,366)
Repayments of amounts borrowed		(1,120)	(3,708)
Capital element of finance lease rental payments		(88)	(84)
		(1,765)	1,891
Increase in cash and cash equivalents in the year		(1,521)	2,999
Cash and cash equivalents at beginning of the year	19	9,077	6,078
Cash and cash equivalents at end of the year	19	7,556	9,077

1 Funding body grants

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency -Adult	4,450	4,450	4,176	4,176
Education and Skills Funding Agency -16-18	25,410	25,410	24,796	24,796
Education and Skills Funding Agency -Apprenticeships	5,560	5,560	7,004	7,004
Office for Students	355	355	395	395
Specific Grants				
Non recurrent grants - Education and Skills Funding Agency	2,163	2,163	1,995	1,995
Non recurrent grants - Office for Students	129	129	160	160
Releases of deferred capital grants	964	964	716	716
Total	39,031	39,031	39,242	39,242

2 Tuition fees and education contracts

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,978	2,071	2,507	2,619
Apprenticeship fees and contracts	104	104	106	106
Fees for FE loan supported courses	903	903	849	849
Fees for HE loan supported courses	1,816	1,823	1,493	1,498
European (excluding UK) students	566	566	517	517
International students fees	1,043	1,008	994	985
Total tuition fees	6,410	6,475	6,466	6,574
Education contracts	2,480	2,480	1,896	1,896
Total	8,890	8,955	8,362	8,470

3 Other income

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	3,909	4,510	5,178	5,650
Profit/(loss) on disposal of tangible fixed assets	-	-	9	9
Other income generating activities	4,172	1,199	3,849	1,092
Other grant income	18	18	76	76
Other and miscellaneous income	1,555	1,565	1,458	1,472
Total	9,654	7,292	10,570	8,299

4 Investment income

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	49	42	32	28
Pension finance income (note 25)	226	226	-	-
	275	268	32	28

5 Donations and Endowments

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Distributions from subsidiaries	-	408	-	579
Total	-	408	-	579

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:

	2019 No.	2018 No.
Teaching staff	473	448
Non teaching staff	698	615
	1,171	1,063

Staff costs for the above persons

		2019		2018	
		Group £'000	College £'000	Group £'000	College £'000
Wages and salaries		29,348	28,006	28,248	27,019
Social security costs		2,527	2,445	2,461	2,384
Other pension costs		7,888	7,460	7,587	7,181
Payroll sub total		39,763	37,911	38,296	36,584
Contracted out staffing services		430	381	371	336
		40,193	38,292	38,667	36,920
Fundamental restructuring costs -	contractual	269	269	279	279
	non contractual	-	-	-	-
		40,462	38,561	38,946	37,199

All severance costs were approved by the Corporation.

Key management personnel compensation

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 Group Leadership Team which comprises the Chief Exceutive Officer, Executive Principal, Chief Financial Officer, Chief Operating Officer (to 30th April 2019), Group Managing Director Commercial, Principal of Crawley College, Principal of Worthing College (from 29th March 2019) and Principal of Brinsbury/Group Deputy Principal Quality. Staff costs include compensation paid to key management personnel for loss of office.

6 Staff costs - Group and College (continued)

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

The number of key management personnel including the Accounting Officer was:

	2019 No.	2018 No.
	7	7

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

	Key management personnel		Other Staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	-	-	2	1
£65,001 to £70,000	-	-	1	-
£70,001 to £75,000	-	-	-	2
£75,001 to £80,000	-	-	2	-
£80,001 to £85,000	-	-	-	1
£85,001 to £90,000	2	-	1	-
£90,001 to £95,000	-	2	-	-
£100,001 to £105,000	3	1	-	-
£105,001 to £110,000	-	2	-	-
£110,001 to £115,000	1	-	-	-
£115,001 to £120,000	-	1	-	-
£155,001 to £160,000	1	-		
£165,001 to £170,000	-	1	-	-
	7	7	6	4

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries- gross of salary sacrifice and waived emoluments	746	773
Benefits in kind	7	6
National Insurance	95	99
	848	878
Pension contributions	138	134
Local Government Pension Scheme - FRS 102 (28) charge	81	106
Total emoluments	1,067	1,118

6 Staff costs - Group and College (continued)

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salaries	159	166
Benefits in kind	1	1
	160	167
Pension contributions	32	31
	192	198

The Accounting Officer's salary is set at a spot point and the remuneration package includes a performance related pay scheme of up to ten per cent of the spot salary. The remuneration for the Accounting Officer in 2018/19 was determined in February 2017 by Chichester College Group Corporation and has remained the same since that time.
The Accounting Officer was not involved in setting their remuneration. The key factor considered by the Corporation in determining the Accounting Officer's remuneration was sector data on the pay of Accounting Officers.
The performance management scheme comprises four corporate targets and two individual targets which are considered by the Remuneration Committee and approved by the Corporation. The corporate targets relate to student and staff satisfaction, financial performance and student achievement. Performance against the targets set under scheme is assessed by the Remuneration Committee who present a recommendation to the Corporation. For 2018/19 there was no performance related pay award as the financial target was not achieved.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2019 No
Basic salary as a multiple of median basic salary of staff	6.8
Total remuneration as a multiple of median total remuneration of staff	6.6

7 Other operating expenses

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,426	4,491	5,085	5,113
Non teaching costs	9,586	9,726	9,653	9,726
Premises costs	4,186	4,116	5,615	5,541
Total	18,198	18,333	20,353	20,380

Other operating expenses include:	**2019**	**2018**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit		
External: financial statements audit*	64	66
External: taxation compliance services**	4	6
External: due dilligence services***	35	-
Internal audit****	28	29
Payments to sub-contractors	2,382	3,338
Losses on disposal of tangible fixed assets (where not material)	3	-
Hire of assets under operating leases	389	329

* includes £62,000 in respect of the College (2017/18 £64,000)
** includes £nil in respect of the College (2017/18 £nil)
*** includes £35,000 in respect of the College (2017/18 £nil)
**** includes £28,000 in respect of the College (2017/18 £29,000)

8 Interest payable - Group and College

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	534	534	642	642
On finance leases	18	18	23	23
Net interest on defined pension liability (note 23)	-	-	71	71
Total	552	552	736	736

9 Taxation - Group only

The Members do not believe that the college was liable for any corporation Tax arising out of its activities during either year. Taxable profits of the subsidiary companies are paid to the College under gift aid.

10 Tangible fixed assets (Group)

	Land and buildings			Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property	Long leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2018	115,531	2,431	338	8,223	343	126,866
Additions	460	-	-	1,249	577	2,286
Additions through business combination	18,320	-	-	17	-	18,337
Revaluations	-	293	-	-	-	293
Transfers	343	-	-	-	(343)	-
Reclassifications	(143)	-	143	-	-	-
Disposals	(3,379)	-	(131)	(40)	-	(3,550)
At 31st July 2019	131,132	2,724	350	9,449	577	144,232
Depreciation						
At 1st August 2018	23,310	-	197	4,946	-	28,453
Charge for the year	2,972	-	46	1,233	-	4,251
Reclassifications	(143)	-	143	-	-	-
Elimination in respect of disposals	-	-	(126)	(36)	-	(162)
At 31st July 2019	26,139	-	260	6,143	-	32,542
Net book value at 31st July 2019	104,993	2,724	90	3,306	577	111,690
Net book value at 31st July 2018	92,221	2,431	141	3,277	343	98,413

CHICHESTER COLLEGE GROUP
Notes to the Accounts for the year ended 31st July 2019 (continued)

10 Tangible fixed assets (College only)

	Land and buildings Freehold	Investment property	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2018	115,515	2,431	132	8,133	343	126,554
Additions	460	-	-	1,244	577	2,281
Additions through business combination	18,320	-	-	17	-	18,337
Revaluations	-	293	-	-	-	293
Transfers	343	-	-	-	(343)	-
Reclassifications	(143)	-	143	-	-	-
Disposals	(3,379)	-	(131)	(40)	-	(3,550)
At 31st July 2019	131,116	2,724	144	9,354	577	143,915
Depreciation						
At 1st August 2018	23,303	-	102	4,910	-	28,315
Charge for the year	2,970	-	25	1,216	-	4,211
Reclassifications	(143)	-	143	-	-	-
Elimination in respect of disposals	-	-	(126)	(36)	-	(162)
At 31st July 2019	26,130	-	144	6,090	-	32,364
Net book value at 31st July 2019	104,986	2,724	-	3,264	577	111,551
Net book value at 31st July 2018	92,212	2,431	30	3,223	343	98,239

Land and Buildings for both campuses were revalued in 2000 at depreciated replacement cost. Land was valued in 2014 at depreciated replacement cost by Medhursts a firm of independent chartered surveyors. These values were retained as deemed cost on transition to FRS 102. Investment properties were valued at fair value as at 31st July 2019. Fair value being the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date and using assumptions of the market conditions and risk at that date.

Fixed assets with a net book value of £20,045,610 (2018: £23,503,192) have been part funded from local education authority sources, £19,909,705 (2018: £23,362,381) and exchequer funds £135,805 (2018: 140,811), through for example the receipt of capital grants. Should these assets be sold, the College would have to use the sale proceeds in accordance with the Financial Memorandum with the ESFA.

The net book value of equipment includes an amount of £89,014 (2018: £133,521) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £44,507 (2018: £44,507)

If inherited land and buildings had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

11 Intangible fixed assets

	Group		College	
	Software	Total	Software	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1st August 2018	668	668	607	607
Additions	52	52	49	49
Disposals	-	-	-	-
At 31st July 2019	720	720	656	656
Amortisation				
At 1st August 2018	535	535	516	516
Amortisation for the year	55	55	37	37
Elimination in respect of disposals	-	-	-	-
At 31st July 2019	590	590	553	553
Net book value at 31st July 2019	130	130	103	103
Net book value at 31st July 2018	133	133	91	91

12 Non current Investments

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Investments in subsidiary companies	-	71	-	71
Total	-	71	-	71

Investments in subsidiary companies are as follows:

	2019 Group £	2019 College £	2018 Group £	2018 College £
Chichester College Services Limited	-	500	-	500
Anglia Examination Syndicate Limited	-	70,100	-	70,100
First Steps Childcare Group Ltd	-	100	-	100
	-	70,700	-	70,700

The college owns 100% of the issued ordinary shares of its subsidiaries, all of which are incorporated in England and Wales. The investments are shown at cost.

Chichester College Services Limited was incorporated on 3rd Febuary 1993 and commenced trading on 1st April 1993. The principal business activities are the provision of nursery services and commercial residential lettings. The results for the year ended 31st July 2018 have been included in the consolidated financial statements.

The College acquired its interest in Anglia Examination Syndicate Limited on 25 November 1993. The principal activity is the establishment and administration of an education syllabus in a number of countries. The results for the year ended 31st July 2018 have been included in the consolidated financial statements.

First Steps Childcare Group Limited was incorporated on 11th March 2018 and is a dormant company.

13 Trade and other receivables

	2019		2018	
	Group	College	Group	College
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Trade debtors	1,817	1,337	2,295	1,754
Amounts owed by subsidiary undertakings	-	1,185	-	640
Other debtors	38	38	22	22
Prepayments and accrued income	3,543	3,496	992	983
Amounts owed by the ESFA	494	494	1,312	1,312
Total	5,892	6,550	4,621	4,711

14 Current investments

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investment in shares	1	1	1	1
Total	1	1	1	1

15 Creditors: amounts falling due within one year

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	931	931	1,120	1,120
Funding Body Loans	200	200	-	-
Obligations under finance leases	94	94	88	88
Trade creditors	1,456	1,432	1,395	1,377
Other taxation and social security	1,393	1,393	1,183	1,183
Payments received in advance & deferred income	1,547	1,515	1,460	1,430
Accruals	2,115	1,953	3,688	3,487
Other Creditors	920	643	802	536
Deferred income - government capital grants	1,028	1,028	724	724
Amounts owed to the ESFA	697	697	1,117	1,117
Total	10,381	9,886	11,577	11,062

16 Creditors: amounts falling due after one year

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	7,602	7,602	8,533	8,533
Obligations under finance leases	99	99	193	193
Funding Body Loans	2,800	2,800	3,000	3,000
Deferred income - government capital grants	13,771	13,771	8,460	8,460
Total	24,272	24,272	20,186	20,186

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	931	931	1,120	1,120
Between one and two years	878	878	931	931
Between two and five years	5,149	5,149	5,575	5,575
In five years or more	1,575	1,575	2,027	2,027
Total	8,533	8,533	9,653	9,653

A bank loan at a fixed rate of 6.645% was renegotiated on 1/8/17 (2019: £3,075,000, 2018: £3,375,000). This loan is secured on the property Westgate Halls at the Chichester Campus. The loan is payable by quarterly instalments up to 31st August 2029.

A bank loan at a floating rate of LIBOR plus 2.75% was renegotaiated on 1/8/17 (2019: £4,177,000, 2018: £4,498,000) and is payable by quarterly instalments up to August 2022. Two bank loans at a fixed rate of 5.29% and 8.25% were negotiated on 1/8/17 in relation to the merger with Central Sussex College (2019: £68,000 & £1,213,000 respectively, 2018: £338,000 & £1,442,000 respectively). The bank loans are repayable by quarterly instalments up to September 2019 and November 2023 respectively. All three bank loans are secured on the Crawley Campus.

17 Maturity of debt (continued)

(b) Finance leases

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

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	94	94	88	88
Between two and five years	99	99	193	193
In five years or more			-	-
Total	193	193	281	281

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

(c) Funding Body Loans

Funding body loans are repayable as follows:

	2019		2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	200	200	-	-
Between one and two years	200	200	200	200
Between two and five years	2,600	2,600	2,800	2,800
In five years or more	-	-	-	-
Total	3,000	3,000	3,000	3,000

A loan at a fixed rate of 1.23% was renegotiated on 1/8/17. This rate will increase to 3.23% in April 2020 The loan is secured on the Chichester Campus (excluding the property Westgate Halls) and is repayable by annual instalments starting on September 2019 up to September 2022, although there is an option to extend the loan beyond that date.

18 Provisions

	Group and College			
	Dilapidations	Other Provisions	Defined benefit Obligations	Total
	£'000	£'000	£'000	£'000
At 1st August 2018	100	96	-	196
Reversed in the year	(100)	(96)	-	(196)
At 31st July 2019	-	-	-	-

Dilapidations are in respect of contractural commitments on a property lease, which ended in 2018/19 and was released to income and expenditure. Other provisions in respect of a review of the last three years' VAT returns at Central Sussex College, was assessed in 2018/19 and released to income and expenditure.
Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

19 Cash and cash equivalents

	At 1/8/18 £'000	Cash flows £'000	At 31/7/19 £'000
Cash and cash equivalents	9,077	(1,521)	7,556
Overdrafts	-	-	-
	9,077	(1,521)	7,556
Bank loans	(9,653)	1,120	(8,533)
Finance leases	(281)	88	(193)
Funding body loans	(3,000)	-	(3,000)
Current asset investments	1	-	1
Net debt	(3,856)	(313)	(4,169)

20 Capital commitments

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Commitments contracted for at 31st July	221	221	659	659

21 Lease Obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	45	167
Later than one year and not later than five years	32	-
later than five years	-	32
	77	199
Other		
Not later than one year	338	159
Later than one year and not later than five years	248	109
later than five years	-	3
	586	271
Total lease payments	663	470

22 Events after the reporting period

At the balance sheet date the Group was in the process of selling one of it's investment properties near Pulborough. The sale was completed on 22nd November 2019 for a consideration of £812,000.
The Group was named as the successful bidder by the Department of Education (DfE), in the project to re-open the Haywards Heath college. The campus will open for the 2020/21 academic year.
In line with government guidelines, the Group has been closed to all but essential services from 23rd March 2020, due to the COVID 19 pandemic. Where possible staff will be working from home during this period.

23 Retirement benefits

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hymans Robertson. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2019**		**2018**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		2,134		1,952
Local Government Pension Scheme:				
Contributions paid	2,897		2,631	
FRS 102 (28) charge	2,857		3,004	
Charge to the Statement of Comprehensive Income		5,754		5,635
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year - Per note 6		7,888		7,587

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31st March 2012 and of the LGPS 31st March 2016. Contributions amounting to £621,220 (2017: £524,095) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014 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. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

23 Retirement benefits (continued)

Valuation of the Teachers' Pension Scheme (continued)

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion;
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

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 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

However, legal challenge to the 2015 public sector pension reforms could have a further impact on the scheme, which would have retrospective application.

The pension costs paid to TPS in the year amounted to £2,134,000 (2018: 1,952,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by West Sussex County Council Local Authority . The total contribution made for the year ended 31 July 2019 was £3,762,000, of which employer's contributions totalled £2,897,000 and employees' contributions totalled £865,000. The agreed contribution rates for future years are 2018/19 19.5 and 2019/20 20% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	2019	**2018**
Rate of increase in salaries	2.50%	2.00%
Future pensions increases	2.40%	2.40%
Discount rate	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%

Commutation- An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2019 (continued)

23 Retirement benefits (continued)

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

	2019	2018
	years	years
Retiring today		
Males	21.8	23.6
Females	23.6	25.0
Retiring in 20 years		
Males	23.0	26.0
Females	25.5	27.8

The College's share of the assets in the plan at the balance sheet were:

	Fair Value at 31st July 2019	Fair Value at 31st July 2018
	£'000	£'000
Equities	84,247	73,464
Bonds	56,705	47,616
Property	12,961	10,884
Cash	8,101	4,081
Total market value of assets	162,014	136,045
Actual return on plan assets	12,914	12,040

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

	2019	2018
	£'000	£'000
Fair value of plan assets	162,014	136,045
Present value of plan liabilities	(158,423)	(125,579)
Present value of unfunded liabilities	(556)	(585)
Net pensions (liability)/asset	3,035	9,881

23 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

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

	2019	2018
	£'000	£'000
Amounts included in staff costs		
Current service cost	5,604	5,410
Past service cost	193	253
Total	5,797	5,663
Amounts included in investment income/(cost)		
Net interest income/(cost)	226	(71)
	226	(71)

Amounts recognised in Other Comprehensive Income

	2019	2018
	£'000	£'000
Return on pension plan assets	8,612	8,713
Experience losses arising on defined benefit obligations	(9)	(1)
Changes in assumptions underlying demographics	14,679	-
Changes in assumptions underlying the present value of plan liabilities	(25,902)	5,402
Amount recognised in Other Comprehensive Income	(2,620)	14,114

Movement in net defined benefit liability during the year

	2019	2018
	£'000	£'000
Deficit in scheme at 1st August	9,881	(2,017)
Movement in year:		
Central Sussex College defined benefit asset at 1st August	-	859
Worthing College defined benefit asset at 29th March	(1,595)	-
Current service cost	(5,604)	(5,410)
Employer contributions	2,903	2,624
Past service cost	(193)	(253)
Contributions in respect of unfunded benefits	37	35
Net interest on the defined (liability)/asset	226	(71)
Actuarial gain or loss	(2,620)	14,114
Net defined benefit liability at 31st July	3,035	9,881

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2019 (continued)

23 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	126,164	70,068
Central Sussex College defined obligations at 1st August	-	53,731
Worthing College defined obligations at 1st August	13,479	-
Current Service cost	5,604	5,410
Past Service cost (including curtailments)	193	253
Interest cost	3,695	3,398
Contributions by Scheme participants	898	824
Experience gains and losses on defined benefit obligations	9	1
Changes in demographic assumptions	(14,679)	-
Changes in financial assumptions	25,902	(5,402)
Estimated benefits paid	(2,249)	(2,084)
Unfunded benefits	(37)	(35)
Defined benefit obligations at end of period	158,979	126,164

	2019	2018
Reconciliation of Assets		
Fair value of plan assets at start of period	136,045	68,051
Central Sussex College fair value of plan assets at 1st August	-	54,590
Worthing College fair value of plan assets at 29th March	11,884	-
Interest on plan assets	3,921	3,327
Contributions by Scheme participants	898	824
Employer contributions	2,903	2,624
Contributions in respect of unfunded benefits	37	35
Estimated benefits paid	(2,249)	(2,084)
Unfunded benefits paid	(37)	(35)
Return on plan assets	8,612	8,713
Assets at end of period	162,014	136,045

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Service Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

24 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £360; 5 governors (2018: £163; 1 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: none).

25 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Acquired through business combination	136	125
Funding body grants – discretionary learner support	581	570
Funding body grants – residential bursaries	29	30
Funding body grants – Capacity & delivery	22	-
Funding body grants – Free School Meals	160	207
	928	932
Disbursed to students	(810)	(728)
Administration costs	(43)	(40)
Balance unspent as at 31st July, included in creditors	75	164

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.

26 Business combination with Worthing College

Chichester College merged with Worthing College on 29th March 2019 to form Chichester College Group. The merger was classed as a type B merger with the Worthing College corporation being dissolved and all trade, assets and liabilities transferring to Chichester College Group on 29th March 2019 at £nil consideration. The transaction has been treated as a gift in substance in line with FRS 102, PBE 34.77 to PBE 34.79.

a) Fair value of assets and liabilities and gift

The assets and liabilities that were brought into the Group at fair value, were as follows:

	£'000
Non Current Assets	
Tangible fixed assets	18,337
Current Assets	
Trade and other receivables	475
Cash in hand and in bank	374
	849
Less: Creditors - amounts falling due within one year	(4,563)
Net current liabilities	(3,714)
Total assets less current liabilities	14,623
Creditors - amounts falling due after more than one year	(5,404)
Provisions	
Defined benefit obligations	(1,595)
Other provisions	(164)
Reserves:	
Restrictive Reserve	(82)
Total net assets/Gift	7,378

The gift of the fair value of the net assets is included in the Statement of Comprehensive Income.

b) Results attributable to Worthing College

The results attributable to Worthing College since the merger date on 29th March 2019, is as follows:

	£'000
Income	2,448
Deficit	188

These amounts have been calculated based upon directly attributable income and costs associated with the Worthing campus plus an allocation of Group central costs.

c) Merger Grant

	2019	2018
The grant received in respect of the merger related to the following:	£'000	£'000
Waiver of exceptional financial support previously provided to Central Sussex College	-	12,098
Settlement of Bank loans to Worthing/Central Sussex College	3,094	9,275
	3,094	21,373

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF CHICHESTER COLLEGE GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 May 2018 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Chichester College Group during the period [insert the start date of the period for which the annual report and financial statements (annual accounts) have been prepared] to 31 July 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") 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.

We are independent of the Chichester College Group in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Chichester College Group for regularity

The Corporation of Chichester College Group is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Chichester College Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report
This report is made solely to the Corporation of Chichester College Group and the Secretary of State for Education acting through 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 Chichester College Group and the Secretary of State for Education acting through 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 Chichester College Group and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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Dated: 30 April 2020