Chichester college

# Report and Financial Statements
# for the year ended 31 July 2016

# Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2015/16:

Shelagh Legrave, Principal and CEO; Accounting officer
Andrew Green, Deputy Principal
Julie Sleeman, Vice Principal and Chief Operating Officer
Julie Kapsalis, Vice Principal (Commercial)
Victoria Illingworth, Assistant Principal (Student Success)
Sally Challis-Manning, Assistant Principal (Quality)
Helen Loftus, Assistant Principal (Enterprise & Adults)
Stephen Coulthard, Director of Finance, Information & Funding

### Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Catherine Vinall acted as Clerk to the Governing Body throughout the period.

### Professional advisers

**Financial statements auditors and reporting accountants:**

RSM UK Audit LLP
Davidson House,
Forbury Square,
Berkshire
RG1 3EU

**Internal auditors:**

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

**Bankers:**

Lloyds Bank plc
10 East Street,
Chichester,
West Sussex
PO19 1HJ

**Solicitors:**

Irwin Mitchell LLP
Thomas Eggar House,
Friary Lane,
Chichester,
West Sussex
PO19 1UF

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# Members' Report/Report of the Governing Body/Strategic Report

## NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

### 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. With the merger with Brinsbury College on 1st August 2002, On 1st October 2001, the Secretary of State granted consent to the Corporation to change the College's name to Chichester College.

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

### Mission and Vision

Chichester College's Mission is changing lives through learning.

We do this by:

- educating young people in life and work skills;
- retraining adults for new or improved careers;
- outstanding teaching and learning;
- responding to the skills needs of our local communities and employers;
- providing teaching and learning in a community where diversity and internationalism are positively welcomed.

Our Vision:

Chichester College will be in the top 10% of colleges for success whilst remaining inclusive. It will be first choice for:

- further education for our local communities;
- regional businesses who wish to develop their workforces' skills;
- international further education in England

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

- Positioning the College to take advantage of beneficial merger and acquisition opportunities

### Public Benefit

Chichester College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems

- Links with employers, industry and commerce.

### Implementation of strategic plan

In July 2016 the College adopted a strategic plan for the period 1st August 2016 to 31st July 2019. The Strategic Plan is supported separate plans for key areas, including estates and financial plans. The Corporation monitors the performance of the College against these plans. The College's strategic objectives are:

- Continue to deliver outstanding teaching learning and assessment which ensures the highest levels of success for our students;
- Provide a curriculum relevant for today and the future which equips students with appropriate work and life skills;
- Engage with employers to supply and upskill their workforce.
- Develop and grow substantial commercial businesses to support the College's financial health;
- Brinsbury is a vibrant, sustainable campus which meets the needs of its rural and wider community;
- To develop a college community that is a highly fulfilling place to work;
- The College is financially viable in the long term.

The College is on target for achieving these objectives.

### Financial objectives

The College's financial objectives for 2015/16 were:

- To achieve the budgeted surplus;
- To maintain a positive cash balance throughout the year;
- To achieve the adult skills allocation;

The Group did not achieve its adult skills allocation; however, all other financial objectives were met. A revised set of financial objectives and key performance indicators have been set for 2016/17.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

### Performance indicators

The five key performance indicators measured by the Governing Body are:

- Student success, both overall and separately for Functional Skills and Value Added
- Student satisfaction as measured by the end of year student survey
- Staff satisfaction as measured by the annual staff survey
- The increase in apprentice income and the rise of surplus from commercial income
- The achievement of the budgeted surplus

The College 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 College is required to complete the annual Finance Record for the Skills Funding Agency ("SFA"). The College is assessed by the SFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

## FINANCIAL POSITION

### Financial results

The Group generated a deficit before other gains and losses in the year of £(834,000) (2014/15 – £(637,000)), with total comprehensive income of £3,663,000, (2014/15 - £(1,625,000)). The FRS102 pension adjustments in the year have impacted interest payable by £333,000 (2014/15 - £276,000), staff costs by £794,000 (2014/15 - £645,000) and actuarial gain in respect of pension schemes by £4,485,000 (2014/15 – loss £(1,343,000)). If these adjustments were excluding from the Statements of Comprehensive Income, the Group generated a surplus before other gains and losses in the year of £293,000 (2014/15 - £284,000), with total comprehensive income of £305,000 (2014/15 - £639,000). These adjustments are shown in the table below.

| | 2015/16 | 2014/15 |
|---|---|---|
| | £'000 | £'000 |
| Surplus before other gains and losses prior to pension adjustments | 293 | 284 |
| Less adjustments related to year end pension valuation: | | |
| - Included within staff costs (note 23) | (794) | (645) |
| - Included within Interest costs (note 8) | (333) | (276) |
| **Deficit before other gains and losses per statutory accounts** | (834) | (637) |

The reduction in income (£9,317,000), was mainly due to the cessation of ESF contracts (£9,521,000) in early 2015/16. Recurrent grant income increased by £648,000 due to an increase in the College's 16-18 (£835,000) and HEFCE grant income (£114,000), offset by a lower Adult Skills grant income (£301,000). There is an expected clawback of £157,000 in creditors in respect of the Adult Skills budget, with a £186,000 debtor for 16-18 Apprentices.

This year saw a £172,000 increase in tuition fees, mainly due to a £342,000 increase in fees for FE and HE courses, which was offset by a reduction in International student fees of £261,000. The International market continues to prove challenging.

The Group has seen a further reduction in payroll staff costs by £1,011,000 to £24,620,000, partially due to the lower costs from the loss of the ESF income but also due to tight control of pay costs throughout the year. Restructuring costs of £259,000 related to 24 redundancies in the year.

Other operating expenditure reduced by £7,837,000. mainly as a result of the drop in ESF income and the respective partner costs. With the reduction in funding income, other operating expenditure continues to be tightly controlled.

The consolidated results, show a total comprehensive income for the year of £3,663,000 (2014/15 – £(1,625,000), which have been taken to reserves.

The Group has accumulated reserves of £16,019,000 (2014/15 - £11,982,000) and cash and short term investment balances of £5,902,000 (2014/15 - £5,391,000). The Group wishes to continue to accumulate reserves and cash balances in order to help fund the further investment in the College's buildings and infrastructure. Unrestricted reserves prior to the Pension reserve reduction (2015/16 - £5,485,000, 2014/15 - £8,843,000), came to £21,504,000 (2014/15 - £20,825,000)

Fixed asset additions during the year amounted to £3,045,000 (£2,916,000 tangible and £129,000 intangible). This was split between land and buildings acquired of £1,965,000, equipment purchased of £1,080,000 and software (now treated as an intangible asset) of £129,000. The majority of the land and building costs related to work done on updating the kitchens and restaurants on the Chichester campus, which was still ongoing at the year end.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 60% (2015 – 68%) of the Group's total income.

The College has two 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 College under gift aid. In the current year, the surpluses generated were £303,000 (2014/15 - £501,000) and £179,000 (2014/15 - £203,000) for Chichester College Services Limited and Anglia Examination Syndicate Limited respectively.

**Treasury policies and objectives**

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

The College has a separate treasury management policy in place within the College 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**

At £4,719,000 (2014/15 - £4,632,000), net cash flow from operating activities remains very strong. With the major investment in the kitchens and restaurants at the Chichester Campus, net investing activity outflows came to £2,925,000 (2014/15 - £451,000) all generated internally.

The size of the College'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. During the year this margin was comfortably exceeded. By the end of the financial year, cash and cash equivalents increased by £510,000 (2014/15 - £2,870,000) to £5,893,000.

College borrowings at the end of the financial year amount to £10,712,000 (2014/15 - £11,433,000). Two separate borrowings make up the total: firstly, a 2008/09 unsecured loan to help finance the professional fees associated with the scrapped LSC era project totalling £173m, secondly, the £8m loan secured during 2011/12 to partly finance the new construction centre and animal care buildings.

The closing cash balance for the year was £5,893,000 and net current assets have increased to £1,216,000 (2014/15 - £1,105,000). The Colleges' target remains to maintain positive working capital cash levels throughout the year. Both College bank loan covenant conditions have been met for the year.

There is a continuing commitment from the Governing Body to build financial surpluses to support ongoing capital plans.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

**Student numbers**

In 2015/16 the College has delivered activity that has produced £26,014,000 in funding body main allocation funding (2014/15 – £25,480,000).

| | 2014/15 | 2015/16 |
|---|---|---|
| 14-16 IF & Links programmes | 319 | 289 |
| 16-18 | 3,586 | 3,736 |
| 19+ | 2,490 | 1.742 |
| Apprentices average in learning | 3,038 | 2,528 |
| Total | 9,433 | 8,295 |

**Student achievements**

The College is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying for. For the academic year 2015/16 the achievement rate for Chichester College was 85.6%, including English and Maths.

This was an increase of 2.4 percentage points from 83.2% in the academic year 2014/15, and is 3.3 percentage points above the latest national average of 82.3%. The College 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.

The College has over 2,500 apprentices who receive formal teaching for one day a week and are employed and go to work for the other four days. Achievement rates for the College based apprentices are 75.8%, and are 6% above the current national average

**Student Support**

Support for students is provided in a range of different ways. The College has a strong Student Union and is at the forefront of involving the student voice in all that it does. The College continued its use of students in lesson observations of teachers, carrying out reviews with a trained observer. It has a student council, a strong student executive and from September 2007 has introduced and funded a sabbatical student union president. The College has a vibrant enrichment programme which includes team sports, outings to venues such as Alton Towers and London, volunteer work in Kenya and Antigua and supports a variety of clubs. Each student has his or her own personal tutor who conducts one to one meetings as well as group tutorials. The College administers funds on behalf of the SFA and EFA to help students who experience financial hardship and also negotiates advantageous prices for rail and bus travel.

**Curriculum developments**

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. A particular strength is in preparing students for the next stage in their lives.

Many of our students have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are returning to education. These include maths, English and ICT courses. A new NEET provision is being introduced in the new academic year.

Other courses prepare students for university. These include:

- Access courses for adults
- Close liaison with a range of national and local universities
- Development of further Level 4 courses including HNCs and HNDs and two new BA top-up progammes to degree level, specifically to fit the needs of our students.

**Staff**

The business of the College is people focused and it acknowledges the enormous contribution by the 1,034 staff (headcount not FTE) who work there. Valuing staff is a continuing high priority. Arrangements which continued this year include a bi-weekly newsletter, recognising special contributions through a Team of the half term award, and improving continuing personal development through five Development days when no teaching takes place and there is a focus on training teams and individuals. Significant funds have been invested in a development programme for all staff.

The College was re-accredited with the National Investors in People award in November 2011 in recognition of the personal development and training initiatives in place for staff generally.

**Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 90 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

**Events after the end of the reporting period**

As reported in the financial statements, there were no material post balance sheet events.

**Future prospects**

Mainstream College business areas 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. As in previous years, the College commercial areas of business provide the greatest opportunities for growth.

The financial statements have been prepared on a going concern basis. The College has net assets as at the 31st July 2016 of £42,839,000 (2015 - £39,176,000) and net current assets of £1,216,000 (2015 - £1,105,000). In addition, the College has a strong cash position at 31st July 2016 of £5,893,000 (2015 - £5,383,000) and generated £4,719,000 net cash flow from operating activities (2014/15 - £4,632,000), which supports the assessment that the College remains a going concern. The College will continue to closely monitor its financial position.

The College has been through an Area Review process in the year, which completed in March 2016. The recommendation from the review is that "Chichester College to remain independent currently, but to explore the potential for partnership with (an)other college(s). The College is in early discussions with another College over the possibilities of a merger, which if taken forward would not have an impact on the going concern of the College.

**RESOURCES:**

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

Tangible resources include two main College sites, and a leased building on Terminus Road, Chichester.

**Financial**

The College has £42,839,000 (2014/15 - £39,176,000) of net assets (including £5,485,000 pension liability (2014/15 - £8,843,000)) and long term debt of £9,991,000 (2014/15 - £10,713,000).

**People**

The College employs 805 (2014/15 – 822) people (expressed as full time equivalents), of whom 399 (2014/15 – 378) are teaching staff.

**Reputation**

The College has an outstanding reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

**PRINCIPAL RISKS AND UNCERTAINTIES:**

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

### Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, **60%** (2014/15 – 68%) of the College'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 College is aware of several issues which may impact on future funding:

- Significant changes to the way apprentices are funded, moving from the Skills Funding Agency to Employers
- Further reduction in funding from Government agencies in response to a decline in the economic fortunes of the UK
- Removal of the student number caps on HE, which favours Universities over FE Colleges
- Impact of Brexit on the recruitment of EU students
- Possible expansion of 24+ loans to level 2 provision impacts on student numbers

This risk is mitigated in a number of ways

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College 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
- Ensuring the College 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 College

### Tuition fee policy

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

This risk is mitigated in a number of ways:

- By ensuring the College 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 College is the third largest employer in Chichester. 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 College is challenging

### Commercial Income

The College has a strong reputation internationally and attracts over 2,000 students annually to study in Chichester. It also has significant commercial income streams including three halls of residence, a sports complex, a farm and many full cost courses. In the current economic climate and with the Brexit results there is a risk that these streams will weaken. 2015/16 saw a reduction in International income and the childcare nurseries, but an increase in income from Anglia Examinations. The remains committed to growing its commercial areas.

### Major Capital Build

The College has recently completed a medium sized £3.1m capital project to refurbish the hospitality facilities in Chichester with 70% grant support from the LEP. The College continues to implement the capital strategy, which include largely incremental growth and activity, subject to cashflow and affordability.

### Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

## STAKEHOLDER RELATIONSHIPS

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

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

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

### Equal opportunities

Chichester College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender policies, is published on the College's internet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

### Disability statement

The College 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 the College 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 College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing

programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- 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.

**Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 14th December 2016 and signed on its behalf by:**

**Margaret Eva OBE**

**Vice-Chairman**

# Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31st July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 21st March 2016.

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

**The Corporation**

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

| | Date of Appointment | Term of office | Date of resignation | Status of appointment | Committees served | Attendance |
|---|---|---|---|---|---|---|
| Barbara Alderton | 1 August 2014 | 4 years | | Staff Governor | Student Committee | 83% |
| Simon Baldey | 2 April 2014 | 4 years | | Independent member | Audit Committee and Quality & Curriculum Committee | 67% |
| Martyn Bell | 1 August 2015 | 4 years | | Independent member | Finance & General Purposes Committee | 100% |
| Marilyn Billingham | 1 August 2012. Re-appointed 1 August 2016 | 4 years | | Independent member | Governance & Search, Quality & Curriculum and Remuneration Committees | 73% |
| Christopher Chapman | 1 August 2011. Re-appointed as Vice-Chairman for 2 year term of office 1 August 2014. Re-appointed as Chairman 1 August 2016 | 3 years | | Vice-Chairman and Independent member. Appointed Chairman from 1 August 2016 | Governance & Search, Finance & General Purposes, Remuneration and Resources Committees | 93% |
| Robert Craig | 16 December 2016 | To the end of the academic year in which the Student Governor completes his studies | | Student Governor | Quality & Curriculum Committee and Student Committee | 89% |
| Andrew Davies | 1 August 2013 | 4 years | | Staff Governor | Audit Committee and Quality & Curriculum Committee | 44% |
| Jane Dodsworth | 1 August 2013 | 4 years | | Independent member | Resources Committee and Staff Committee | 60% |

| | Date of Appointment | Term of office | Date of resignation | Status of appointment | Committees served | Attendance |
|---|---|---|---|---|---|---|
| Margaret Eva OBE | 1 August 2012. Re-appointed as Vice-Chair from 1 August 2016 | 3 years | | Independent member. Appointed Vice-Chair from 1 August 2016 | Governance & Search Committee, Remuneration Committee, Quality & Curriculum Committee and Staff Committee | 80% |
| Nick Fox | 1 January 2013 | 4 years | | Independent member | Audit Committee, Governance & Search Committee, Remuneration Committee and Resources Committee | 100% |
| Sir Paul Haddacks | 1 August 2011. Re-appointed 2 year term as Chairman from 1 August 2014 | 2 years | 31 July 2016 | Chairman and Independent member | Governance & Search, Remuneration, Resources and Student Committees | 65% |
| Steve Hansford | 1 August 2014 | 4 years | | Independent member | Quality & Curriculum Committee | 83% |
| Julia Hendry | 1 August 2013 | 4 years | | Independent member | Audit Committee and Staff Committee | 90% |
| David Hobson | 1 August 2014 | 4 years | | Independent member | Finance & General Purposes Committee and Resources Committee | 78% |
| Shelagh Legrave OBE | 1 September 2010 | Ex-officio | | Principal | Governance & Search, Finance & General Purposes, Quality & Curriculum, Resources, Staff and Student Committees | 96% |
| Matthew Robertshaw | 16 December 2015 | To the end of his term as Student President | 7 March 2016 | Student Governor | Staff Committee, Student Committee | 57% |

| | Date of Appointment | Term of office | Date of resignation | Status of appointment | Committees served | Attendance |
|---|---|---|---|---|---|---|
| Kieran Stigant | 1 January 2015 | 4 years | | Independent member | Finance & General Purposes Committee and Student Committee | 67% |
| Deborah Urquhart | 1 August 2009. Re-appointed from 1 August 2013 | 4 years | | Independent member | Audit Committee | 67% |
| Caroline Wood | 1 January 2015 | 4 years | | Independent member | Staff Committee | 86% |
| Paul Wright | 1 August 2013 | 4 years | | Independent member | Governance & Search, Finance & General Purposes, Remuneration and Student Committees | 93% |

External Members who served on Committees of the Corporation during the year, were as follows:

| | Date of Appointment | Term of office | Date of resignation | Status of appointment | Committees served | Attendance |
|---|---|---|---|---|---|---|
| Andrew Dunlop | 1 January 2008. Re-appointed 1 January 2012 | 4 years | | External member | Audit Committee | 100% |
| Pam Foden | 1 January 2013 | 4 years | | External member | Quality & Curriculum Committee | 100% |
| Elisabeth Whitaker | 1 August 2015 | 4 years | | External member | Resources Committee | 67% |

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are the Audit, Finance & General Purposes, Governance & Search, Quality & Curriculum, Remuneration, Resources, Staff and Student committees. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.chichester.ac.uk or from the Clerk to the Corporation at:

Chichester College
Westgate Fields
CHICHESTER
West Sussex
PO19 1SB

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

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

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

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

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

**Appointments to the Corporation**

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

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

**Corporation performance**

Extract from the Self-Assessment Report 2015/16

Governance continues to be outstanding. There is a very robust system of accountability between Governors and the senior management team accompanied by clear communication, openness, transparency, trust and good communication. Governors bring a breadth of skills to support the College to achieve its ambitions. The Governing Body has led the review of the College's Strategic Plan in light of the Sussex Area Review and has ensured that there is a strong shared vision and mission, supported by local stakeholders. Clear and explicit key performance indicators have been revised and set against each strategic objective.

There has been very good strategic oversight from the Governing Body which has ensured that the College has delivered its key targets for 2015/16 including improved success rates in both the main programmes of study and English & maths as well as a financial surplus above budget. Governors use performance management systems very effectively and as a result ask pertinent and thoughtful questions which identify key areas for improvement as well as celebrating success. Their support for the College's activities is strong and this includes excellent attendance at meetings and at many wider community events.

**Remuneration Committee**

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

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

**Audit Committee**

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair), plus one External Member. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

**Internal control**

*Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Chichester College 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 College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chichester College for the year ended 31st July 2016 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

*The risk and control framework*

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Chichester College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

*Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance (and risk committee, if appropriate), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

**Going concern**

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

The financial statements have been prepared on a going concern basis. The College has net assets as at the 31st July 2016 of £42,839,000 (2015 - £39,176,000) and net current assets of £1,216,000 (2015 - £1,105,000). In addition, the College has a strong cash position at 31st July 2016 of £5,893,000 (2015 - £5,383,000) and generated £4,719,000 net cash flow from operating activities (2014/15 - £4,632,000), which supports the assessment that the College remains a going concern. The College will continue to closely monitor its financial position.

**Approved by order of the members of the Corporation on 14th December 2016 and signed on its behalf by:**

| | |
|---|---|
| **Margaret Eva OBE** | **Shelagh Legrave OBE** |
| **Vice-Chairman** | **Accounting Officer** |

## Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

**Margaret Eva OBE**
**Vice-Chairman**
**Date:**

**Shelagh Legrave OBE**
**Accounting Officer**
**Date:**

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a 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 College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding are not put at risk.

Approved by order of the members of the Corporation on 14th December 2106 and signed on its behalf by:

**Margaret Eva OBE**
**Vice-Chairman**

# Independent auditor's report to the Corporation of Chichester College

We have audited the Consolidated and College financial statements (the "financial statements") which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated and College Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 18 November 2015. 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 18 November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Corporation of Chichester College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 22, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 18 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

### Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of [the Groups' and] the College's affairs as at 31 July 2016 and of the Group's surplus/deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept;
- 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.

**RSM UK AUDIT LLP**
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated:

## Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 26.

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

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

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

**Basis of accounting**

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

**Basis of consolidation**

The consolidated financial statements include the College and its subsidiaries, Chichester College Services Limited and Anglia Examination Syndicate 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 does not control those activities. All financial statements are made up to 31st July 2016.

**Going concern**

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

The College currently has £10.7m of loans outstanding with bankers on terms negotiated in 2008/09 (£4.0m) and 2011/12 (£6.7m) both being unsecured. Further details are given in note 17. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

**Recognition of income**

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

The recurrent grant from HEFCE 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 College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

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

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

**Accounting for post-employment benefits**

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

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

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

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

**Short term Employment benefits**

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

**Enhanced Pensions**

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

**Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost/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.

Land was revalued at 1st August 2014 in accordance with FRS 102 at the fair value. Where the fair value could not be ascertained or was inappropriate, the depreciated replacement cost approach was used.

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

*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.

Freehold buildings are depreciated over their expected useful economic life to the College up to a maximum of 50 years. The College 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 College 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 College, in which case it is capitalised and depreciated on the relevant basis.

*Equipment*

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

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

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

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

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

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

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

**Investments**

*Investments in subsidiaries*

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

**Provisions and contingent liabilities**

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

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

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

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

**Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

*Other key sources of estimation uncertainty*

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a 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 2013 has been used by the actuary in valuing the pensions liability at 31st July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## CHICHESTER COLLEGE

## Consolidated Statements of Comprehensive Income for the year ended 31st July 2016

| | Notes | 2016 Group £'000 | 2016 College £'000 | 2015 Group £'000 | 2015 College £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Funding body grants | 1 | 26,474 | 26,474 | 36,037 | 36,037 |
| Tuition fees and education contracts | 2 | 7,193 | 7,219 | 7,021 | 7,021 |
| Other income | 3 | 10,175 | 8,121 | 10,097 | 7,309 |
| Endowment and investment income | 4 | 23 | 23 | 27 | 27 |
| Donations | 5 | - | 521 | - | 716 |
| **Total income** | | 43,865 | 42,358 | 53,182 | 51,110 |
| **Expenditure** | | | | | |
| Staff costs | 6 | 24,778 | 23,266 | 25,788 | 24,337 |
| Fundamental restructuring costs | 6 | 259 | 259 | 354 | 354 |
| Other operating expenses | 7 | 16,282 | 16,282 | 24,119 | 23,523 |
| Depreciation & Amortisation | 10-11 | 2,557 | 2,528 | 2,761 | 2,725 |
| Interest and other finance costs | 8 | 823 | 823 | 797 | 797 |
| **Total expenditure** | | 44,699 | 43,158 | 53,819 | 51,736 |
| **Deficit before other gains and losses** | | (834) | (800) | (637) | (626) |
| Profit on disposal of assets | 10-11 | - | - | 355 | 355 |
| Gain on investment properties | | 12 | 12 | - | - |
| **Deficit before tax** | | (822) | (788) | (282) | (271) |
| Taxation | 9 | - | - | - | - |
| **Deficit for the year** | | (822) | (788) | (282) | (271) |
| Unrealised surplus on revaluation of assets | | - | - | - | - |
| Actuarial gain/(loss) in respect of pensions schemes | 23 | 4,485 | 4,485 | (1,343) | (1,343) |
| **Total Comprehensive Income for the year** | | 3,663 | 3,697 | (1,625) | (1,614) |
| **Represented by:** | | | | | |
| Unrestricted comprehensive income | | 3,663 | 3,697 | (1,625) | (1,614) |
| Restricted comprehensive income | | - | - | - | - |
| | | 3,663 | 3,697 | (1,625) | (1,614) |
| **Deficit for the year atributable to:** | | | | | |
| Non controlling interest | | - | - | - | - |
| Group | | (822) | (788) | (282) | (271) |
| | | (822) | (788) | (282) | (271) |
| **Total Comprehensive Income for the year attributable to:** | | | | | |
| Non controlling interest | | - | - | - | - |
| Group | | 3,663 | 3,697 | (1,625) | (1,614) |
| | | 3,663 | 3,697 | (1,625) | (1,614) |

All items of income and expenditure relate to continuing activities

**CHICHESTER COLLEGE**

**Consolidated and College Statement of Changes in Reserves for the year ended 31st July 2016**

| | Income and Expenditure account £'000 | Restricive reserve £'000 | Revaluation reserve £'000 | Investment Property Revaluation reserve £'000 | Total excluding Non controlling interest £'000 | Non Contolling interest £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Restated balance at 1st August 2014** | 13,191 | 6 | 26,237 | 1,367 | 40,801 | - | 40,801 |
| Deficit from the income and expenditure account | (282) | - | - | - | (282) | - | (282) |
| Other comprehensive income | (1,343) | - | - | - | (1,343) | - | (1,343) |
| Transfers between revaluation and income and expenditure reserves | 416 | - | (416) | - | - | - | - |
| | (1,209) | - | (416) | - | (1,625) | - | (1,625) |
| **Balance at 31st July 2015** | 11,982 | 6 | 25,821 | 1,367 | 39,176 | - | 39,176 |
| Surplus/(deficit) from the income and expenditure account | (834) | - | - | 12 | (822) | - | (822) |
| Other comprehensive income | 4,485 | | - | - | 4,485 | - | 4,485 |
| Transfers between revaluation and income and expenditure reserves | 386 | - | (386) | - | - | - | - |
| **Total comprehensive income for the year** | 4,037 | - | (386) | 12 | 3,663 | - | 3,663 |
| **Balance at 31st July 2016** | 16,019 | 6 | 25,435 | 1,379 | 42,839 | - | 42,839 |
| **College** | | | | | | | |
| **Restated balance at 1st August 2014** | 13,003 | 6 | 26,237 | 1,367 | 40,613 | - | 40,613 |
| Deficit from the income and expenditure account | (271) | - | - | - | (271) | - | (271) |
| Other comprehensive income | (1,343) | - | - | - | (1,343) | - | (1,343) |
| Transfers between revaluation and income and expenditure reserves | 416 | - | (416) | - | - | - | - |
| | (1,198) | - | (416) | - | (1,614) | - | (1,614) |
| **Balance at 31st July 2015** | 11,805 | 6 | 25,821 | 1,367 | 38,999 | - | 38,999 |
| Surplus/(deficit) from the income and expenditure account | (800) | - | - | 12 | (788) | - | (788) |
| Other comprehensive income | 4,485 | - | - | - | 4,485 | - | 4,485 |
| Transfers between revaluation and income and expenditure reserves | 386 | - | (386) | - | - | - | - |
| **Total comprehensive income for the year** | 4,071 | - | (386) | 12 | 3,697 | - | 3,697 |
| **Balance at 31st July 2016** | 15,876 | 6 | 25,435 | 1,379 | 42,696 | - | 42,696 |

## CHICHESTER COLLEGE
## Balance sheets as at 31 July 2016

| | Notes | 2016 | | 2015 | |
|---|---|---|---|---|---|
| | | Group | College | Group | College |
| | | £'000 | £'000 | £'000 | £'000 |
| **Non current assets** | | | | | |
| Tangible fixed assets | 10 | 62,537 | 62,371 | 62,226 | 62,036 |
| Intangible fixed assets | 11 | 158 | 144 | 67 | 56 |
| Investments | 12 | - | 71 | - | 71 |
| | | 62,695 | 62,586 | 62,293 | 62,163 |
| **Current assets** | | | | | |
| Stocks | | 309 | 284 | 335 | 318 |
| Trade and other receivables | 13 | 2,520 | 5,097 | 5,927 | 6,963 |
| Investments | 14 | 9 | 9 | 8 | 8 |
| Cash and cash equivalents | | 5,893 | 2,999 | 5,383 | 3,941 |
| | | 8,731 | 8,389 | 11,653 | 11,230 |
| **Less: Creditors** – amounts falling due within one year | 15 | (7,514) | (7,206) | (10,547) | (10,171) |
| **Net current assets** | | 1,217 | 1,183 | 1,106 | 1,059 |
| **Total assets less current liabilities** | | 63,912 | 63,769 | 63,399 | 63,222 |
| **Creditors** – amounts falling due after more than one year | 16 | (15,588) | (15,588) | (15,380) | (15,380) |
| **Provisions** | | | | | |
| Defined benefit obligations | 18 | (5,485) | (5,485) | (8,843) | (8,843) |
| **Total net assets** | | 42,839 | 42,696 | 39,176 | 38,999 |
| **Restricted reserves** | | | | | |
| Income and expenditure reserve - restricted reserve | | 6 | 6 | 6 | 6 |
| **Unrestricted reserves** | | | | | |
| Income and expenditure reserve - unrestricted reserve | | 16,019 | 15,876 | 11,982 | 11,805 |
| Revaluation reserve | | 25,435 | 25,435 | 25,821 | 25,821 |
| Investment Property Revaluation Reserve | | 1,379 | 1,379 | 1,367 | 1,367 |
| **Total reserves** | | 42,839 | 42,696 | 39,176 | 38,999 |

The financial statements on pages 32 to 57 were approved and authorised for issue by the Corporation on 14th December 2016 and were signed on its behalf on that date by:

**Margaret Eva OBE**
**Vice-Chairman**

**Shelagh Legrave OBE**
**Accounting Officer**

## CHICHESTER COLLEGE

## Consolidated Statement of Cash Flows for the year ended 31st July 2016

| | Notes | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| Deficit for the year | | (822) | (282) |
| **Adjustment for non cash items** | | | |
| Depreciation | | 2,557 | 2,761 |
| Gain on investment properties | | (12) | - |
| (Increase)/decrease in stocks | | 26 | (29) |
| (Increase)/decrease in debtors | | 3,407 | (1,148) |
| Increase/(decrease) in creditors due within one year | | (3,039) | 2,379 |
| Increase/(decrease in creditors due after one year | | 1,008 | (96) |
| Pensions costs less contributions payable | | 794 | 645 |
| Taxation | | - | - |
| **Adjustment for investing or financing activities** | | | |
| Investment income | | (23) | (27) |
| Interest payable | | 823 | 797 |
| Taxation paid | | - | - |
| (Profit)/Loss on sale of fixed assets | | 1 | (368) |
| **Net cash flow from operating activities** | | 4,720 | 4,632 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of fixed assets | | 97 | 455 |
| Investment income | | 23 | 27 |
| Payments made to acquire fixed assets | | (3,045) | (933) |
| | | (2,925) | (451) |
| **Cash flows from financing activities** | | | |
| Placed on deposit | | (1) | - |
| Interest paid | | (457) | (484) |
| Interest element of finance lease rental payments | | (33) | (37) |
| Repayments of amounts borrowed | | (721) | (721) |
| Capital element of finance lease rental payments | | (73) | (69) |
| | | (1,285) | (1,311) |
| **Increase in cash and cash equivalents in the year** | | 510 | 2,870 |
| Cash and cash equivalents at beginning of the year | 19 | 5,383 | 2,513 |
| Cash and cash equivalents at end of the year | 19 | 5,893 | 5,383 |

## CHI CHICHESTER COLLEGE
## Notes to the Accounts for the year ended 31st July 2016 (continued)

### 1 Funding council grants

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| **Recurrent grants** | | | | |
| Recurrent grant - Main funding body | 26,014 | 26,014 | 25,480 | 25,480 |
| Recurrent grant - HEFCE | 346 | 346 | 232 | 232 |
| **Specific Grants** | | | | |
| Non recurrent grants - Main funding body | (153) | (153) | 10,075 | 10,075 |
| Non recurrent grants - HEFCE | 19 | 19 | - | - |
| Releases of deferred capital grants | 248 | 248 | 250 | 250 |
| **Total** | 26,474 | 26,474 | 36,037 | 36,037 |

### 2 Tuition fees and education contracts

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Adult education fees | 110 | 110 | 87 | 87 |
| Apprenticeship fees and contracts | 95 | 95 | 59 | 59 |
| Fees for FE loan supported courses | 2,084 | 2,141 | 1,989 | 1,989 |
| Fees for HE loan supported courses | 1,451 | 1,451 | 1,204 | 1,204 |
| European (excluding UK) students | 432 | 432 | 411 | 411 |
| International students fees | 1,442 | 1,411 | 1,703 | 1,703 |
| Total tuition fees | 5,614 | 5,640 | 5,453 | 5,453 |
| Education contracts | 1,579 | 1,579 | 1,568 | 1,568 |
| **Total** | 7,193 | 7,219 | 7,021 | 7,021 |

## CHICHESTER COLLEGE
## Notes to the Accounts for the year ended 31st July 2016 (continued)

### 3 Other income

| | Year ended 31 July 2016 Group £'000 | Year ended 31 July 2016 College £'000 | Year ended 31 July 2015 Group £'000 | Year ended 31 July 2015 College £'000 |
|---|---|---|---|---|
| Catering and residences | 4,958 | 5,485 | 5,020 | 4,906 |
| Profit/(loss) on disposal of tangible fixed assets | - | - | 13 | 13 |
| Other income generating activities | 3,781 | 1,192 | 3,606 | 932 |
| Other grant income | 25 | 25 | - | - |
| Other and miscellaneous income | 1,411 | 1,419 | 1,458 | 1,458 |
| **Total** | 10,175 | 8,121 | 10,097 | 7,309 |

### 4 Endowments & Investment income

| | Year ended 31 July 2016 Group £'000 | Year ended 31 July 2016 College £'000 | Year ended 31 July 2015 Group £'000 | Year ended 31 July 2015 College £'000 |
|---|---|---|---|---|
| Other interest receivable | 23 | 23 | 27 | 27 |
| | 23 | 23 | 27 | 27 |

### 5 Donations

| | Year ended 31 July 2016 Group £'000 | Year ended 31 July 2016 College £'000 | Year ended 31 July 2015 Group £'000 | Year ended 31 July 2015 College £'000 |
|---|---|---|---|---|
| Gift Aid | - | 521 | - | 716 |
| **Total** | - | 521 | - | 716 |

## 6 Staff costs - Group and College

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

| | 2016 No. | 2015 No. |
|---|---|---|
| Teaching staff | 399 | 378 |
| Non teaching staff | 406 | 444 |
| | 805 | 822 |

**Staff costs for the above persons**

| | | Year ended 31 July 2016 Group £'000 | 2016 College £'000 | Year ended 31 July 2015 Group £'000 | 2015 College £'000 |
|---|---|---|---|---|---|
| Wages and salaries | | 19,572 | 18,361 | 20,914 | 19,732 |
| Social security costs | | 1,446 | 1,383 | 1,418 | 1,359 |
| Other pension costs | | 3,602 | 3,385 | 3,299 | 3,089 |
| **Payroll sub total** | | 24,620 | 23,129 | 25,631 | 24,180 |
| Contracted out staffing services | | 158 | 137 | 157 | 157 |
| | | 24,778 | 23,266 | 25,788 | 24,337 |
| Fundamental restructuring costs - | contractual | 259 | 259 | 354 | 354 |
| | non contractual | - | - | - | - |
| | | 25,037 | 23,525 | 26,142 | 24,691 |

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, deputy principal, vice principals, assistant prinicipals and director of finance. Staff costs include compensation paid to key management personnel for loss of office.

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

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

| | 2016 No. | 2015 No. |
|---|---|---|
| | 8 | 8 |

### 6 Staff costs - Group and College (continued)

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

| | Key management personnel | | Other Staff | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | No. | No. | No. | No. |
| £60,001 to £70,000 | 3 | 1 | - | - |
| £70,001 to £80,000 | 1 | 4 | - | - |
| £80,001 to £90,000 | 1 | - | - | - |
| £90,001 to £100,000 | 1 | - | - | - |
| £100,001 to £110,000 | 1 | 1 | - | - |
| £110,001 to £120,000 | - | 1 | - | - |
| £150,001 to £160,000 | 1 | - | - | - |
| £160,001 to £170,000 | - | 1 | - | - |
| | 8 | 8 | - | - |

Key management personnel emoluments are made up as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Salaries | 701 | 744 |
| Benefits in kind | 8 | 8 |
| | 709 | 752 |
| Social security costs | 82 | 85 |
| Pension contributions | 110 | 104 |
| **Total emoluments** | 901 | 941 |

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:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Salaries | 152 | 165 |
| Benefits in kind | 2 | 2 |
| Social security costs | 19 | 20 |
| | 173 | 187 |
| Pension contributions | 24 | 24 |

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

## 7 Other operating expenses

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Teaching costs | 5,489 | 5,516 | 13,670 | 13,670 |
| Non teaching costs | 6,499 | 6,542 | 5,865 | 5,302 |
| Premises costs | 4,294 | 4,224 | 4,584 | 4,551 |
| **Total** | 16,282 | 16,282 | 24,119 | 23,523 |

| **Other operating expenses include:** | **2016** | **2015** |
|---|---|---|
| | **£'000** | **£'000** |
| Auditors' remuneration: | | |
| Financial statements audit | | |
| External: financial statements audit* | 49 | 29 |
| External: taxation compliance services** | 5 | 1 |
| External: FRS102 advice services** | 8 | - |
| Internal audit*** | 22 | 23 |
| Payments to sub-contractors | 4,029 | 11,092 |
| Losses on disposal of tangible fixed assets (where not material) | 1 | - |
| Hire of assets under operating leases | 201 | 148 |

* includes £46,000 in respect of the College (2014/15 £22,000)

** includes £9,000 in respect of the College (2014/15 £1,000)

*** includes £22,000 in respect of the College (2014/15 £23,000)

**8 Interest payable - Group and College**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| On bank loans, overdrafts and other loans | 457 | 457 | 484 | 484 |
| On finance leases | 33 | 33 | 37 | 37 |
| Pension finance costs (note 23) | 333 | 333 | 276 | 276 |
| **Total** | 823 | 823 | 797 | 797 |

**9 Taxation - Group only**

It is considered that the College is not liable for corporation tax arising out of its activities during either the current or previous 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 1 August 2015 | 76,612 | 1,676 | 293 | 10,437 | 202 | 89,220 |
| Additions | 210 | - | - | 951 | 1,755 | 2,916 |
| Revaluations | - | 12 | - | - | - | 12 |
| Transfers | - | - | 202 | - | (202) | - |
| Disposals | (167) | - | - | (121) | - | (288) |
| **At 31 July 2016** | 76,655 | 1,688 | 495 | 11,267 | 1,755 | 91,860 |
| **Depreciation** | | | | | | |
| At 1 August 2015 | 18,161 | - | 145 | 8,688 | - | 26,994 |
| Charge for the year | 1,608 | - | 50 | 861 | - | 2,519 |
| Transfers | - | - | - | - | - | - |
| Elimination in respect of disposals | (71) | - | - | (119) | - | (190) |
| **At 31 July 2016** | 19,698 | - | 195 | 9,430 | - | 29,323 |
| **Net book value at 31 July 2016** | 56,957 | 1,688 | 300 | 1,837 | 1,755 | 62,537 |
| Net book value at 31 July 2015 | 58,451 | 1,676 | 148 | 1,749 | 202 | 62,226 |

**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 1 August 2015 | 76,597 | 1,676 | 289 | 10,321 | - | 88,883 |
| Additions | 210 | | | 949 | 1,755 | 2,914 |
| Revaluations | - | 12 | - | - | - | 12 |
| Transfers | - | - | - | - | - | - |
| Disposals | (167) | - | - | (121) | - | (288) |
| **At 31 July 2016** | 76,640 | 1,688 | 289 | 11,149 | 1,755 | 91,521 |
| **Depreciation** | | | | | | |
| At 1 August 2015 | 18,160 | - | 111 | 8,576 | - | 26,847 |
| Charge for the year | 1,607 | - | 29 | 857 | - | 2,493 |
| Transfers | - | - | - | - | - | - |
| Elimination in respect of disposals | (71) | - | - | (119) | - | (190) |
| **At 31 July 2016** | 19,696 | - | 140 | 9,314 | - | 29,150 |
| **Net book value at 31 July 2016** | 56,944 | 1,688 | 149 | 1,835 | 1,755 | 62,371 |
| Net book value at 31 July 2015 | 58,437 | 1,676 | 178 | 1,745 | - | 62,036 |

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. Investment properties were valued at fair value as at 31st July 2015 and

Fixed assets with a net book value of £24,958,757 (2015: £9,808,362) have been part funded from local education authority sources, £24,808,135 (2015: £9,652,834) and exchequer funds £150,622 (2015: £155,528), 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 SFA

The net book value of equipment includes an amount of £222,535 (2015: £267,042) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £44,507 (2015: £125,490)

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 1 August 2015 | 853 | 853 | 829 | 829 |
| Additions | 129 | 129 | 123 | 123 |
| Revaluations | - | - | - | - |
| Transfers | - | - | - | - |
| Disposals | (91) | (91) | (91) | (91) |
| **At 31 July 2016** | 891 | 891 | 861 | 861 |
| **Depreciation** | | | | |
| At 1 August 2015 | 786 | 786 | 773 | 773 |
| Amortisation for the year | 38 | 38 | 35 | 35 |
| Transfers | - | - | - | - |
| Elimination in respect of disposals | (91) | (91) | (91) | (91) |
| **At 31 July 2016** | 733 | 733 | 717 | 717 |
| **Net book value at 31 July 2016** | 158 | 158 | 144 | 144 |
| Net book value at 31 July 2015 | 67 | 67 | 56 | 56 |

## 12 Non current Investments

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Investments in subsidiary companies | - | 71 | - | 71 |
| **Total** | - | 71 | - | 71 |

Investments in subsidiary companies are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Chichester College Services Limited | - | 500 | - | 500 |
| Anglia Examination Syndicate Limited | - | 70,100 | - | 70,100 |
| | - | 70,600 | - | 70,600 |

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 2016 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 2016 have been included in the consolidated financial statements.

## 13 Debtors

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| Amounts falling due within one year: | £'000 | £'000 | £'000 | £'000 |
| Trade receivables | 1,456 | 997 | 972 | 715 |
| Amounts owed by subsidiary undertakings due after more than 1 year | - | 3,061 | - | 1,626 |
| Other debtors | 120 | 120 | 159 | 159 |
| Prepayments and accrued income | 758 | 733 | 4,544 | 4,211 |
| Amounts owed by the Skills Funding Agency | 186 | 186 | 252 | 252 |
| **Total** | 2,520 | 5,097 | 5,927 | 6,963 |

## 14 Current investments

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Short term deposits | 8 | 8 | 7 | 7 |
| Investment in shares | 1 | 1 | 1 | 1 |
| **Total** | 9 | 9 | 8 | 8 |

## 15 Creditors: amounts falling due within one year

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans and overdrafts | 721 | 721 | 720 | 720 |
| Obligations under finance leases | 78 | 78 | 73 | 73 |
| Trade payables | 818 | 792 | 1,434 | 1,389 |
| Other taxation and social security | 839 | 839 | 761 | 761 |
| Payments received in advance & deferred income | 1,579 | 1,545 | 1,323 | 1,190 |
| Accruals | 2,496 | 2,365 | 4,561 | 4,474 |
| Other Creditors | 589 | 472 | 774 | 663 |
| Deferred income - government capital grants | 237 | 237 | 236 | 236 |
| Amounts owed to the Skills Funding Agency | 157 | 157 | 665 | 665 |
| **Total** | 7,514 | 7,206 | 10,547 | 10,171 |

## 16 Creditors: amounts falling due after one year

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans | 9,991 | 9,991 | 10,713 | 10,713 |
| Obligations under finance leases | 365 | 365 | 443 | 443 |
| Deferred income - government capital | 5,232 | 5,232 | 4,224 | 4,224 |
| **Total** | 15,588 | 15,588 | 15,380 | 15,380 |

## 17 Maturity of debt

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less | 721 | 721 | 720 | 720 |
| Between one and two years | 721 | 721 | 721 | 721 |
| Between two and five years | 2,163 | 2,163 | 2,163 | 2,163 |
| In five years or more | 7,107 | 7,107 | 7,829 | 7,829 |
| **Total** | 10,712 | 10,712 | 11,433 | 11,433 |

A bank loan at a fixed rate of 5.06% (2016: £3,975,000, 2015: £4,275,000) is repayable by instalments between 1st August 2009 and 31st August 2029 and is unsecured.

An unsecured bank loan of £8,000,000 was taken in July 2012 at a fixed interest rate of 3.54% for a period of 5 years and is repayable by quarterly instalments of £105,000 between 18th October 2013 and 20th July 2017. This will leave £6,241,000 oustanding at 20th July 2017, at the end of the fixed interest rate period, at which point the College plans to renegotiate the loan.

### (b) Finance leases

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less | 78 | 78 | 73 | 73 |
| Between two and five years | 365 | 365 | 343 | 343 |
| In five years or more | - | - | 100 | 100 |
| **Total** | 443 | 443 | 516 | 516 |

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

**18 Provisions**

| | Group and College Defined benefit Obligations £'000 | Total £'000 |
|---|---|---|
| At 1 August 2015 | 8,843 | 8,843 |
| Expenditure in the period | (1,404) | (1,404) |
| Transferred from income and expenditure | (1,954) | (1,954) |
| **At 31 July 2016** | 5,485 | 5,485 |

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.
The principal assumptions for this calculation are:

| | 2016 % | 2015 % |
|---|---|---|
| Price inflation- see note 23 | 1.90% | 2.60% |
| Discount rate | 2.40% | 3.60% |

**19 Cash and cash equivalents**

| | At 1/8/15 £'000 | Cash flows £'000 | changes £'000 | At 31/7/16 £'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 5,383 | 510 | - | 5,893 |
| Overdrafts | - | - | - | - |
| **Total** | 5,383 | 510 | - | 5,893 |

**20 Capital commitments**

| | 2016 Group £'000 | 2016 College £'000 | 2015 Group £'000 | 2015 College £'000 |
|---|---|---|---|---|
| Commitments contracted for at 31 July | 990,726 | 990,726 | - | - |

### 21 Lease Obligations

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

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Future minimum lease payments due** | | |
| **Land and buildings** | | |
| Not later than one year | 45 | 45 |
| Later than one year and not later than five years | 8 | 8 |
| later than five years | 1,262 | 1,272 |
| | 1,315 | 1,325 |
| **Other** | | |
| Not later than one year | 164 | 39 |
| Later than one year and not later than five years | 71 | 153 |
| later than five years | 3 | - |
| | 238 | 192 |

### 22 Events after the reporting period

There were no material post balance sheet events

**23 Defined benefit obligations**

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 | | 2016 £'000 | | 2015 £'000 |
|---|---|---|---|---|
| Teachers Pension Scheme: contributions paid | | 1,382 | | 1,226 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,426 | | 1,428 | |
| FRS 102 (28) charge | 794 | | 645 | |
| Charge to the Statement of Comprehensive Income | | 2,220 | | 2,073 |
| Enhanced pension charge to Statement of Comprehensive Income | | - | | - |
| **Total Pension Cost for Year - Per note 6** | | 3,602 | | 3,299 |

s

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £174,435 (2015:£162,574) 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 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**23 Defined benefit obligations (continued)**

**Valuation of the Teachers' Pension Scheme**

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

**Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age , but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire , and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection , tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,382,000 (2015: £1,226,000)

### 23 Defined benefit obligations (continued)
***FRS 102 (28)***

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

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

**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 2016 was £1,937,616, of which employer's contributions totalled £1,425,257 and employees' contributions totalled £512,359. The agreed contribution rates for future years are 16.5% 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 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

| | At 31 July 2016 | At 31 July 2015 |
|---|---|---|
| Rate of increase in salaries | 2.00% | 4.00% |
| Future pensions increases | 1.90% | 2.60% |
| Discount rate for scheme liabilities | 2.40% | 3.60% |
| Inflation assumption (CPI) | 1.90% | 2.60% |

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.

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

| | At 31 July 2016 years | At 31 July 2015 years |
|---|---|---|
| *Retiring today* | | |
| Males | 24.4 | 24.4 |
| Females | 25.8 | 25.8 |
| *Retiring in 20 years* | | |
| Males | 26.9 | 26.9 |
| Females | 28.5 | 28.5 |

**23 Defined benefit obligations (continued)**
**Local Government Pension Scheme (Continued)**

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

| | Long-term rate of return expected at 31 July 2016 | Fair Value at 31 July 2016 | Long-term rate of return expected at 31 July 2015 | Fair Value at 31 July 2015 |
|---|---|---|---|---|
| | | £'000 | | £'000 |
| Equities | 2.4% | 43,513 | 3.6% | 36,304 |
| Bonds | 2.4% | 9,537 | 3.6% | 8,181 |
| Property | 2.4% | 4,768 | 3.6% | 4,091 |
| Cash | 2.4% | 1,788 | 3.6% | 2,557 |
| **Total market value of assets** | | 59,606 | | 51,133 |
| **Weighted average expected long term rate of return** | 2.4% | | 3.6% | |
| **Actual return on plan assets** | | 7,608 | | 4,594 |

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

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of plan assets | 59,606 | 51,133 |
| Present value of plan liabilities | (64,637) | (59,533) |
| Present value of unfunded liabilities | (454) | (443) |
| **Net pensions (liability)/asset (Note 18)** | (5,485) | (8,843) |

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

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts included in staff costs** | | |
| Current service cost | 2,146 | 2,071 |
| Past service cost | 79 | 2 |
| **Total** | 2,225 | 2,073 |
| **Amounts included in investment income** | | |
| Net interest cost | (333) | (276) |
| | (333) | (276) |

**23 Defined benefit obligations (continued)**
**Local Government Pension Scheme (Continued)**

**Amounts recognised in Other Comprehensive Income**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Return on pension plan assets | 5,752 | 2,752 |
| Experience losses arising on defined benefit obligations | 660 | 376 |
| Changes in assumptions underlying the present value of plan liabilities | (1,927) | (4,471) |
| Amount recognised in Other Comprehensive Income | 4,485 | (1,343) |

**Movement in net defined benefit liability during the year**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Deficit in scheme at 1 August | (8,843) | (6,579) |
| Movement in year: | | |
| Current service cost | (2,146) | (2,071) |
| Employer contributions | 1,404 | 1,402 |
| Past service cost | (79) | (2) |
| Contributions in respect of unfunded benefits | 27 | 26 |
| Net interest on the defined (liability)/asset | (333) | (276) |
| Actuarial gain or loss | 4,485 | (1,343) |
| **Net defined benefit liability at 31 July** | (5,485) | (8,843) |

**Asset and Liability Reconciliation**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Changes in the present value of defined benefit obligations** | | |
| **Defined benefit obligations at start of period** | 59,976 | 52,209 |
| Current Service cost | 2,146 | 2,071 |
| Past Service cost (including curtailments) | 79 | 2 |
| Interest cost | 2,189 | 2,118 |
| Contributions by Scheme participants | 508 | 548 |
| Experience gains and losses on defined benefit obligations | (660) | (376) |
| Changes in financial assumptions | 1,927 | 4,471 |
| Estimated benefits paid | (1,047) | (1,041) |
| Past Service cost | (27) | (26) |
| **Defined benefit obligations at end of period** | 65,091 | 59,976 |
| | | |
| **Reconciliation of Assets** | | |
| **Fair value of plan assets at start of period** | 51,133 | 45,630 |
| Interest on plan assets | 1,856 | 1,842 |
| Contributions by Scheme participants | 508 | 548 |
| Employer contributions | 1,404 | 1,402 |
| Contributions in respect of unfunded benefits | 27 | 26 |
| Estimated benefits paid | (1,047) | (1,041) |
| Unfunded benefits | (27) | (26) |
| Return on plan assets | 5,752 | 2,752 |
| **Assets at end of period** | 59,606 | 51,133 |

## 24 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £3,181; 4 governors (2015: £4,262; 8 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 (2015: None).

Brighton Film School Limited - a company in which Mr A Green, the Deputy Principal has a major interest. Transactions totalling £474,993 (2015: £241,014) relating to partnership costs for the delivery of HND/HNC programmes. There were no amounts outstanding (2015: £nil).
All transactions with Brighton Film School were on an arm's length basis.

## 25 Amounts disbursed as agent

**Learner support funds**

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Funding body grants – bursary support | - | |
| Funding body grants – discretionary learner support | 801 | 782 |
| Funding body grants – residential bursaries | 30 | 15 |
| Other Funding body grants | 38 | 128 |
| Interest earned | 1 | - |
| | 870 | 925 |
| Disbursed to students | (863) | (862) |
| Administration costs | (43) | (35) |
| Balance unspent as at 31 July, included in creditors | (36) | 28 |

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 Transition to FRS 102 and the 2015 FE HE SORP

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

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

| | Note | 1st August 2014 | | 31st July 2015 | |
|---|---|---|---|---|---|
| | | Group | College | Group | College |
| **Financial Position** | | £'000 | £'000 | £'000 | £'000 |
| **Total reserves under previous SORP** | | 25,938 | 25,748 | 24,659 | 24,469 |
| Employee leave accrual | a | (174) | (161) | (313) | (299) |
| Release of non-government capital grants | b | 505 | 494 | 427 | 426 |
| Changes to measurement of net finance cost on defined benefit plans | c | - | - | (877) | (877) |
| Changes to pensions provision – actuarial loss | d | - | - | 877 | 877 |
| Embedded Finance Lease Asset Depreciation | e | (377) | (377) | (502) | (502) |
| Embedded Finance Lease Movements | e | 184 | 184 | 253 | 253 |
| Revaluation of land | f | 13,439 | 13,439 | 13,439 | 13,439 |
| Additional carrying value on sale on land due to revaluation | f | - | - | (83) | (83) |
| Investment properties revalued | g | 1,286 | 1,286 | 1,286 | 1,286 |
| Reversal of depreciation on Investment Properties | g | - | - | 15 | 15 |
| Write off of improvement to Investment Property | g | - | - | (5) | (5) |
| **Total effect of transition to FRS 102 and 2015 FE HE SORP** | | 14,863 | 14,865 | 14,517 | 14,530 |
| **Total reserves under 2015 FE HE SORP** | | 40,801 | 40,613 | 39,176 | 38,999 |

| | | Year ended 31st July 2015 | |
|---|---|---|---|
| | | Group | College |
| **Financial Performance** | | £'000 | £'000 |
| **Surplus for the year after tax under previous SORP** | | 941 | 941 |
| Employee leave accrual | a | (139) | (138) |
| Release of non-government grants received | b | (78) | (68) |
| Additional carrying value on sale on land due to revaluation | b | (83) | (83) |
| Changes to measurement of net finance cost on defined benefit plans | c | (877) | (877) |
| Pensions provision – actuarial loss | d | (1,343) | (1,343) |
| Embedded Finance Lease Asset Depreciation | e | (125) | (125) |
| Embedded Finance Lease interest | e | (37) | (37) |
| Embedded Finance Lease repayments | e | 106 | 106 |
| Depreciation on Investment Properties | g | 15 | 15 |
| Write off of improvement to Investment Property | g | (5) | (5) |
| **Total effect of transition to FRS 102 and 2015 FE HE SORP** | | (2,566) | (2,555) |
| **Total comprehensive income for the year under 2015 FE HE SORP** | | (1,625) | (1,614) |

### 26 Transition to FRS 102 and the 2015 FE HE SORP (continued)

#### a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st December each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 4.8 days unused leave for teaching staff and 2.3 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £174,668 was recognised at 1st August 2014, and £313,254 at 31st August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £138,586 has been charged to Comprehensive Income in the year ended 31st July 2016.

#### b) Non-government grants accounted for under performance model

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

#### c) Change in recognition of defined benefit plan finance costs

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

#### d) Presentation of actuarial gains and losses within Total Comprehensive Income

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

#### e) Finance leases embedded within contracts

Under the previous UK GAAP, contracts for outsourced costs would be recognised in the Income and Expenditure account over the term of the contract on a straight line basis. FRS 102 and the 2015 FE HE SORP, requires the assessment of each element of the contract to establish whether there is an embedded lease. Adjustments have been made to fixed assets, finance lease liability, interest payable and other operating costs to account for embedded finance leases within contracts.

#### f) Revaluation of land

Under FRS 102 and the 2015 FE HE SORP, the College is entitled on transition to revalue land at 31st July 2014 and treat that value as deemed cost.

#### g) Investment Properties

Off campus properties owned by the College on which rent is received have been classed as Investment Properties. The revaluation on the fair value basis at 31st July has been taken into the investment property revaluation reserve, along with subsequent annual adjustments.

# Independent reporting accountant's report on regularity to the corporation of Chichester College and the Secretary of State for Education acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 18 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Chichester College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

### Respective responsibilities of Chichester College and the reporting accountant

The corporation of Chichester College is responsible, under the financial memorandum 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.

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

### Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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 high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the 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 on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

**Conclusion**

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

**RSM UK AUDIT LLP**
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated: