CENTRAL SUSSEX COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

2016-2017

CENTRAL SUSSEX COLLEGE
REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Leadership Team and were represented by the following in 2016/17:

Sarah Wright – Principal and CEO; Accounting Officer
Kim Morton – Deputy CEO Corporate Services
Andy Forbes – Executive Director Business Development
Clare Wallace – Vice Principal Curriculum
Dean Wynter – Vice Principal Curriculum
Simon Friend – Vice Principal Quality and Standards

Board of Governors

A full list of Governors as at 31st July 2017 is given on page 9 of these financial statements.
Mrs Yolanda Hughes acted as Clerk to the Corporation throughout the period.

Main College Address – College Road, Crawley, West Sussex, RH10 1NR

Professional advisers

Financial statements and regularity auditors:

RSM UK Audit LLP
Chartered Accountants
The Portland Building
25 High Street
Crawley
RH10 1BG

Internal auditors:

Mazars
St Katharines Way
London
E1W 1DD

Bankers:

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors:

ASB Law
106 High Street
Crawley RH10 1BF

Sherrards Employment Law Solicitors
4 Albourne Court, Henfield Road
Albourne, West Sussex
BN6 9DB

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Members Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year 1 August 2016 to 31 July 2017.

Legal Status

The corporation was established under the Further and Higher Education Act 1992, whose principal activities in the year continued to be the provision of education and training in the Haywards Heath, Crawley and the Horsham region. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission / Vision

The Central Sussex College mission is to encourage aspiration and support achievement to enable our students to exceed their expectations. The vision is that Central Sussex College will be the first choice for students, parents and employers because we put excellence at the heart of everything we do.

Public Benefit

Central Sussex College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 9-10.

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
- Links with Local Economic Partnership (LEPs)

Implementation of strategic plan

The recommendation from the Sussex Area Review final report (published November 2016) was a preferred option for Central Sussex College to merge with a strong College as soon as possible. The Corporation resolved to work with Chichester College as its preferred merger partner and the planned merger date of the 1st August 2017 was achieved whereupon Central Sussex College was dissolved, transferring all assets and liabilities to Chichester College. The strategic plan and future prospects for Crawley learners, staff, businesses and the wider community is now embedded within the wider Chichester College Group to ensure there is a strong further education and skills presence in the local area into the future.

FINANCIAL POSITION

Financial Results

The College generated a deficit before other gains and losses for 2016/17 of (£729,000) (2015/16 deficit of (£12,242,000)), with total comprehensive income of £4,382,000, (2015/16 (£13,215,000)). The total comprehensive income in 2016/17 is stated after accounting for disposal of assets and actuarial valuation on pension schemes.

The College has accumulated a deficit in income and expenditure reserves of (£20,545,000) and has cash and short term investment balances of £53,000.

Tangible fixed asset additions during the year amounted to £401,000. This was split between land and buildings acquired of £263,000 and equipment purchased of £138,000. In the main, this relates to conversion of buildings on the Crawley site.

The overall tangible fixed assets on the balance sheet reduced from £40,996,000 in 2015/16 to £23,675,000 in 2016/17. This reduction relates to the disposal of the Haywards Heath site. A deferred capital grant associated with Haywards Heath of £3,274,000 was released on disposal and is included within funding body grants for 2016/17.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 84.1% of the College's total income.

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.

Treasury management for the College is included in the College Financial Regulations.

Short term borrowing for temporary revenue purposes was authorised by the Accounting Officer. All other borrowing required the authorisation of the Corporation and complied with the requirements of the Financial Memorandum.

Cash flows and liquidity

There was a net cash inflow from operating activities of £883,000 in 2016/17 (net cash inflow of £1,032,000 in 2015/16).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the core College business generated £14,626,000 in funding body income (£16,992,000 in 2015/16), this was generated by approximately 5,850 funded leavers.

Student achievements

In 2016/17 the College's overall achievement rate has fallen from 79.1% in 2015/16 to 76.8%. This is mostly due to an increase in learners not achieving their English and Maths qualifications.

Curriculum developments

There were no significant curriculum developments in 2016/17.

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%. During the accounting period 1 August 2016 to 31 July 2017, the College paid 14.33% 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 & future prospects

The recommendation from the Sussex Area Review final report (published November 2016) was a preferred option for Central Sussex College to merge with a strong College as soon as possible. The Corporation resolved to work with Chichester College as its preferred merger partner and the planned merger date of the 1st August 2017 was achieved whereupon Central Sussex College was dissolved, transferring all assets and liabilities to Chichester College. The strategic plan and future prospects for Crawley learners, staff, businesses and the wider community is now embedded within the wider Chichester College Group to ensure there is a strong further education and skills presence in the local area into the future.

RESOURCES:

The College has had limited access to resources however successful capital bids have seen some investment in year on the Crawley site.

Financial

The College has £7,563,000 of net liabilities (including a £889,000 pension liability) and a debt of £36,982,000, which includes bank loans, overdrafts and SFA advanced funding. This debt includes the loans associated with Haywards Heath which were resolved on the 1st August 2017.

People

During 2016/17 the College employed 298 people (expressed as full time equivalents), of whom 166 are teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College throughout 2016/17 maintained work to develop and embed the system of internal control, including financial, operational and risk management designed to protect the College's assets.

The Risk Management Group maintained 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 implemented and appraised to review their effectiveness and progress against risk mitigation actions. In addition the Risk Management Group considered any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register was maintained at the College level and reviewed periodically by the Audit Committee. 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.

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 2016/17, 84.1% of the College's revenue was publicly funded. Following merger 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

- Continuing changes to the way apprentices are funded, moving towards the new standards.
- Further reduction in funding from a now combined ESFA in response to a decline in economic fortunes.
- Removal of the student number caps on HE, which favours Universities over FE Colleges.
- Possible expansion of Adult Learner Loans to cover Level 2 provision.

This risk is mitigated in a number of ways

- As a merged College funding is derived across multiple sites and through a number of direct and indirect contractual arrangements.
- By ensuring the College Group is rigorous in delivering high quality education and training.
- Considerable focus is placed on managing key relationships with the various funding bodies.
- Ensuring the College prioritises sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

Tuition fee policy

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

This risk is mitigated in a number of ways

- Working to ensure the College is delivering education and training ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

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.

Going Concern

See the above section entitled "Events after the end of the reporting period & Future prospects".

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Chichester College;
- Transactional Unit;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnership (LEP);
- 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.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College values diversity and recognises that people with different backgrounds, skills, attitudes and experiences bring fresh ideas and perceptions, and enrich the College community. The College will promote good practice in equality and diversity, and this policy, to all members of the College community. It will ensure that external organisations and employers with which it works are informed of this policy and encouraged to adhere to its principles. The College's Equality and Diversity Policy is published on the College's website.

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

The College has committed to the principles and objectives of recognised standards for employing disabled people. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

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

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access ongoing throughout the College.
b) The College has a qualified member, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available as required.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) 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 5th December 2017 and signed on its behalf by:

Kieran Stigant

Chair of Chichester College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 the date at which the Corporation of Central Sussex College was dissolved.

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. Having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College was 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 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 composition of the Corporation during the year and up to the date of the dissolution of Central Sussex College is set out in the table below. The table shows the attendance of individual members at meetings of the Corporation and its committees.

Governors serving on the Corporation during 2016-2017

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Clive Behagg	29.03.07 re-appointed 29.03.15	2 years	March 2017	Governor	Standards Committee	100%
Anahita Henry	19.10.09 Re-appointed 19.10.13	4 years / 4 years	31 July 2017	Staff Governor	Audit Committee	100%
Chris Maidment	13.12.10 re-appointed 12.12.14	4 years / 4 years	31 July 2017	Governor	Chair from 25.03.13 Resources Committee	100%
Patrick McHale	16.12.2013	4 years	31 July 2017	Governor	Audit Committee	89%
Ryan Sallows	05.02.14	4 years	31 July 2017	Governor	Standards Committee	75%
James Sarmecanic	05.02.14	4 years	31 July 2017	Governor	Resources Committee	100%
David Scott	05.02.14	4 years	31 July 2017	Governor	Audit Committee	80%
Ramesh Shingadia	27.03.08 reappointed 27.03.16 Reappointed 12.04.16	4 years/4 years/2 years	31 July 2017	Governor	Audit Committee	78%
Lee Harris	02.03.15	4 years	31 July 2017	Governor	Resources Committee	75%

Janice King	02.03.15	4 years	31 July 2017	Governor	Standards Committee	75%
Sarah Wright	07.01.13	Ex officio	31 July 2017	Principal (from 07.01.13)	All Committees (except Audit).	89%
Yolanda Hughes was Clerk to the Corporation from February 2015 to 31 July 2017.						100%

It is the Corporations' 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.

During the year 2016/17 Corporation met on the following dates:

- Monday, 12 December 2016
- Monday, 6 February 2017
- Monday, 6 March 2017
- Monday, 3 April 2017
- Friday, 5 May 2017
- Monday, 26 June 2017
- Tuesday, 25 July 2017

The Corporation conducted its business through a number of committees. Each Committee had terms of reference, which were approved by the Corporation. The committees were Audit, Remuneration, Resources and Standards. The minutes of these meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.crawley.ac.uk

The clerk to the Corporation maintained a register of financial and personal interests of the Governors. The register is available for inspection at the main College address.

All governors were able to take independent professional advice in furtherance of their duties at the expense of Central Sussex College and had access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations were complied with. The appointment, evaluation and removal of the Clerk were matters for the Corporation as a whole. Formal agendas, papers and reports were supplied to Governors in a timely manner, prior to board meetings. Briefings are provided to the Corporation on an ad-hoc basis.

The Corporation had an independent non-executive element. The Corporation considered that each of its non-executive members was independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation were a matter for the consideration of the Corporation as a whole. However, during the year 2016/17 no new appointments were made. The Corporation is responsible for ensuring that appropriate training is provided as required.

Corporation Performance

Central Sussex College was inspected by Ofsted in October 2016. At that time Ofsted assessed leadership and management at the College as requires improvement.

Remuneration Committee

The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel. The Remuneration Committee comprised of three members of the Corporation and met once during the year ending 31 July 2017 on Monday, 28 November 2016.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprised four members of the Corporation (excluding the Accounting Officer and Chair) and one co-opted specialist. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met twice during the year 2016/17, on Monday, 14 November 2016 and Monday, 19 June 2017. The Committee provided a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who had access to the Committee for independent discussion, without the presence of College management.

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

The College Management was responsible for the implementation of agreed audit recommendations and internal audit undertook periodic follow-up reviews to ensure such recommendations had been implemented.

Standards Committee

The Standards Committee met once during the year 2016/17 on Monday, 21 November 2016. The Committee comprised four members of the Corporation and operated with written terms of reference approved by the Corporation. After the final meeting of the Committee in November 2016, the business of the meeting was subsumed in to full Corporation meetings.

Internal Control

<u>Scope of responsibility</u>

The corporation was 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 delegated the day-to-day responsibility to the Principal, as Chief Accounting Officer, for maintaining a sound system of internal control that supported the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she was personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum and the funding bodies. She was 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 was 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 was 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 was in place in Central Sussex College to the date of dissolution of the entity.

Going Concern

The recommendation from the Sussex Area Review final report (published November 2016) was a preferred option for Central Sussex College to merge with a strong College as soon as possible. The Corporation resolved to work with Chichester College as its preferred merger partner and the planned merger date of the 1st August 2017 was achieved whereupon Central Sussex College was dissolved, transferring all assets and liabilities to Chichester College. The financial statements are therefore prepared on a basis other than going concern.

Approved by order of the members of the Corporation on 5th December 2017

and signed on its behalf by:

Kieran Stigant	Shelagh Legrave
Chair of Chichester College	**Accounting Officer Chichester College**

Statement of Regularity, Propriety and Compliance

The corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. 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 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 ESFA.

and signed on its behalf by:-

Kieran Stigant	Shelagh Legrave
Chair of Chichester College	**Accounting Officer Chichester College**

Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the College to prepare the financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice and which give a true and fair view of the state of affairs of the College and of the College's deficit of income over expenditure for that period..

In preparing the financial statements the Corporation is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK 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 enabling it to ensure that the financial statements are prepared in accordance with the Companies Act 2006 and other relevant accounting standards. They are responsible for taking steps 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 funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and In accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 5th December 2017 and signed on its behalf by:

Kieran Stigant – **Chair of Chichester College**

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF CHICHESTER COLLEGE IN RESPECT OF CENTRAL SUSSEX COLLEGE

Opinion

We have audited the financial statements of Central Sussex College (the 'Dissolved College') for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as set out in our engagement letter dated 22 September 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the Dissolved College's affairs as at 31 July 2017 and of the Dissolved College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Emphasis of Matter – non going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements. As described in note 1, the Central Sussex College governors pursued a merger that resulted in the transfer of Central Sussex College's trade, assets and liabilities to another entity and the dissolution of Central Sussex College. The merger formally occurred on the 1st August 2017, and for this reason the accounts have been drawn up on a basis other than that of going concern.

No material adjustments arose as a result of ceasing to apply the going concern basis.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you in respect of Central Sussex College if, in our opinion:

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

Responsibilities of the Corporation of Chichester College in respect of Central Sussex College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 13, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Dissolved College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Dissolved College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation of Chichester College in respect of Central Sussex College, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 22 September 2017. 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 22 September 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

Date:

Central Sussex College
Statement of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2		15,567		17,712
Accelerated deferred capital grant release	2		3,274		1,735
Tuition fees and education contracts	3		3,075		3,174
Other income	4		452		505
Other income - Onerous lease release	4		644		-
Investment income	5		2		7
Total income			**23,014**		**23,133**
EXPENDITURE					
Staff costs	6	12,894		15,152	
Restructuring costs	6	618		308	
Other operating expenses	8	6,029		6,872	
Other operating expenses - break costs	8	1,644		-	
Depreciation	11	1,513		1,629	
Impairment adjustment	11	-		10,106	
Interest and other finance costs	9	1,045		1,308	
Total expenditure			**23,743**		**35,375**
Deficit before other gains and losses			**(729)**		**(12,242)**
Loss on disposal of assets			(2,509)		(15)
Deficit before tax			**(3,238)**		**(12,257)**
Taxation	10		-		-
Deficit for the year			**(3,238)**		**(12,257)**
Actuarial gain / (loss) in respect of pension schemes			**7,620**		**(958)**
Total Comprehensive Income for the year			**4,382**		**(13,215)**

Central Sussex College
College Statement of Changes in Reserves

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 01 August 2015	**(13,206)**	**14,476**	**1,270**
Deficit from the income and expenditure account	(12,257)	-	(12,257)
Other comprehensive income	(958)	-	(958)
Transfers between revaluation and income and expenditure reserves	216	(216)	-
	(12,999)	**(216)**	**(13,215)**
Balance at 31 July 2016	**(26,205)**	**14,260**	**(11,945)**
Deficit from the income and expenditure account	(3,238)	-	(3,238)
Other comprehensive income	7,620	-	7,620
Transfers between revaluation and income and expenditure reserves - standard	216	(216)	-
Transfers between revaluation and income and expenditure reserves - disposal	1062	(1,062)	-
Total comprehensive income for the year	**5,660**	**(1,278)**	**4,382**
Balance at 31 July 2017	**(20,545)**	**12,982**	**(7,563)**

Central Sussex College
Statement of Financial Position as at 31st July

	Notes	2017 £'000	2016 £'000
Non current assets			
Tangible fixed assets	11	23,675	40,996
Total fixed assets		**23,675**	**40,996**
Current assets			
Debtors	12	14,388	965
Cash in hand and in bank		53	92
		14,441	**1,057**
Less: Creditors – amounts falling due within one year	13	(39,332)	(38,387)
Net current liabilities		**(24,891)**	**(37,330)**
Total assets less current liabilities		(1,216)	3,666
Creditors – amounts falling due after more than one year	14	(5,271)	(7,044)
Provisions			
Defined benefit obligations	22	(889)	(7,799)
Other provisions	16	(187)	(768)
Total net liabilities		**(7,563)**	**(11,945)**
Reserves			
Income and expenditure account		(20,545)	(26,205)
Revaluation reserve		12,982	14,260
Total reserves		**(7,563)**	**(11,945)**

The financial statements on pages 16 to 45 were approved and authorised for issue by the Corporation on 5th December 2017 and were signed on its behalf on that date by:

....	....
Kieran Stigant	**Shelagh Legrave**
Chair of Governors	**Accounting Officer**

Central Sussex College
Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus/ (Deficit) for the year		(3,238)	(12,257)
Adjustment for non-cash items			
Depreciation	1 & 11	1,513	1,629
Impairment adjustment		-	10,106
Increase in debtors		277	1,427
Increase / (Decrease) in creditors due within one year		752	(1,507)
Increase in creditors due after one year		(3,553)	(903)
(Decrease) / Increase in provisions		(581)	768
Pensions costs less contributions payable	22	710	682
Adjustment for investing or financing activities			
Investment income	5	(2)	(7)
Interest payable	9	852	1,079
Loss on disposal of tangible fixed assets		2,509	15
Net cash flow from operating activites		**(761)**	**1,032**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	6
Investment income		2	7
Payments made to acquire fixed assets	11	(401)	(1,715)
		(399)	**(1,702)**
Cash flows from financing activities			
Interest paid	9	(846)	(1,073)
Interest element of finance lease rental payments	9	(6)	(6)
New unsecured loans - SFA advanced funding		2,900	1,628
Repayments of amounts borrowed		(938)	(906)
Capital element of finance lease rental payments		(46)	(52)
		1,064	**(409)**
Decrease in cash and cash equivalents in the year		**(96)**	**(1,079)**
Cash and cash equivalents at beginning of the year		(203)	876
Cash and cash equivalents at the end of the year		(299)	(203)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

Note 1 ACCOUNTING POLICIES

Central Sussex College is a corporation that was established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 1. The nature of the College's operations are set out in the Members' Report.

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

(1) Basis of preparation and accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further & Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 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.

The functional currency of the College is sterling and these accounts are rounded to the nearest £1,000.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The recommendation from the Sussex Area Review final report (published November 2016) was a preferred option for Central Sussex College to merge with a strong College as soon as possible. The Corporation resolved to work with Chichester College as its preferred merger partner and the planned merger date of the 1st August 2017 was achieved whereupon Central Sussex College was dissolved, transferring all assets and liabilities to Chichester College.

The Financial Statements are therefore prepared on a basis other than going concern on the assumption that the College ceased to trade after 1 August 2017.

(2) 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 achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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 realised to income as conditions are met.

Income from tuition fees is stated gross of any expenditure and is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

All income generated from short-term deposits and investments are credited to Statement of Comprehensive Income for the period in which it was earned.

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and aged grants. Related payments received from the funding bodies and subsequent disbursements to students and employers 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.

(3) 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 there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the statement of comprehensive income 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 interest and other financial costs.

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the 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 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.

(4) Non-current Assets - Tangible fixed assets

(a) Land and buildings

On adoption of FRS102, the College followed the transitional provision to retain the book value of Land and Buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluation of the properties in future. Land and building acquired since incorporation are included in the balance sheet at cost less accumulated depreciation where appropriate.

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life of 50 years for all buildings prior to 1 August 2007 and using the straight-line method and no charge made in the year of the disposal. Freehold short-life accommodation is depreciated over a 10-year expected useful economic life using the straight-line method or in line with the term of the leasehold for the leasehold premises.

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 capital grant account and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a 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 fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Subsequent expenditure on existing fixed assets

Finance costs directly attributable to the construction of an asset are capitalised as part of the asset during the period of construction.

Subsequent costs, including replacement parts, are only capitalised when it is probable such costs will generate future economic benefits. Any replacement parts are then derecognised. All other costs of repairs and maintenance are expensed as incurred.

(b) Equipment

The assets of the College classified as equipment include furniture, fixtures and fittings; motor vehicles; computer equipment; and general equipment. These assets are capitalised at cost on acquisition if their estimated useful economic life exceeds one year and their purchase cost exceeds £1,000; otherwise their costs are charged to the statement of comprehensive income in the period in which they are purchased.

The College's depreciation policy uses the straight-line method and assumes expected useful economic lives per asset type of:

Furniture, fixtures and fittings	-	5 years
Motor vehicles	-	3 years
Computer equipment	-	3 years
General equipment	-	5 years

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

(5) Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income. Leasing arrangements which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as finance leases. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

(6) Maintenance of premises

The cost of planned maintenance is charged to Statement of Comprehensive Income in the period it is incurred.

(7) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes party to the contractual provision of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financial transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financial transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measure at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The definition of financial instruments means prepayments, deferred income (including deferred capital grant), finance leases and statutory liabilities are omitted.

(8) 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 element of 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.

(9) Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

(10) 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.

(11) 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.

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Dilapidations provision*

A provision for dilapidation costs is made when the decision is taken to exit a property and the lease has certain obligations on the College. An estimate is made based on an assessment of the work required given the condition of the property and consideration of available data to support the cost of the assessed works. Therefore, a £100,000 dilapidations provision has been included to return the leased premises in Horsham to its original state, as per the contract.

- *Holiday pay accrual*

Holiday pay is recognised as an expense in year. Any unused benefits are calculated and accrued as the additional amount the College expects to pay as a result of the unused entitlement.

2 Funding body grants

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Recurrent grants		
Education Funding Agency	10,714	13,027
Skills Funding Agency	2,339	2,277
Apprenticeships through the Skills Funding Agency	1,732	1,688
Higher Education Funding Council	230	229
Specific grants		
Skills Funding Agency	89	96
European Social Fund	-	74
Other funding bodies	106	79
Releases of government capital grants	357	242
Accelerated deferred capital grant release	3,274	1,735
Total	**18,841**	**19,447**

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
ESF Income	-	54
Payments to College partners	-	20
Net income	**-**	**74**

3 Tuition fees and education contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Adult education fees	667	861
Apprenticeship fees and contracts	570	571
Fees for FE loan supported courses	577	556
Fees for HE loan supported courses	724	658
International students fees	9	5
Total tuition fees	**2,547**	**2,651**
Education contracts	528	523
Total	**3,075**	**3,174**

4 Other income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Catering and residence	189	216
Other income generating activites	176	237
Other grant income	63	16
Other income	24	36
Other income - onerous lease release	644	-
Total	**1,096**	**505**

5 Investment income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other interest receivable	2	7
Net return on pension scheme (note 22)	-	-
Total	**2**	**7**

6 Staff costs

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

	Year ended 31 July 2017 No.	Year ended 31 July 2016 No.
Teaching staff	166	218
Non teaching staff	132	151
	298	**369**

Staff costs for the above persons		**Year ended 31 July 2017 £'000**	**Year ended 31 July 2016 £'000**
Wages and salaries		9,613	11,714
Social security costs		897	887
Other pension costs (including adjustments of £517,000 – 2015/16 £453,000)		2,165	2,339
Payroll sub total		**12,675**	**14,940**
Contracted out staffing services		219	212
		12,894	**15,152**
Fundamental restructuring costs -	Contractual	470	253
	Non contractual	148	55
Total staff costs		**13,512**	**15,460**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the College and are represented by the College Executive Leadership Team which comprises the Principal & CEO, Deputy Chief Executive Officer - Corporate Services, Executive Director Business Development and three Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer were:	6	7

7 Emoluments of key management personnel, accounting officer and other higher paid staff

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

	Key management personnel		Other staff	
	2017 No.	**2016 No.**	**2017 No.**	**2016 No.**
£60,001 to £70,000	-	-	2	2
£70,001 to £80,000	2	3	-	-
£80,001 to £90,000	1	1	-	-
£100,001 to £110,000	2	2	-	-
£160,001 to £170,000	1	1	-	-
	6	**7**	**2**	2

Key management personnel emoluments are made up as follows:	**Year ended 31 July 2017 £'000**	**Year ended 31 July 2016 £'000**
Salaries	582	566
Employers national insurance contributions	74	68
Benefits in kind	4	12
	660	646
Pension contributions	115	99
Total emoluments	**775**	**745**

Note 7 continued

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is the highest paid senior post holder) of:

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Salaries	163	163
Benefits in kind	3	2
	166	165
Pension contributions	41	27

Compensation for loss of office paid to former key management personnel

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Compensation paid to the former post holders - contractual	221	-
Compensation paid to the former post holders - non contractual	148	26

8 Other operating expenses

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Teaching costs	2,010	2,525
Non teaching costs	1,796	1,590
Premises costs	2,223	2,757
Break costs associated with early loan repayments	1,644	-
Total	**7,673**	**6,872**

Other operating expenses include:	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Auditors' remuneration:		
Financial statements audit	31	28
Internal audit	15	13
Other services provided by the financial statements auditors*	28	22
Hire of assets under operating leases	381	175

* Services in regards to £4K re TPA assurance report, £8K re 14/15 and £16K re 15/16 financial Statement Audits (under accrued).

9 Interest and other finance costs

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
On bank loans, overdrafts and other loans:	846	1,073
	846	1,073
On finance leases	6	6
Pension finance costs (note 22)	193	229
Total	**1,045**	**1,308**

10 Taxation

The members believe that the College was not liable for any Corporation Tax arising out of its

11 Tangible fixed assets

	Land and buildings		Equipment	Total
	Land and buildings	Assets In Course of Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	65,689	220	6,613	72,522
Transfers from Assets in Course of Construction	220	(220)	-	-
Additions	263	-	138	401
Disposal *	(33,702)	-	(810)	(34,512)
At 31 July 2017	**32,470**	**-**	**5,941**	**38,411**
Depreciation				
At 1 August 2016	25,503	-	6,023	31,526
Charge for the year	1,280	-	233	1,513
Elimination in respect of disposals *	(17,511)	-	(792)	(18,303)
At 31 July 2017	**9,272**	**-**	**5,464**	**14,736**
Net book value at 31 July 2017	**23,198**	**-**	**477**	**23,675**
Net book value at 31 July 2016	**40,186**	**220**	**590**	**40,996**

* During the reporting year the College disposed of its Haywards Heath campus.

The net book value of equipment includes amounts of £7,000 (2015/16, £58,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £51,000 (2015/16, £57,000)

If fixed assets had not been revalued before being deemed as at cost on transition 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**

12 Debtors

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amounts falling due within one year:		
Trade receivables	404	368
Other receivables	-	1
Prepayments and accrued income	253	455
Amounts owed by the Skills Funding Agency	94	141
Amounts owed by the Department for Education	13,637	-
Total	**14,388**	**965**

13 Creditors: amounts falling due within one year

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Bank loans and overdrafts	22,104	24,766
Obligations under finance leases	6	51
Payments received in advance	92	104
Trade payables	272	832
Other taxation and social security	545	477
Accruals and deferred income	2,619	1,299
Deferred income - government capital grants	279	357
Amounts owed to Skills Funding Agency	317	303
Education and Skills Funding Agency Advanced Funding*	13,098	10,198
Total	**39,332**	**38,387**

* The College had a commitment from the Education and Skills Funding Agency to waive £12,098k on the completion of the proposed merger with Chichester College which occurred 01 August 2017.

14 Creditors: amounts falling due after one year

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Bank loans	1,780	-
Deferred income - government capital grants	3,491	7,044
Total	**5,271**	**7,044**

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	**Year ended 31 July 2017 £'000**	**Year ended 31 July 2016 £'000**
In one year or less	22,104	24,766
Between one and two years	499	-
Between two and five years	1,130	-
In five years or more	151	-
Total	**23,884**	**24,766**

A mortgage at 6.75% for £3,500,000 repayable by quarterly instalments falling due between 26 November 2004 and 27 November 2023 is secured on the freehold land and buildings at the Crawley campus. A second mortgage at 6.06% repayable by quarterly instalments falling due between 1 April 2007 and 31 Aug 2031 for £6,000,000 is secured on the freehold land and buildings of the Haywards Heath campus. A third mortgage at 6.65% repayable by quarterly instalments falling due between 4 December 2007 and 1 December 2032 for £1,520,000 is secured on the freehold land and buildings of the Haywards Heath campus. A fourth mortgage at 4.89% for £2,500,000 repayable by quarterly instalments falling due between 13 September 2010 and 11 September 2019 is secured on the freehold land and buildings of the Haywards Heath campus. A fifth mortgage at between 1.65% above LIBOR and 3.55% (fixed) for £16,555,459 repayable by quarterly instalment falling due between 21 October 2013 and July 2036 is secured on the freehold land and buildings of the Haywards Heath campus.

(b) Finance leases

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

	Year ended 31 July 2017 £'000	**Year ended 31 July 2016 £'000**
In one year or less	6	51
Between two and five years	-	-
Total	**6**	**51**

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

Financial Instruments
All financial instruments are "basic" under the definition in FRS102. The College has financial assets measured at amortised cost of £14,135k (2016: £965k) and financial liabilities measured at amortised cost of £40,980k (2016: £37,398k).

16 Provisions

	Other Provisions * £'000	Onerous Contract ** £'000	Defined benefit obligations £'000	Total £'000
At 1 August 2016	-	768	7,799	8,567
Expenditure in the period	-	(124)	(1,082)	(1,206)
Transfer from income & expenditure account	-	-	(5,828)	(5,828)
Onerous Contract **	-	(644)	-	(644)
Other provisions *	187	-	-	187
At 31 July 2017	**187**	**-**	**889**	**1,076**

Defined pension obligations relate to the liabilities under the College's membership of the Government pension scheme. Further details are given in Note 22.

* During the year a review of VAT returns over the last 3 years confirmed an under payment of VAT liabilities amounting to £84k plus interest. The provision also includes a £100k dilapidation provision to return the leased premises in Horsham to its original state, as per the contract.

** During 2015/16 a decision was made to mothball a leased property in East Grinstead, with a tenancy running until October 2021 (classified as an onerous lease contract). During 2016/17, an agreement was reached with the landlord to release Central Sussex College from it lease obligations. This transaction completed in July 2017 and has removed the onerous lease contract from provisions.

17 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash in hand, and at bank	92	(40)	52
Overdrafts	(295)	(56)	(351)
	(203)	**(96)**	**(299)**

18 Capital and other commitments

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Commitments contracted for at 31 July	-	**196**

19 Lease obligations

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

Future minimum lease payments due	2017 £'000	2016 £'000
Land and Buildings		
Not later than one year	61	230
Later than one year and not later than five years	-	595
Later than five years	-	25
	61	**850**

During 2015/16, a decision was made to mothball a leased property in East Grinstead, with a tenancy running until October 2021 (classified as an onerous lease). During 2016/17, an agreement was reached with the landlord to release Central Sussex College from its lease obligations. This transaction completed in July 2017 and has removed the onerous lease contract from provisions.

Other	2017 £'000	2016 £'000
Not later than one year	52	86
Later than one year and not later than five years	27	79
Later than five years	-	-
	79	**165**

20 Contingent liability

There were no contingent liabilities.

21 Events after the reporting period

The material post balance sheet events relate exclusively to the merger with Chichester College, and the transfer of assets and liabilities to that entity, and the dissolution of Central Sussex College, on 01 August 2017. Largely due to transaction timings and the conditions of the Department for Education grant agreement, the disposal of the Haywards Heath site took place on the 31st July 2017 (and is reflected in the balance sheet) whilst the associated transactions, which include:

- the receipt of the proceeds from the Haywards Heath disposal to the Department of Local Government and Communities of £13.64m
- the receipt of restructuring grant relating to the disposal of Haywards Heath of £9.34m
- the waiver of exceptional financial support of £12.1m
- the repayment of £21.27m of outstanding loans and £1.64m of associated break out costs

All took place post balance sheet on the 1st August 2017.

22 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 West Sussex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Sussex County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**Year ended 31 July £'000**		**Year ended 31 July 2016 £'000**
Teachers Pension Scheme: contributions paid		625		800
Local Government Pension Scheme:				
Contributions paid	1,072		1,071	
FRS 102 (28) charge	517		453	
Charge to the Statement of Comprehensive Income		1,589		1,524
Enhanced pension charge to Statement of Comprehensive		-		-
Total Pension Cost for Year within staff costs		**2,214**		**2,324**

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Contributions amounting to £72,475 (2016: £94,823) were payable to the scheme at 31st July and are included within 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 elligible 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

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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Note 22 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 will be implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £625,500 (2016: £800,000)

FRS 102 (28)

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

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

Note 22 Defined benefit obligations continued

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. The total contribution made for the year ended 31 July 2017 were £1,276,000 of which employer's contributions totalled £966,000 and employees' contributions totalled £310,000. The agreed contribution rates for future years are 21.00% 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 2016 updated to 31 July 2017 by a qualified independent actuary.

	Year ended 31 July 2017	**Year ended 31 July 2016**
Rate of increase in salaries	3.2%	3.4%
Future pensions increases	2.5%	1.9%
Average Discount rate for scheme liabilities	2.7%	2.4%
Average Inflation assumption (CPI)	2.5%	2.6%
Commutation of pensions to lump sums (pre April 2008 service)	50.0%	50.0%
Commutation of pensions to lump sums (post April 2008 service)	75.0%	75.0%

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

	Year ended 31 July 2017	**Year ended 31 July 2016**
Retiring today		
Males	23.6	24.4
Females	25.0	25.8
Retiring in 20 years		
Males	26.0	26.9
Females	27.8	28.5

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equity instruments	3.6%	28,387	3.6%	36,110
Debt instruments	3.6%	20,198	3.6%	7,914
Property	3.6%	4,367	3.6%	3,957
Cash	3.6%	1,638	3.6%	1,484
Total fair value of plan assets		**54,590**		**49,465**
Weighted average expected long term rate of return	3.6%		3.6%	
Actual return on plan assets		**4,883**		**6,327**

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Fair value of plan assets	**54,590**	**49,465**
Present value of plan liabilities	(55,303)	(57,078)
Present value of unfunded liabilities	(176)	(186)
Net pension	**(889)**	**(7,799)**

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amounts included in staff costs		
Current service cost	1,599	1,490
Past service cost	-	44
Total	**1,599**	**1,534**
Amounts included in investment income		
Expected return on pension scheme assets	1,189	1,544
Interest on pension liabilities	(1,382)	(1,773)
Net interest income	**(193)**	**(229)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	3,694	4,783
Experience gains arising on defined benefit obligations	4,646	534
Changes in assumptions underlying the present value of plan	(720)	(6,275)
Amount recognised in Other Comprehensive Income	**7,620**	**(958)**

Movement in net defined benefit liability during year	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Net defined benefit liability in scheme at 1 August	(7,799)	(6,159)
Movement in year:		
Current service cost	(1,599)	(1,490)
Employer contributions	1,072	1,071
Unfunded benefits contribution	10	10
Losses on curtailment	-	(44)
Net interest on defined liability	(193)	(229)
Actuarial gain or (loss)	7,620	(958)
Net defined benefit liability at 31 July	**(889)**	**(7,799)**

Asset and Liability Reconciliation	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	57,264	48,785
Current service cost	1,599	1,490
Interest cost	1,382	1,773
Contributions by scheme participants	314	335
Experience gains and losses on defined benefit obligations?	(4,646)	(534)
Changes in demographic assumptions	(1,485)	-
Changes in financial assumptions	2,205	6,275
Estimated benefits paid - funded	(1,144)	(894)
Estimated benefits paid - unfunded	(10)	(10)
Curtailments and settlements	-	44
Defined benefit obligations at end of period	**55,479**	**57,264**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	49,465	42,626
Interest on plan assets	1,189	1,544
Return on plan assets	3,694	4,783
Employer contributions	1,072	1,071
Contributions by scheme participants - funded	314	335
Contributions by scheme participants - unfunded	10	10
Estimated benefits paid - funded	(1,144)	(894)
Estimated benefits paid - unfunded	(10)	(10)
Fair value of plan assets at end of period	**54,590**	**49,465**

23 Related party transactions

The College has a contractual relationship with the University of Chichester which, during 2016/17, included a support contract for a foundation degree in Early Childhood and a BA in Early Childhood Studies totalling £38k. The Vice Chancellor of the University of Chichester is a member of the Corporation.

Details of key management personnel compensation is given in note 7.

24 Amounts disbursed as agent

Discretionary support funds	**Year ended 31 July 2017 £'000**	**Year ended 31 July 2016 £'000**
Funding body grants – discretionary learner support	-	193
Funding bodies grants	538	580
	538	**773**
Disbursed to students	350	650
Administration costs	24	25
	374	**675**
Balance unspent as at 31 July, included in creditors	**164**	**98**

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 have therefore been excluded from the Statement of Comprehensive Income, other than when the College has directly incurred expenditure itself.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF CHICHESTER COLLEGE IN RESPECT OF CENTRAL SUSSEX COLLEGE, AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 22 September 2017 and further to the requirements of the Financial Memorandum published by the Skills Funding Agency to obtain limited assurance about whether the expenditure disbursed and income received by Central Sussex College (the 'Dissolved College') during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of the Corporation of Chichester College in respect of Central Sussex College for regularity

The governing body of the Dissolved College was responsible, under the funding agreement and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of Chichester College is responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

This report is made solely to the Corporation of Chichester College in respect of Central Sussex College, and the Secretary of State for Education acting through the Department for Education 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 in respect of Central Sussex College, and the Secretary of State for Education acting through the Department for Education 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 Department for Education for our work, for this report, or for the conclusion we have formed.

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Dated: 08/12/17