CCG Chichester College Group

Report and Financial Statements

for the year ended 31 July 2020

Key Management Personnel, Corporation Membership and Professional Advisers

Key management personnel

Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2019/20 and from 1st August 2020:

Shelagh Legrave, Chief Executive & Accounting Officer

Andrew Green, Executive Principal (seconded to Greater Brighton Metropolitan College from 10th August 2020)

Stephen Coulthard, Chief Financial Officer

Julie Kapsalis, Managing Director Commercial

Victoria Illingworth, Principal Crawley College

Sally Challis-Manning, Principal Brinsbury & Group Deputy Principal Quality

Paul Riley, Principal, Worthing College and Haywards Heath College (from 27th June 2019)

Helen Loftus, Acting Operational Principal, Chichester College (from 10th August 2020)

Corporation Membership

A full list of members of the Corporation is given on page 17 of these financial statements.

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

Professional advisers

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

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

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

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

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Members' Report

OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2020.

LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Chichester College of Arts, Science and Technology. The merger with Brinsbury College took place on 1st August 2002, at which point the Secretary of State granted consent to the Corporation to change the College's name to Chichester College. Chichester College merged with Central Sussex College under a Type B Merger on 1st August 2017, thus triggering the dissolution of Central Sussex College. Following an application to the Secretary of State the Corporation's name was changed to Chichester College Group from 1st January 2018. On 29th March 2019, Chichester College Group merged with Worthing College under a Type B Merger, triggering the dissolution of Worthing College. Chichester College Group opened a new campus, Haywards Heath College in September 2020.

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

MISSION, VISION AND STRATEGY

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

We do this by:

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

Our Vision

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

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

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

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

Implementation of Strategic Plan

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

- To sustain and promote high quality education which ensures the highest levels of achievement for our students;

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

The Group was inspected by Ofsted in March 2020 and was judged outstanding in all nine areas of the inspection.

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

Financial objectives

The Group's financial objectives for 2019/20 were:

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

The Group achieved 81% of its adult education budget allocation, actual results were worse than the budget deficit however positive cash balances were maintained throughout the year.

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

COVID-19

Group operations and finances have been significantly impacted by COVID-19. At the commencement of the national lockdown, most of the Group commercial operations ceased trading and all teaching and learning was moved to online delivery only.

Staff across the Group responded quickly and positively to the lockdown measures with the priority to maintain outstanding teaching, learning and services across the Group wherever possible. The safety of staff, students and customers of Chichester College Group has been the priority during the pandemic with a huge amount of work taking place to ensure all sites across the Group were ready for the start of the 2020/21 academic year.

The CCG commercial operations have been the hardest hit by the pandemic. International students all travelled home at the start of lockdown which has impacted tuition and accommodation fees where the two halls of residence were largely unoccupied. The four First Steps nursery settings were also badly impacted by reduced numbers and 'bubble' operations however these businesses are recovering well post lockdown. The Sports Centre and Climbing Wall facilities were all closed during lockdown and most commercial courses were cancelled or not commenced. Anglia Examinations was also impacted due to the global nature of the pandemic and many exams not taking place or being delayed.

The Group accessed the Coronavirus Job Retention Scheme wherever members of staff met the eligibility criteria and at its peak, over 200 staff were on furlough on either a full or rotational basis.

The Group supported its key suppliers during the pandemic with early conversations and changes to agreements to try to ensure a fair approach to service delivery during lockdown enabling a return to normal operations as soon as possible thereafter.

RESOURCES

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

Tangible

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

Financial

The Group has £88,113,000 (2018/19 - £93,987,000) of net assets (including £377,000 pension asset (2018/19 - £3,035,000)). This includes long term liabilities of £24,603,000 (2018/19 - £24,272,000).

People

The Group employed an average of 1,530 (2018/19 – 1,437) people (expressed as headcount not full time equivalents), of whom 635 (2018/19 – 624) were teaching staff.

Students

The Group enrolled approximately 14,899 students in 2019/20 (17,529 - 2018/19). The student population includes 6,224 (2018/19 - 6,140) 16-to-18 year old students (or 19 to 24 year old students with an EHC plan), 2,555 apprentices (2018/19 - 3,130), 310 higher education students (2018/19 – 319) and 3,359 classroom based funded adult learners (2018/19 – 3,576). A significant proportion of the overall reduction from 2018/19 relates to Adult & Community Learning (235 down), Self-Financing (801 down) and International (466 down). All of these areas were heavily impacted by COVID-19 and lockdown.

Reputation

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

Chichester College Group received it's first Ofsted inspection since the mergers with Central Sussex College and Worthing College in March 2020. The Group was graded by Ofsted as outstanding overall and outstanding in each of the inspection aspects. The report is available at https://reports.ofsted.gov.uk/provider/31/130843

STAKEHOLDERS

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

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

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

FINANCIAL PERFORMANCE

Results

The Group achieved a deficit before other gains and losses in the year of £(7,125,000) (2018/19 – surplus £4,804,000), with negative total comprehensive income of £(5,874,000) (2018/19 – income £3,390,000). 2018/19 included a one off merger grant of £3,094,000 and gain from a gift on merger of £7,378,000. FRS102 pension adjustments in the year impacted investment income by £64,000 (2018/19 – investment income of £226,000), staff costs by £4,027,000 (2018/19 - £2,857,000) and actuarial gain in respect of pension schemes by £1,305,000 (2018/19 – actuarial loss of £2,620,000). These adjustments are shown in the table below.

	2019/20	**2018/19**
	£'000	£'000
(Deficit) before other gains and losses prior to pension and merger adjustments	(3,162)	(3,037)
Less adjustments related to merger:		
Merger grant	-	3,094
Gain from gift on merger	-	7,378
Less adjustments related to year end pension valuation:		
Included within staff costs (note 24)	(4,027)	(2,857)
Included within investment income (note 4)	64	226
(Deficit)/Surplus before other gains and losses per statutory accounts	(7,125)	4,804

Income decreased for the group in the year by £8,991,000. The decrease mainly came from the merger grant (£3,094,000) and gain from gift on consolidation (£7,378,000). Even with the impacts of COVID-19, as the Group achieved the required delivery of the Adult Education Budget, there is no expected clawback for 2019/20 (2018/19 - £653,000).

Tuition fees and education contracts income decreased by £430,000. Although improvements were seen in Higher education fees (£205,000) and Education Contracts (£116,000) this was offset by decreases in other tuition fees. International student fees decreased by £457,000, with the impacts of COVID-19 hitting in the latter part of the year.

Other income reduced by £1,620,000 to £8,034,000. The largest reductions were in catering and residences (£1,239,000) and other income generating activities (£671,000), which relate mainly to the Group's subsidiaries and International students, both of which were hit hard by the impacts of COVID-19.

The Group's payroll staff costs increased by £5,382,000 to £45,844,000. This increase includes a full year of Worthing College staff costs (2018/19 4 months) and the FRS102 pension adjustments. Restructuring costs of £201,000 related to 26 individuals in the year.

Other operating expenditure decreased by £2,682,000 to £15,516,000. This was partly due to a reduction in partner costs (£1,229,000). With the continued pressure on funding income, other operating expenditure continues to be tightly controlled.

The consolidated results, show a negative total comprehensive income for the year of £5,874,000 (2018/19 – £3,390,000 positive), which have been taken to reserves.

Developments

Fixed asset additions during the year amounted to £4,074,000 (£3,873,000 tangible and £201,000 intangible). This was split between land and buildings acquired of £80,000, equipment purchased of £599,000, assets in the course of construction of £3,194,000 (representing work at Crawley and Haywards Heath) and software (treated as an intangible asset) of £201,000.

Reserves

The Group has accumulated reserves of £68,217,000 (2018/19 - £72,933,000) and cash at bank and in hand balance of £8,698,000 (2018/19 - £7,556,000). Increasing cash balances to enable further development of the Group's infrastructure and campuses remains a priority and outcome from an improved operating position for the Group. Unrestricted reserves prior to the Pension reserve adjustment (2019/20 –£377,000 asset, 2018/19 - £3,035,000 asset), came to £67,840,000 (2018/19 - £69,898,000).

Sources of Income

The Group has a significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the element provided by FE funding bodies increased to 71.9% (2018/19 – 67.6% excluding one-off merger income) of the Group's total income, partly due to the impact of COVID-19 on commercial income.

Group Companies

The Group has two active subsidiary companies, First Steps Childcare Group Limited and Anglia Examination Syndicate Limited. The principal activity of First Steps Childcare Group 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. The profits generated by the subsidiaries are normally transferred to the Group under gift aid. However, both subsidiaries were highly impacted by COVID-19 in the latter part of the year and showed a reduction in profits. In the current year, the subsidiaries generated losses before taxation of £87,000 (2018/19 - £322,000 profit) and £40,000 (2018/19 - £160,000 profit) for First Steps Childcare Group Limited and Anglia Examination Syndicate Limited respectively.

FUTURE PROSPECTS

Developments

Following a competitive process run by the Department for Education in December 2018, Chichester College Group was selected as the provider for Haywards Heath College. Preparations for opening the College were overseen by the ESFA and involved local stakeholders including Mid Sussex District Council and local school Head Teachers. In September 2020 Chichester College Group opened the campus at Haywards Heath. The College offers A Levels in 31 subjects and a range of applied general Level 3 qualifications.

A comprehensive estates strategy has been drawn up for the Group with associated masterplans. Work is currently underway to develop a new STEM Centre at Crawley College. The project has been supported by a grant from the Coast to Capital Local Enterprise Partnership and is due to be completed by the end of February 2021.

Financial Plan

The Corporation approved a three year financial plan in July 2020 which sets objectives for the period to 2022.

Treasury policies and objectives

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

The Group has a separate treasury management policy in place within the Group Financial Procedures.

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

Cash flows and liquidity

Net cash inflow from operating activities came to £1,299,000 (2018/19 £5,405,000 outflow including the one-off merger gift and grants), and remains very strong even with the impacts of COVID-19. There was a net inflow of cash from investing activities of £1,560,000 (2018/19 - £5,649,000 inflow) due to the investment in fixed assets (see above) and lower deferred capital grants received.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. By the end of the financial year, cash and cash equivalents increased by £1,142,000 (2018/19 - £1,521,000 decrease) to £8,698,000.

Group's bank borrowings at the end of the financial year amount to £7,601,000 (2018/19 - £8,533,000). Three separate borrowings make up the total: a 2008/09 unsecured loan to help finance the professional fees associated with the scrapped LSC era project totalling £173m, a £8m loan secured during 2011/12 to partly finance the new construction centre and animal care buildings and a new loan taken on from the Central Sussex College merger. The Group also has borrowings with the DfE in relation to the merger with Central Sussex College of £2,800,000.

The closing cash balance for the year was £8,698,000. However, even though the bank balance increased, net current assets were impacted by COVID-19 and reduced to £2,264,000 (2018/19 - £6,439,000). The Group's target remains to maintain positive working capital cash levels throughout the year. The Group did not achieve the EBITDA financial covenant on the Barclays loan for 2018/19. A full Letter of Waiver was agreed with the bank alongside an agreement to update the covenant suite to cover the next few years.

Reserves

The Group has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the Group's core activities. The Group reserves include £89,000 (2018/19 - £89,000) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £68,217,000 (2018/19: £72,933,000).

Future prospects

The addition of Haywards Heath College in September 2020 adds a fifth College campus and an opportunity to consolidate and grow core 16-18 learner numbers across the Group over the next three to five years.

The impact of COVID-19 necessitated a 30% reduction to the 2020/21 apprenticeship budget. At the latest data return, 97% of this target has been achieved and is now expected to be exceeded along with planned growth for 2021/22. This performance indicates that COVID-19 does not appear to have significantly impacted the number of apprentices being trained across the Group beyond the estimated impact reflected in the current year budget.

There are a number of government initiatives that have been launched as a result of COVID-19 which should position the Group to respond positively to train additional adult learners, some of whom will have been made unemployed due to the pandemic.

COVID-19 has significantly impacted the commercial businesses of the Group which had previously provided a circa £2m surplus to the overall Group results each year. Some of these businesses like the First Steps nurseries are responding well post-lockdown however others, particularly international students and accommodation will take longer to recover.

Going concern

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

Financial plans were developed and submitted to the ESFA by 31st July 2020 which were subsequently updated with the ESFA Integrated Financial Model (IFM) submitted by the 30th September 2020. Each of these plans were prepared and submitted on the basis that the entity remains a going concern.

The impact of the COVID-19 pandemic has been incorporated into the current budget and financial plans however further forecasts including sensitivity analysis were produced in January 2021 following the latest national lockdown using the December management accounts actual results for the first five months of 2020/21.

16-18 and Adult Education funding allocations have been confirmed for 2020/21 and form the largest source of income for the Group at 67% of total income for that period. Whilst the allocations for 2021/22 have not yet been confirmed, an increase in 16-18 enrolments in 2020/21 should have a positive impact on 2021/22 income.

Apprenticeships and other fee income budgets for 2020/21 were assessed for likely COVID-19 impact and adjusted downwards to take account of likely course cancellations, refunds and planned start dates not now occurring or being delayed. As of the R06 ILR data return, apprenticeships have achieved 97% of the 2020/21 cash target. The planned 8% growth of apprenticeships in 2021/22 sensitivity is strengthened by the current year's performance which is now expected to exceed target.

Each commercial income line has been assessed for impact and adjusted downwards in the 2020/21 budget. Pre COVID-19, these areas were expected to account for circa 18% of the Group income for the year and are the most widely impacted by the pandemic. The 2020/21 budget assumed a reduction to 14% of total income from commercial increasing to 16% in 2021/22. The largest reductions in income are from international courses and accommodation fees and Anglia examinations. The dependency on international travel and access to overseas exam centres being the biggest barrier to a return to normal operating conditions. Further financial modelling and sensitivity analysis was undertaken following the latest national lockdown showing commercial income reducing to 11% of Group income for 2020/21. Subject to further COVID-19 disruptions, commercial income generation is expected to increase in 2021/22 however it will likely take several years to return to pre COVID-19 levels.

Other commercial businesses such as the Childcare nurseries are recovering well following lockdown and are on track to deliver a 2020/21 budgeted income which was reduced by 30%. The December management accounts and latest forecasts support this position.

Sports Centres were expected to recover quickly and in line with First Steps however the recent second lockdown for England means that the budgeted position is currently under review. The December management accounts reflect income at 57% of budget due to closures and a £102k forecast deficit for 2020/21 versus the budgeted breakeven position.

By way of mitigation, the Group has accessed the government Coronavirus Job Retention Scheme for all members of staff where the eligibility criteria apply. Resources in commercial areas remain under regular review in an attempt to strike the right balance of minimising costs whilst income levels are reduced with being able to respond quickly when the pandemic eases and trading opportunities resume.

Operating cost reductions were made at varying levels across most parts of the Group business during the lockdown however many are fixed costs are relating to overheads and depreciation so no savings have been assumed in these areas in the current year's budget. The group continues to work with key suppliers /partners on a risk-sharing approach to major contracts across the Group post lockdown as most contracts have not been able to return to a normal operating position with lower numbers of staff and students on site and travelling to College. Savings made on utilities during lockdowns where buildings have not opened as normal continue to provide a positive impact and mitigation against income shortfalls across the Group.

There is one major capital programme underway across the Group which is a new £5m grant funded STEM building at the Crawley site and due for completion in February 2021. This project is fully funded by the Coast to Capital LEP and all submitted grant claims have been approved and paid.

The Group currently has £7.6m of bank loans and £2.8m of government loans outstanding with terms negotiated in 2017. Further details are given in note 18. Covenants with both high street banks were adjusted by agreement for 2019/20 and tests were met. Both banks have agreed further adjustments to 2020/21 covenants to account for the impact of COVID-19, with adjustments to 2021/22 covenants also agreed with Barclays. This level of support indicates that it is considered highly unlikely there will be any recall of debt on these loans.

The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due.

Latest modelling shows a reduction in cash balances at 31st July 2021 and 2022, however the Group is still expected to maintain positive cash balances during this challenging period.

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

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

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

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

The Group's risk register is split into five key risk areas, finance and MIS, governance and reputation, HR and corporate services, quality and curriculum and commercial and growth. The risk registers are reviewed termly by the Audit & Risk Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

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

Government funding

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through OFS. In 2019/20, 71.8% excluding one-off merger income (2018/19 – 67.5%) of the Group's revenue was ultimately publicly funded. This was a proportional increase driven by the reduction in commercial income as a result of COVID-19. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Significant uncertainty remains in the way apprentices are funded, following changes several years ago on the introduction of the Apprenticeship Levy;
- Further reductions in funding (and/or lack of sufficient increases to funding) from Government agencies in response to a decline in the economic fortunes of the UK due to COVID-19;
- Impact of BREXIT on the recruitment of EU students;
- The delayed FE White Paper was published in January 2021 and is likely to have implications for the way the sector is organised and controlled in the future.

This risk is mitigated in a number of ways:

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

Tuition fee policy

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

This risk is mitigated in a number of ways:

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

Attracting and retaining excellent staff

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

The impact of COVID-19 is likely to have a positive impact on attracting and retaining staff although potentially not in hard to fill job areas such as engineering and construction teaching roles.

Commercial Income

The Group has a strong reputation internationally and attracts 900 students annually to study in Chichester. It also has significant commercial income streams including two halls of residence, a sports complex, a farm and many full cost courses. The impact of BREXIT and COVID-19 has significantly impacted these income streams, some of which may take some time to recover fully. The Group remains committed to recovering and growing its commercial areas.

Capital Strategy

The Group continues to implement the capital strategy on an incremental basis, when funds become available. During 2019/20, a £2m refurbishment project at Haywards Heath College was completed and the £5m STEM facility at Crawley College is due for completion in February 2021. The government has provided £2m of capital funds in 2020/21 to improve condition of College estates.

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme surplus/(deficit) on the Group's balance sheet in line with the requirements of FRS 102. The College Group's share is valued as an asset for 2019/20 based upon the actuary's report.

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

Failure to maintain the financial viability of the Group

The Group's current financial health grade is classified as Satisfactory as described above. In recent years, the main challenge to the Group's financial position has been continued under funding of further education. As a result of COVID-19, a significant reduction in commercial surpluses has increased the risk level as these areas have traditionally provided a large proportion of the Group surplus.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis;
- Regular in year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies;
- Review of the Group business model in light of COVID-19.

Post-merger risk

The mergers with Central Sussex College on the 1st August 2017 and Worthing College on 29th March 2019 present ongoing risks for the organisation which needs to be carefully managed. Whilst not a merger, the addition of the newly reopened Haywards Heath College to the Group adds to this risk.

The key risks relate to delivering on the merger implementation plans agreed by government, maintaining a stable workforce whilst delivering the change and improvement required, ensuring there is sufficient management capacity in the Group, an inability to realise planned efficiency savings and a failure to achieve the growth identified in the merger plans. In addition, stakeholder engagement and improved reputation at Crawley and Worthing are also risk areas that need to be managed alongside ensuring focus is maintained at Chichester and Brinsbury.

KEY PERFORMANCE INDICATORS

Key Performance Indicator	Measure/Target	Actual for 2019/20
Student number targets	6,128	6,224
Student classroom achievement	87%	90.9%
Apprentice achievement	> 70%	66.9%
Progression to work, university or further education	> 90%	92.3%
Earnings before interest, tax, depreciation & amortisation (Management Accounts measure) *Originally £2,519,000 but amended to £827,000 when COVID-19 impacted	£827,000*	£947,000
OFSTED rating	Outstanding	Outstanding
Staff satisfaction "I am proud to be an employee of Chichester College Group"	> 90%	97%
Student satisfaction "My teaching is good"	Above 90%	94%
Creation of a strong College Group	Crawley retention > 90%	97.6%

Student achievements

Chichester College Group is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying. For the academic year 2019/20 the achievement rate for Group's classroom based learning was 89.9% (2018/19: 86.7%), including English and Maths. The Group's apprentice achievement rate was 66.9% (2017/18: 74.6%), this was greatly affected by the COVID-19 pandemic.

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

OTHER INFORMATION

Public Benefit

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

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

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce;

- Links with Local Enterprise Partnership.

Equality

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

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

The Group is a 'Disability Confident' employer and has committed to the principles and objectives of the 'Disability Confident' standard. The Group considers all employment applications from disabled persons and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion to all staff and to remove any barriers which impact on this.

Disability statement

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

- To install lifts and ramps etc., so that as far as is practicable, all facilities will be accessible to people with disabilities.
- Providing specialist equipment which Colleges within the Group can make available for use by students.
- To take whatever steps it can to ensure that the admissions policy does not discriminate against students with disabilities. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are also learning support assistants across all our colleges who provide a variety of support to learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in Colleges prospectuses, and achievements and destinations are recorded.
- Bespoke programmes are created for students with significant needs that prevent them from engaging in a full time course.
- Students are made aware of the Counselling and wellbeing services during induction, this information is reiterated throughout the year through 1:1s with student tutors. Students are also made aware of the Complaints and Disciplinary Procedure during induction.

Trade union facility time

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

FTE employee number	1,148

Percentage of time	Number of employees
0%	0
1-50%	7.68 FTE (9 employees)
51-99%	0
100%	**0**

Total cost of facility time	£31,127.03
Total pay bill	£41,036,575
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	3.46%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st 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 1st August 2019 to 31st July 2020, the College paid 88% (2018/19: 94%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

EVENTS AFTER THE REPORTING PERIOD

The Group opened the Haywards Heath campus in time for the 2020/21 academic year. This is the fifth College in the Group and largely delivers courses to 16-19 year olds.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 24th February 2021 and signed on its behalf by:

James Sarmecanic

Dr James Sarmecanic

Chairman

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the Group's annual report and accounts to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").

In the opinion of the Corporation, the Group complies with the provisions of the Code, and it has complied throughout the year ended 31st July 2020. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 21st March 2016.

The Corporation

The members who served on the Corporation during the year 2019/20 and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2019/20
Jeff Alexander	1 January 2019	4 years		Independent Member		67%
Marilyn Billingham	1 August 2012, re-appointed 1 August 2016	4 years, plus 4 years	31 July 2020	Independent Member	Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board	92%
Dr Roy Bowden	29 March 2019	Until 28 March 2023 (continued term of office from Worthing College Corporation)		Independent Member	Audit & Risk Committee, Worthing Quality & Stakeholder Board	100%
Steve Cooper	29 March 2019	Until 16 July 2022 (continued term of office from Worthing College Corporation)		Independent Member	Finance & General Purposes Committee, Worthing Staff Committee	100%
Tom Crowley	1 April 2018	4 years	2 October 2020	Independent Member	Resources Committee	83%
Anne Curle	1 January 2019	4 years	10 September 2020	Staff Governor		0%
Andrew Davies	1 August 2013, re-appointed ratified from 1 August 2017	4 years, plus 4 years		Staff Governor	Chichester Quality & Stakeholder Board	50%
Jane Dodsworth	1 August 2013, re-appointed 1 August 2017 Appointed as Vice-Chair from 1 August 2019	4 years, plus 4 years		Independent Member	Resources Committee, Chichester Staff Committee, Governance & Search Committee,	93%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2019/20
					Remuneration Committee	
Margaret Eva OBE	Original appointment 1 August 2012		31 July 2020	Independent Member	Governance & Search Committee, Remuneration Committee, Chichester Quality & Stakeholder Board	91%
Nick Fox	1 January 2013 Re-appointment ratified from 1 January 2018	4 years, plus 4 years		Independent Member	Resources Committee, Audit & Risk Committee, Governance & Search Committee, Remuneration Committee	79%
David Hobson	1 August 2014 Re-appointment ratified from 1 August 2018	4 years, plus 4 years		Independent Member	Resources Committee, Finance & General Purposes Committee	78%
David Jones	1 August 2020	4 years		Independent Member	Chichester Quality & Stakeholder Board, Finance & General Purposes Committee	N/a
Helen Kilpatrick CB	1 January 2019	4 years		Independent Member	Audit & Risk Committee	83%
Shelagh Legrave OBE DL	1 September 2010	Ex-officio		Chief Executive	Finance & General Purposes Committee, Resources Committee, Governance & Search Committee, Chichester Quality & Stakeholder Board, Crawley Quality &	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2019/20
					Stakeholder Board, Chichester Staff Committee, Group Student Committee, Crawley Staff Committee, Worthing Quality & Stakeholder Board, Worthing Staff Committee	
Richard Moore	1 August 2020	4 years		Independent Member	Chichester Quality & Stakeholder Board	N/a
Ryan Sallows	1 August 2017, re-appointed from 1 March 2018	4 years from 1 March 2018		Independent Member	Crawley Quality & Stakeholder Board, Crawley Staff Committee	88%
Dr James Sarmecanic	1 August 2017, appointed as Chairman from 1 August 2019			Independent Member	Governance & Search Committee, Remuneration Committee	100%
Sophie Sargent	1 August 2018	To the end of her term as Student President, Chichester College		Student Governor	Chichester Quality & Stakeholder Board, Chichester Staff Committee, Group Student Committee	92%
Nick Sutherland	1 August 2018	4 years		Independent Member	Group Student Committee, Finance & General Purposes Committee	100%
Ria Voice	11 December 2020	To the end of her term as Student President, Crawley College		Student Governor	Group Student Committee	80%
Caroline Wood	1 January 2015, re-appointed 1 January 2020	4 years		Independent Member	Worthing Quality & Stakeholder Board	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2019/20
Paul Wright	1 August 2013, re-appointed 1 August 2017	4 years, plus 4 years		Independent Member	Finance & General Purposes Committee, Governance & Search Committee, Remuneration Committee, Group Student Committee	91%

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

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Martyn Bell	13 September 2017	4 years		Co-opted member	Remuneration and Governance & Search Committees
Elisabeth Whitaker	1 August 2015	4 years	11 December 2020	Co-opted member	Resources Committee
Amy Kensett	20 November 2018	4 years		Co-opted member	Audit & Risk Committee

The Governance framework

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

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

During the year 2019/20 the Corporation met on the following dates:

- Wednesday, 11 December 2019;
- Wednesday, 1 April 2020;
- Wednesday, 8 July 2020.

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

Chichester College Group

Westgate Fields

Chichester

West Sussex

PO19 1SB

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

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

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

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

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

The Corporation, committees and boards continued to meet in line with the scheduled calendar of meetings throughout the pandemic and lockdown period, with meetings facilitated online.

Appointments to the Corporation

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

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

Corporation Performance

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

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

Remuneration Committee

Throughout the year ending 31 July 2020, the Group's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and the other key management personnel. The Committee meets twice a year, in the autumn term and spring term.

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

Details of remuneration for the year ended 31st July 2020 are set out in note 7 to the financial statements.

Audit & Risk Committee

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

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chichester College Group for the year ended 31st July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31st July 2020 and up to the date of approval of the annual report and accounts. This process is reviewed each term 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 Corporation.
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework;
- comments made by the Group's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The Group Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Group Leadership Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation considered the annual report from the Audit & Risk Committee for the year ended 31st July 2020, which set out the Committee's opinion on the Group's systems for Internal Controls, Risk Management and Governance.

Based on the advice of the Audit & Risk Committee and the Accounting Officer and taking account of events since 31st July 2020, the Corporation is of the opinion that the Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Approved by order of the members of the Corporation on 24th February 2021 and signed on its behalf by:

James Sarmecanic

Dr James Sarmecanic
Chairman

Shelagh Legrave

Shelagh Legrave OBE
Accounting Officer

Chichester College Group

Statement on Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Group's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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

Dr James Sarmecanic

Chairman

Date: 24 February 2021

Shelagh Legrave OBE

Accounting Officer

Date: 24 February 2021

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

The Corporation is also required to prepare a Members Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 24th February 2021 and signed on its behalf by:

James Sarmecanic

Dr James Sarmecanic

Chairman

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

Opinion

We have audited the financial statements of Chichester College Group (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2020 and of the Group's and the 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 group and 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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Chichester College Group

As explained more fully in the Statement of the Corporation Responsibilities set out on page 26, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 16 November 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Dated: 25 February 2021
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Statement of accounting policies and estimation techniques

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

General Information

Chichester College Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Group's principal place of business is given on page 21. The nature of the Group's operations are set out in the Member's Report.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, First Steps Childcare Group Limited, Anglia Examination Syndicate Limited and Chichester College Group Commercial Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College Group does not control those activities. All financial statements are made up to 31st July 2020.

Going concern

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

Financial plans were developed and submitted to the ESFA by 31st July 2020 which were subsequently updated with the ESFA Integrated Financial Model (IFM) submitted by the 30th September 2020. Each of these plans were prepared and submitted on the basis that the entity remains a going concern.

The impact of the COVID-19 pandemic has been incorporated into the current budget and financial plans however further forecasts including sensitivity analysis were produced in January 2021 following the latest national lockdown using the December management accounts actual results for the first five months of 2020/21. The revised forecasts to 2020-21 have been used as the basis for the going concern assessment.

16-18 and Adult Education funding allocations have been confirmed for 2020/21 and form the largest source of income for the Group at 67% of total income for that period. Whilst the allocations for 2021/22 have not yet been confirmed, an increase in 16-18 enrolments in 2020/21 should have a positive impact on 2021/22 income.

Apprenticeships and other fee income budgets for 2020/21 were assessed for likely COVID-19 impact and adjusted downwards to take account of likely course cancellations, refunds and planned start dates not now occurring or being delayed. As of the R06 ILR data return, apprenticeships have achieved 97% of the 2020/21 cash target. The planned 8% growth of apprenticeships in 2021/22 sensitivity is strengthened by the current year's performance which is now expected to exceed target.

Each commercial income line has been assessed for impact and adjusted downwards in the 2020/21 budget. Pre COVID-19, these areas were expected to account for circa 18% of the Group income for the year and are the most widely impacted by the pandemic. The 2020/21 budget assumed a reduction to 14% of total income from commercial increasing to 16% in 2021/22. The largest reductions in income are from international courses and accommodation fees and Anglia examinations. The dependency on international travel and access to overseas exam centres being the biggest barrier to a return to normal operating conditions. Further financial modelling and sensitivity analysis was undertaken following the latest national lockdown showing commercial income reducing to 11% of Group income for 2020/21. Subject to further COVID-19 disruptions, commercial income generation is expected to increase in 2021/22 however it will likely take several years to return to pre COVID-19 levels.

Other commercial businesses such as the Childcare nurseries are recovering well following lockdown and are on track to deliver a 2020/21 budgeted income which was reduced by 30%. The December management accounts and latest forecasts support this position.

Sports Centres were expected to recover quickly and in line with First Steps however the recent second lockdown for England means that the budgeted position is currently under review. The December management accounts reflect income at 57% of budget due to closures and a £102k forecast deficit for 2020/21 versus the budgeted breakeven position.

By way of mitigation, the Group has accessed the government Coronavirus Job Retention Scheme for all members of staff where the eligibility criteria apply. Resources in commercial areas remain under regular review in an attempt to strike the right balance of minimising costs whilst income levels are reduced with being able to respond quickly when the pandemic eases and trading opportunities resume.

Operating cost reductions were made at varying levels across most parts of the Group business during the lockdown however many are fixed costs are relating to overheads and depreciation so no savings have been assumed in these areas in the current year's budget. The group continues to work with key suppliers /partners on a risk-sharing approach to major contracts across the Group post lockdown as most contracts have not been able to return to a normal operating position with lower numbers of staff and students on site and travelling to College. Savings made on utilities during lockdowns where buildings have not opened as normal continue to provide a positive impact and mitigation against income shortfalls across the Group.

There is one major capital programme underway across the Group which is a new £5m grant funded STEM building at the Crawley site and due for completion in February 2021. This project is fully funded by the Coast to Capital LEP and all submitted grant claims have been approved and paid.

The Group currently has £7.6m of bank loans and £2.8m of government loans outstanding with terms negotiated in 2017. Further details are given in note 18. Covenants with both high street banks were adjusted by agreement for 2019/20 and tests were met. Both banks have agreed further adjustments to 2020/21 covenants to account for the impact of COVID-19, with adjustments to 2021/22 covenants also agreed with Barclays. This level of support indicates that it is considered highly unlikely there will be any recall of debt on these loans.

The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due. Latest modelling shows a reduction in cash balances at 31st July 2021 and 2022, however the Group is still expected to maintain positive cash balances during this challenging period.

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

Recognition of income

Revenue grant funding

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

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

Grants (including research grants) from non-government sources are recognised in income when the Group is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' pension scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

West Sussex Local Government Pensions Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

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

Land and buildings

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

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

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

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

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

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014 (land only), as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31st July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and depreciated on the relevant basis.

Equipment

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

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

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

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

Non-current Assets - Intangible fixed assets

Intangibles other than Goodwill

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

- Software and websites 3 years

Goodwill

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

The Group is partially exempt in respect of Value Added Tax, so that it can only recover around 2.6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when

- The Group has a present legal or constructive obligation as a result of a past event
- It is probable that a transfer of economic benefit will be required to settle the obligation and
- A reliable estimate can be made of the amount of the obligation.

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31st March 2016 has been used by the actuary in valuing the pensions liability at 31st July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

CHICHESTER COLLEGE GROUP

Consolidated Statements of Comprehensive Income for the year ended 31st July 2020

	Notes	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Income					
Funding body grants	1	42,674	42,674	39,031	39,031
Tuition fees and education contracts	2	8,460	8,479	8,890	8,955
Other grants and contracts	3	50	50	-	-
Other income	4	8,034	5,555	9,654	7,292
Investment income	5	113	108	275	268
Donations and Endowments	6	-	300	-	408
Gain from gift on consolidation		-	-	7,378	7,378
Merger grant		-	-	3,094	3,094
Total income		59,331	57,166	68,322	66,426
Expenditure					
Staff costs	7	45,643	43,302	40,193	38,292
Restructuring costs	7	201	197	269	269
Other operating expenses	8	15,516	15,325	18,198	18,333
Depreciation & Amortisation	11-12	4,605	4,550	4,306	4,248
Interest and other finance costs	9	491	491	552	552
Total expenditure		66,456	63,865	63,518	61,694
Surplus before other gains and losses		(7,125)	(6,699)	4,804	4,732
Profit on disposal of assets		-	-	913	913
(Loss)/Gain on investment properties		(27)	(27)	293	293
Surplus before tax		(7,152)	(6,726)	6,010	5,938
Taxation	10	(27)	-	-	-
Surplus for the year		(7,179)	(6,726)	6,010	5,938
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial (loss)/gain in respect of pensions	24	1,305	1,305	(2,620)	(2,620)
Total Comprehensive Income for the year		(5,874)	(5,421)	3,390	3,318
Represented by:					
Unrestricted comprehensive income		(5,874)	(5,421)	3,390	3,318
Restricted comprehensive income		-	-	-	-
		(5,874)	(5,421)	3,390	3,318
Surplus for the year atributable to:					
Non controlling interest		-	-	-	-
Group		(7,179)	(6,726)	6,010	5,938
		(7,179)	(6,726)	6,010	5,938
Total Comprehensive Income for the year attributable to:					
Non controlling interest		-	-	-	-
Group		(5,874)	(5,421)	3,390	3,318
		(5,874)	(5,421)	3,390	3,318

All items of income and expenditure relate to continuing activities

CHICHESTER COLLEGE GROUP

Consolidated and College Statement of Changes in Reserves for the year ended 31st July 2020

	Income and Expenditure account £'000	Restrictive reserve £'000	Revaluation reserve £'000	Investment Property Revaluation reserve £'000	Total excluding Non controlling interest £'000	Non Contolling interest £'000	Total £'000
Group							
Balance at 1st August 2018	66,135	6	22,250	2,123	90,514	-	90,514
Deficit from the income and expenditure account	5,717	-	-	293	6,010	-	6,010
Other comprehensive income	(2,620)		-	-	(2,620)	-	(2,620)
Additions through business combination	-	83	-	-	83	-	83
Transfers between revaluation and income and expenditure reserves	3,701	-	(3,701)	-	-	-	-
	6,798	83	(3,701)	293	3,473	-	3,473
Balance at 31st July 2019	72,933	89	18,549	2,416	93,987	-	93,987
(Deficit)/Surplus from the income and expenditure account	(7,152)	-	-	(27)	(7,179)	-	(7,179)
Other comprehensive income	1,305		-	-	1,305	-	1,305
Transfers between revaluation and income and expenditure reserves	1,131	-	(321)	(810)	-	-	-
Total comprehensive income for the year	(4,716)	-	(321)	(837)	(5,874)	-	(5,874)
Balance at 31st July 2020	68,217	89	18,228	1,579	88,113	-	88,113
College							
Balance at 1st August 2018	66,051	6	22,250	2,123	90,430	-	90,430
Deficit from the income and expenditure account	5,645	-	-	293	5,938	-	5,938
Other comprehensive income	(2,620)	-	-	-	(2,620)	-	(2,620)
Additions through business combination	-	83	-	-	83	-	83
Transfers between revaluation and income and expenditure reserves	3,701	-	(3,701)	-	-	-	-
	6,726	83	(3,701)	293	3,401	-	3,401
Balance at 31st July 2019	72,777	89	18,549	2,416	93,831	-	93,831
(Deficit)/Surplus from the income and expenditure account	(6,699)	-	-	(27)	(6,726)	-	(6,726)
Other comprehensive income	1,305	-	-	-	1,305	-	1,305
Transfers between revaluation and income and expenditure reserves	1,131	-	(321)	(810)	-	-	-
Total comprehensive income for the year	(4,263)	-	(321)	(837)	(5,421)	-	(5,421)
Balance at 31st July 2020	68,514	89	18,228	1,579	88,410	-	88,410

CHICHESTER COLLEGE GROUP
Balance sheets as at 31st July 2020

	Notes	2020		2019	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11	110,149	110,046	111,690	111,551
Intangible fixed assets	12	303	290	130	103
Investments	13	-	71	-	71
		110,452	110,407	111,820	111,725
Current assets					
Stocks		274	258	336	318
Debtors	14	2,981	3,235	5,892	6,550
Pensions asset	24	377	377	3,035	3,035
Investments	15	1	1	1	1
Cash at bank and in hand		8,698	8,206	7,556	6,360
		12,331	12,077	16,820	16,264
Current Liabilities:					
Creditors - amounts falling due within one year	16	(10,067)	(9,471)	(10,381)	(9,886)
Net current assets		2,264	2,606	6,439	6,378
Total assets less current liabilities		112,716	113,013	118,259	118,103
Creditors - amounts falling due after more than one year	17	(24,603)	(24,603)	(24,272)	(24,272)
Total net assets		88,113	88,410	93,987	93,831
Restricted reserves					
Income and expenditure reserve - restricted reserve		89	89	89	89
Unrestricted reserves					
Income and expenditure reserve		68,217	68,514	72,933	72,777
Revaluation reserve		18,228	18,228	18,549	18,549
Investment Property Revaluation Reserve		1,579	1,579	2,416	2,416
Total reserves		88,113	88,410	93,987	93,831

The financial statements on pages 29 to 60 were approved and authorised for issue by the Corporation on 24th February 2021 and were signed on its behalf on that date by:

Dr James Sarmecanic
Chairman

Shelagh Legrave OBE
Accounting Officer

CHICHESTER COLLEGE GROUP

Consolidated Statement of Cash Flows for the year ended 31st July 2020

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year before tax		(7,152)	6,010
Adjustment for non cash items			
Depreciation		4,605	4,306
Release of Deferred Capital Grants		(1,032)	(964)
Gain on investment properties		27	(293)
Decrease in stocks		62	11
Decrease in debtors		811	829
(Decrease) in creditors due within one year		(424)	(672)
(Decrease) in provisions		-	(196)
Pensions costs less contributions payable		4,027	2,857
Defined benefit assets in merger gift		-	1,595
Fixed assets in merger gift		-	(18,337)
Restrictive reserves in merger gift		-	82
Adjustment for investing or financing activities			
Investment income		(113)	(275)
Interest payable		491	552
(Profit)/Loss on sale of fixed assets		(4)	(910)
Net cash flow from operating activities		1,298	(5,405)
Investing activities			
Proceeds from sale of fixed assets		2,914	2,199
Investment income		49	49
Payments made to acquire fixed assets		(3,877)	(3,178)
Capital Grants Received		2,475	6,579
		1,561	5,649
Financing activities			
Interest paid		(479)	(539)
Interest element of finance lease rental payments		(12)	(18)
Repayments of amounts borrowed		(1,132)	(1,120)
Capital element of finance lease rental payments		(94)	(88)
		(1,717)	(1,765)
Increase in cash and cash equivalents in the year		1,142	(1,521)
Cash and cash equivalents at beginning of the year	20	7,556	9,077
Cash and cash equivalents at end of the year	20	8,698	7,556

1 Funding body grants

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency -Adult	4,777	4,777	4,761	4,761
Education and Skills Funding Agency -16-18	29,178	29,178	25,410	25,410
Education and Skills Funding Agency -Apprenticeships	5,821	5,821	5,560	5,560
Office for Students	291	291	355	355
Specific Grants				
Non recurrent grants - Education and Skills Funding Agency	315	315	1,852	1,852
Non recurrent grants - Office for Students	158	158	129	129
Teacher Pension Scheme contribution grant	1,102	1,102	-	-
Releases of deferred capital grants	1,032	1,032	964	964
Total	42,674	42,674	39,031	39,031

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Income in relation to Level 4 courses and above				
Grant income from Office for Students	291	291	355	355
Grant income from other bodies	1,064	1,064	578	578
Fee income for taught awards (exclusive of VAT)	1,860	1,860	1,839	1,839
Fee income for non qualifying course	588	588	463	463
	3,803	3,803	3,235	3,235

2 Tuition fees and education contracts

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,603	1,622	1,978	2,071
Apprenticeship fees and contracts	123	123	104	104
Fees for FE loan supported courses	856	856	903	903
Fees for HE loan supported courses	2,021	2,021	1,816	1,823
European (excluding UK) students	675	675	566	566
International students fees	586	586	1,043	1,008
Total tuition fees	5,864	5,883	6,410	6,475
Education contracts	2,596	2,596	2,480	2,480
Total	8,460	8,479	8,890	8,955

3 Other grants and contracts

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	50	50	-	-
Total	50	50	-	-

4 Other income

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	2,670	2,971	3,909	4,510
Profit/(loss) on disposal of tangible fixed assets	4	4	-	-
Other income generating activities	3,501	846	4,172	1,199
Other grant income	5	5	18	18
Coronavirus Job Retention Scheme grant	404	251	-	-
Other and miscellaneous income	1,450	1,478	1,555	1,565
Total	8,034	5,555	9,654	7,292

The Group furloughed 49 roles within it's commercial areas (Nursery, Sports Centre, International, Sales & Marketing) under the government's Coronavirus Job Retention Scheme. The funding received of £404,000 relates to staff costs which are included within staff costs (note 7) as appropriate.

5 Investment income

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	49	44	49	42
Pension finance income (note 24)	64	64	226	226
Total	113	108	275	268

6 Donations and Endowments

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
Distributions from subsidiaries	-	300	-	408
Total	-	300	-	408

7 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the Group during the year, expressed as average headcount and calculated on a monthly basis, was:

	2020 No.	2019 No.
Teaching staff	635	624
Non teaching staff	895	813
	1,530	1,437

Staff costs for the above persons

		2020		2019	
		Group £'000	College £'000	Group £'000	College £'000
Wages and salaries		32,181	30,602	29,348	28,006
Social security costs		2,765	2,671	2,527	2,445
Other pension costs		10,341	9,691	7,888	7,460
Payroll sub total		45,287	42,964	39,763	37,911
Contracted out staffing services		356	338	430	381
		45,643	43,302	40,193	38,292
Fundamental restructuring costs -	contractual	201	197	269	269
	non contractual	-	-	-	-
		45,844	43,499	40,462	38,561

All severance costs were approved by the Corporation.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Group Leadership Team which comprises the Chief Exceutive Officer, Executive Principal, Chief Financial Officer, Group Managing Director Commercial, Principal of Crawley College, Principal of Worthing College and Principal of Brinsbury/Group Deputy Principal Quality. Staff costs include compensation paid to key management personnel for loss of office.

7 Staff costs - Group and College (continued)

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

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

	2020 No.	2019 No.
	7	7

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

	Key management personnel		Other Staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000	-	-	1	2
£65,001 to £70,000	-	-	2	1
£70,001 to £75,000	-	-	1	-
£75,001 to £80,000	-	-	2	2
£85,001 to £90,000	-	2	-	1
£90,001 to £95,000	2	-	1	-
£95,001 to £100,000	1	-	-	-
£100,001 to £105,000	1	3	-	-
£105,001 to £110,000	1	-	-	-
£110,001 to £115,000	1	1	-	-
£155,001 to £160,000	-	1	-	-
£160,001 to £165,000	1	-	-	-
	7	7	7	6

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries- gross of salary sacrifice and waived emoluments	763	746
Benefits in kind	6	7
National Insurance	97	95
	866	848
Pension contributions	162	138
Local Government Pension Scheme - FRS 102 (28) charge	99	81
Total emoluments	1,127	1,067

7 Staff costs - Group and College (continued)

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

	2020 £'000	2019 £'000
Salaries	162	159
Benefits in kind	1	1
	163	160
Pension contributions	32	32
	195	192

The Accounting Officer's salary is set at a spot point and the remuneration package includes a performance related pay scheme of up to ten per cent of the spot salary. The remuneration for the Accounting Officer in 2019/20 was determined in February 2017 by Chichester College Group Corporation and has remained the same since that time. The movement between the years related to an overaccrual on performance related pay award in 2017/18. The Accounting Officer was not involved in setting their remuneration. The key factor considered by the Corporation in determining the Accounting Officer's remuneration was sector data on the pay of Accounting Officers.
The performance management scheme comprises four corporate targets and two individual targets which are considered by the Remuneration Committee and approved by the Corporation. The corporate targets relate to student and staff satisfaction, financial performance and student achievement. Performance against the targets set under scheme is assessed by the Remuneration Committee who present a recommendation to the Corporation. For 2019/20 there was no performance related pay award as the financial target was not achieved.

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

	2020 No	2019 No
Basic salary as a multiple of median basic salary of staff	6.9	6.8
Total remuneration as a multiple of median total remuneration of staff	6.8	6.6

8 Other operating expenses

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,882	2,897	4,426	4,491
Non teaching costs	8,428	8,296	9,586	9,726
Premises costs	4,206	4,132	4,186	4,116
Total	15,516	15,325	18,198	18,333

Other operating expenses include:	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit		
External: financial statements audit*	82	64
External: taxation compliance services**	10	4
External: due dilligence services***	-	35
Internal audit****	29	28
Payments to sub-contractors	1,153	2,382
Losses on disposal of tangible fixed assets (where not material)	-	3
Hire of assets under operating leases	536	389

* includes £79,000 in respect of the College (2018/19 £62,000)
** includes £nil in respect of the College (2018/19 £nil)
*** includes £nil in respect of the College (2018/19 £35,000)
**** includes £29,000 in respect of the College (2018/19 £28,000)

8a Access and participation spending

	2020	
	Group	College
	£'000	£'000
Access investment	142	142
Financial Support to students	12	12
Disability support	38	38
Total	192	192

9 Interest payable - Group and College

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	479	479	534	534
On finance leases	12	12	18	18
Total	491	491	552	552

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2020 (continued)

10 Taxation - Group only

	2020	2019
	£'000	£'000
United Kingdom corporation tax at 19 per cent	27	-
Total	27	-

The Members do not believe that the college was liable for any corporation Tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies. Where possible, taxable profits of the subsidiary companies are paid to the College under gift aid.

11 Tangible fixed assets (Group)

	Land and buildings			Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property	Long leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2019	131,132	2,724	350	9,449	577	144,232
Additions	80	-	-	599	3,194	3,873
Revaluations	-	(27)	-	-	-	(27)
Transfers	-	-	-	144	(144)	-
Reclassifications	-	-	-	(15)	15	-
Disposals	-	(810)	-	-	-	(810)
At 31st July 2020	131,212	1,887	350	10,177	3,642	147,268
Depreciation						
At 1st August 2019	26,139	-	260	6,143	-	32,542
Charge for the year	3,303	-	21	1,253	-	4,577
Elimination in respect of disposals	-	-	-	-	-	-
At 31st July 2020	29,442	-	281	7,396	-	37,119
Net book value at 31st July 2020	101,770	1,887	69	2,781	3,642	110,149
Net book value at 31st July 2019	104,993	2,724	90	3,306	577	111,690

11 Tangible fixed assets (College only)

	Land and buildings			Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property	Long leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2019	131,119	2,724	144	9,354	577	143,918
Additions	80	-	-	594	3,194	3,868
Revaluations	-	(27)	-	-	-	(27)
Transfers	-	-	-	144	(144)	-
Reclassifications	-	-	-	(15)	15	-
Disposals	-	(810)	-	-	-	(810)
At 31st July 2020	131,199	1,887	144	10,077	3,642	146,949
Depreciation						
At 1st August 2019	26,133	-	144	6,090	-	32,367
Charge for the year	3,301	-	-	1,235	-	4,536
Elimination in respect of disposals	-	-	-	-	-	-
At 31st July 2020	29,434	-	144	7,325	-	36,903
Net book value at 31st July 2020	101,765	1,887	-	2,752	3,642	110,046
Net book value at 31st July 2019	104,986	2,724	-	3,264	577	111,551

Land and Buildings for both campuses were revalued in 2000 at depreciated replacement cost. Land was valued in 2014 at depreciated replacement cost by Medhursts a firm of independent chartered surveyors. These values were retained as deemed cost on transition to FRS 102. Investment properties were valued at fair value as at 31st July 2020. Fair value being the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date and using assumptions of the market conditions and risk at that date.

Fixed assets with a net book value of £18,850,524 (2019: £20,045,610) have been part funded from local education authority sources, £18,719,524 (2019: £19,909,705) and exchequer funds £131,000 (2019: 135,805), through for example the receipt of capital grants. Should these assets be sold, the College would have to use the sale proceeds in accordance with the Financial Memorandum with the ESFA.

The net book value of equipment includes an amount of £44,507 (2019: £89,014) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £44,507 (2019: £44,507).

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

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

12 Intangible fixed assets

	Group		College	
	Software	Total	Software	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1st August 2019	720	720	656	656
Additions	201	201	201	201
At 31st July 2020	921	921	857	857
Amortisation				
At 1st August 2019	590	590	553	553
Amortisation for the year	28	28	14	14
At 31st July 2020	618	618	567	567
Net book value at 31st July 2020	303	303	290	290
Net book value at 31st July 2019	130	130	103	103

13 Non current Investments

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investments in subsidiary companies	-	71	-	71
Total	-	71	-	71

Investments in subsidiary companies are as follows:

	2020		2019	
	Group	College	Group	College
	£	£	£	£
First Steps Childcare Group Limited	-	500	-	500
Anglia Examination Syndicate Limited	-	70,100	-	70,100
Chichester College Group Commercial Limited	-	100	-	100
	-	70,700	-	70,700

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

First Steps Childcare Group 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. On 3rd July 2020 the company changed its name from Chichester College Services Limited to First Steps Childcare Group Limited. The results for the year ended 31st July 2020 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 2020 have been included in the consolidated financial statements.

Chichester College Group Commercial Limited was incorporated on 11th March 2018 and is a dormant company. On 3rd July 2020 the company changed its name from First Steps Childcare Group Limited to Chichester College Group Commercial Limited.

14 Trade and other receivables

	2020		2019	
	Group	College	Group	College
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Trade debtors	1,047	895	1,817	1,337
Amounts owed by subsidiary undertakings	-	694	-	1,185
Other debtors	16	16	38	38
Prepayments and accrued income	1,481	1,204	3,543	3,496
Amounts owed by the ESFA	437	426	494	494
Total	2,981	3,235	5,892	6,550

15 Current investments

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investment in shares	1	1	1	1
Total	1	1	1	1

16 Creditors: amounts falling due within one year

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	878	878	931	931
Funding Body Loans	200	200	200	200
Obligations under finance leases	99	99	94	94
Trade creditors	903	864	1,456	1,432
Corporation tax	27	-	-	-
Other taxation and social security	1,397	1,397	1,393	1,393
Payments received in advance & deferred income	1,370	1,332	1,547	1,515
Accruals	2,042	1,918	2,115	1,953
Other Creditors	842	474	920	643
Deferred income - government capital grants	962	962	1,028	1,028
Amounts owed to the ESFA	1,347	1,347	697	697
Total	10,067	9,471	10,381	9,886

17 Creditors: amounts falling due after one year

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	6,723	6,723	7,602	7,602
Obligations under finance leases	-	-	99	99
Funding Body Loans	2,600	2,600	2,800	2,800
Deferred income - government capital grants	15,280	15,280	13,771	13,771
Total	24,603	24,603	24,272	24,272

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	878	878	931	931
Between one and two years	4,107	4,107	878	878
Between two and five years	1,641	1,641	5,149	5,149
In five years or more	975	975	1,575	1,575
Total	7,601	7,601	8,533	8,533

A bank loan at a fixed rate of 6.645% was renegotiated on 1/8/17 (2020: £2,775,000, 2019: £3,075,000). This loan is secured on the property Westgate Halls at the Chichester Campus. The loan is payable by quarterly instalments up to 31st August 2029.

A bank loan at a floating rate of LIBOR plus 2.75% was renegotiated on 1/8/17 (2020: £3,855,000, 2019: £4,177,000) and is payable by quarterly instalments up to August 2022. Two bank loans at a fixed rate of 5.29% and 8.25% were negotiated on 1/8/17 in relation to the merger with Central Sussex College (2020: £nil & £971,000 respectively, 2019: £68,000 & £1,213,000 respectively). The remaining bank loan is repayable by quarterly instalments up to November 2023 respectively. Both bank loans are secured on the Crawley Campus.

(b) Finance leases

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

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	99	99	94	94
Between two and five years	-	-	99	99
Total	99	99	193	193

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

18 Maturity of debt (continued)

(c) Funding Body Loans

Funding body loans are repayable as follows:

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	200	200	200	200
Between one and two years	200	200	200	200
Between two and five years	2,400	2,400	2,600	2,600
In five years or more	-	-	-	-
Total	2,800	2,800	3,000	3,000

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

19 Provisions

	Group and College			
	Dilapidations	Other Provisions	Defined benefit Obligations	Total
	£'000	£'000	£'000	£'000
At 1st August 2019	-	-	(3,035)	(3,035)
Expenditure in the period	-	-	(2,968)	(2,968)
Additions in the period	-	-	5,626	5,626
At 31st July 2020	-	-	(377)	(377)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

20 Cash and cash equivalents

	At 1/8/19 £'000	Cash flows £'000	At 31/7/20 £'000
Cash and cash equivalents	7,556	1,142	8,698
Overdrafts	-	-	-
	7,556	1,142	8,698
Bank loans	(8,533)	932	(7,601)
Finance leases	(193)	94	(99)
Funding body loans	(3,000)	200	(2,800)
Current asset investments	1	-	1
Net debt	(4,169)	2,368	(1,801)

21 Capital commitments

	2020		2019	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31st July	3,329	3,329	221	221

22 Lease Obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	77	45
Later than one year and not later than five years	64	128
later than five years*	4,828	-
	4,969	173
Other		
Not later than one year	468	338
Later than one year and not later than five years	144	478
later than five years	-	-
	612	816
Total lease payments	5,581	989

* Rent payments commence on 1st September 2030

23 Events after the reporting period

The Group was named as the successful bidder by the Department of Education (DfE), in the project to re-open the Haywards Heath college. The campus was opened in September 2020 for the 2020/21 academic year.

24 Retirement benefits

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the West Sussex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hymans Robertson. Both are multi-employer defined-benefit plans.
The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31st March 2016 and of the LGPS 31st March 2019.

Total pension cost for the year		**2020**		**2019**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		3,346		2,134
Local Government Pension Scheme:				
Contributions paid	2,968		2,897	
FRS 102 (28) charge	4,027		2,857	
Charge to the Statement of Comprehensive Income		6,995		5,754
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year - Per note 7		10,341		7,888

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.
The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.
Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the plan.
Accordingly, the college has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates.
The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

24 Retirement benefits (continued)

Valuation of the Teachers' Pension Scheme (continued)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £3,346,000 (2019: £2,134,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by West Sussex County Council Local Authority . The total contribution made for the year ended 31 July 2020 was £3,912,000, of which employer's contributions totalled £2,968,000 and employees' contributions totalled £944,000. The agreed contribution rates for future years are 2019/20 20%, 2020/21 18.4% and 2021/22 18% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2016 updated to 31st July 2020 by Hymans Robertson.

	2020	**2019**
Rate of increase in salaries	2.00%	2.50%
Future pensions increases	2.10%	2.40%
Discount rate	1.40%	2.10%
Inflation assumption (CPI)	2.10%	2.40%
Commutation of pensions to lump sums	50%	50%

24 Retirement benefits (continued)

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

	2020	2019
	years	years
Retiring today		
Males	22.2	21.8
Females	24.2	23.6
Retiring in 20 years		
Males	23.3	23.0
Females	25.9	25.5

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

	Fair Value at 31st July 2020	Fair Value at 31st July 2019
	£'000	£'000
Equities	89,971	84,247
Bonds	62,288	56,705
Property	12,112	12,961
Cash	8,651	8,101
Total market value of assets	173,022	162,014
Actual return on plan assets	22,907	12,914

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

	2020	2019
	£'000	£'000
Fair value of plan assets	173,022	162,014
Present value of plan liabilities	(172,080)	(158,423)
Present value of unfunded liabilities	(565)	(556)
Net pensions asset	377	3,035

24 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	6,981	5,604
Past service cost	46	193
Total	7,027	5,797
Amounts included in investment income		
Net interest income	64	226
	64	226

Amounts recognised in Other Comprehensive Income

	2020	2019
	£'000	£'000
Return on pension plan assets	6,923	8,612
Experience losses arising on defined benefit obligations	735	(9)
Changes in assumptions underlying demographics	(5,910)	14,679
Changes in assumptions underlying the present value of plan liabilities	(443)	(25,902)
Amount recognised in Other Comprehensive Income	1,305	(2,620)

Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Deficit in scheme at 1st August	3,035	9,881
Movement in year:		
Worthing College defined benefit asset at 29th March	-	(1,595)
Current service cost	(6,981)	(5,604)
Employer contributions	2,962	2,903
Past service cost	(46)	(193)
Contributions in respect of unfunded benefits	38	37
Net interest on the defined (liability)/asset	64	226
Actuarial gain or loss	1,305	(2,620)
Net defined benefit liability at 31st July	377	3,035

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2020 (continued)

24 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	158,979	126,164
Worthing College defined obligations at 1st August	-	13,479
Current Service cost	6,981	5,604
Past Service cost (including curtailments)	46	193
Interest cost	3,085	3,695
Contributions by Scheme participants	930	898
Experience gains and losses on defined benefit obligations	(735)	9
Changes in demographic assumptions	5,910	(14,679)
Changes in financial assumptions	443	25,902
Estimated benefits paid	(2,956)	(2,249)
Unfunded benefits	(38)	(37)
Defined benefit obligations at end of period	172,645	158,979

	2020	2019
Reconciliation of Assets		
Fair value of plan assets at start of period	162,014	136,045
Worthing College fair value of plan assets at 1st August	-	11,884
Interest on plan assets	3,149	3,921
Contributions by Scheme participants	930	898
Employer contributions	2,962	2,903
Contributions in respect of unfunded benefits	38	37
Estimated benefits paid	(2,956)	(2,249)
Unfunded benefits paid	(38)	(37)
Return on plan assets	6,923	8,612
Assets at end of period	173,022	162,014

25 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £312; 4 governors (2019: £360; 5 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 (2019: none).

26 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
Acquired through business combination	-	136
Funding body grants - discretionary learner support	745	581
Funding body grants - residential bursaries	27	29
Funding body grants - Capacity & delivery	42	22
Funding body grants - Free School Meals	171	160
	985	928
Disbursed to students	(923)	(810)
Administration costs	(46)	(43)
Balance unspent as at 31st July, included in creditors	16	75

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.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 16 November 2020, and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Chichester College Group during the period 1 August 2019 to 31 July 2020 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

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

Responsibilities of Corporation of Chichester College Group for regularity

The Corporation of Chichester College Group is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Chichester College Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

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

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Date: 25 February 2021