Chichester
college

Report and Financial Statements

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2016/17:
Shelagh Legrave, Principal and CEO; Accounting officer
Andrew Green, Deputy Principal
Julie Sleeman, Vice Principal and Chief Operating Officer
Julie Kapsalis, Vice Principal (Commercial)
Victoria Illingworth, Assistant Principal (Student Success)
Sally Challis-Manning, Assistant Principal (Quality)
Helen Loftus, Assistant Principal (Enterprise & Adults)
Stephen Coulthard, Director of Finance, Information & Funding

The Key management personnel from 1st August 2017 are as follows:
Shelagh Legrave OBE, Chief Executive; Accounting Officer
Andrew Green, Executive Principal
Stephen Coulthard, Group Chief Financial Officer
Julie Sleeman, Group Chief Operating Officer
Julie Kapsalis, Group Managing Director Commercial
Victoria Illingworth, Principal, Crawley College
Sally Challis-Manning, Deputy Principal Quality

Board of Governors

A full list of Governors is given on page 15 of these financial statements.
Catherine Vinall acted as Clerk to the Governing Body throughout the period.

Professional advisers

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

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

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

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

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

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.

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

Mission and Vision

Chichester College's Mission is changing lives through learning.

We do this by:

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

Our Vision:

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

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

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

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

Public Benefit

Chichester College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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

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

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

- Links with Local Enterprise Partnerships (LEPs)

Implementation of Strategic Plan

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

- Continue to deliver outstanding teaching learning and assessment which ensures the highest levels of success for our students;
    - Overall FE achievement rate puts Chichester College in the top 10% of GFE Colleges nationally
    - Students make 'at least' the progress expected of them
    - Over 90% of students are very satisfied with their experience at Chichester College
- Provide a curriculum relevant for today and the future which equips students with appropriate work and life skills;
    - 90% of full time students progress to work, university or further education
    - 80% of university applicants (through UCAS) are successful in securing a place
    - 100% coverage of level 4 curriculum offer in identified LEP priority areas
- Engage with employers to supply and upskill their workforce;
    - Success rates for apprentices is in the top 10% of GFE Colleges nationally
    - Increase the conversion ratio from contact to contract for business
    - Above 85% of employers state that Chichester College understands their training needs
- Develop and grow substantial commercial businesses to support the College's financial health;
    - Achieve the KPIs set out in business plans for Anglia Examinations, International and First Steps Nurseries
    - Achieving or exceeding budgeted surpluses for all other curriculum related commercial activities
- Brinsbury is a vibrant, sustainable campus which meets the needs of its rural and wider community;
    - To establish and sustain not less than four new partnerships from operating position in June 2016 by 2018
    - Increase the commercial income attributed to the Brinsbury campus by 5% annually
    - 5% increase in student numbers of identified specialisms
- To develop a college community that is a highly fulfilling place to work;
    - 90% (or more) of staff are proud to be an employee of Chichester College
    - 90% (or more) of staff identify that 'their contribution is valued by their line manager'
    - 90% (or more) of staff identify that they are 'encouraged to try new things without fear of failure'
    - 90% (or more) of staff state that they 'have the autonomy to do a good job'
- The College is financially viable in the long term.
    - The budget surplus is achieved
    - The Adult Skills allocation is achieved
    - Maintain positive cash balances throughout the year

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

Financial objectives

The College's financial objectives for 2016/17 were:

- To achieve the budgeted surplus;

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

The Group did not achieve its adult skills allocation or its budgeted surplus but did maintain a positive cash balance throughtout the year. A revised set of financial objectives and key performance indicators have been set for 2016/17.

Chichester College Corporation approved a strategy in 2016 setting out its aspiration for growth through merger and beneficial acquisition opportunities. The strategy was agreed with the objective of achieving greater financial stability through economies of scale as well as expanding the provision of outstanding vocational education within the region. As a result, a decision was taken in June 2016 to consider a bid for Central Sussex College who were looking for a merger partner following the area review. Subsequently, Central Sussex College dissolved in July 2017 and became part of Chichester College under a type B merger on 1st August 2017.

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

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £1,711,000 (2015/16 – deficit of £834,000), with total comprehensive income of £3,559,000, (2015/16 - £3,663,000). The FRS102 pension adjustments in the year have impacted interest payable by £146,000 (2015/16 - £333,000), staff costs by £1,204,000 (2015/16 - £794,000) and actuarial gain in respect of pension schemes by £4,814,000 (2015/16 – £4,485,000). If these adjustments were excluded from the Statements of Comprehensive Income, the Group generated a deficit before other gains and losses in the year of £361,000 (2015/16 – surplus £293,000), with total comprehensive income of £95,000 (2015/16 - £305,000). These adjustments are shown in the table below.

	2016/17	2015/16
	£'000	£'000
(Deficit)/Surplus before other gains and losses prior to pension adjustments	(361)	293
Less adjustments related to year end pension valuation:		
- Included within staff costs (note 23)	(1,204)	(794)
- Included within Interest costs (note 8)	(146)	(333)
Deficit before other gains and losses per statutory accounts	(1,711)	(834)

The increase in income of £1,898,000, was mainly due to the increase in EFA grant from recurrent sources (£700,000) and non recurrent sources (£1,106,000). Recurrent grant income increased by £693,000 due to an increase in the College's 16-18 (£700,000), Apprenticeship (£278,000) and HEFCE grant income (£3,000), offset by a lower Adult Education grant income (£288,000). There is an expected clawback of £952,000 in creditors in respect of the Adult Skills budget, with a £147,000 debtor for 16-18 Apprentices included in the "Amounts owed by the ESFA".

This year saw a £511,000 decrease in tuition fees and education contracts, mainly due to a £488,000 decrease in International student fees. The International market continues to prove challenging.

The Group's payroll staff costs increased by £1,433,000 to £26,053,000, mainly due to the FRS102 pension adjustments (£410,000 increase), costs associated with the merger with Central Sussex College (£219,000) with the balance representing cost of living and increment rises with associated on costs. Restructuring costs of £61,000 related to 8 redundancies in the year.

Other operating expenditure increased by £1,586,000 to £17,868,000, partly due to the increase in partner costs (£483,000), costs associated with the merger with Central Sussex College (£506,000), dilapidation provision on a leased Halls of Residence (£295,000) increase in exam costs (£143,000) and different accounting treatment for adult skills bursaries (£161,000). With the continued pressure on funding income, other operating expenditure continues to be tightly controlled.

The consolidated results, show a total comprehensive income for the year of £3,559,000 (2015/16 – £3,663,000), which have been taken to reserves.

The Group has accumulated reserves of £19,449,000 (2015/16 - £16,019,000) and cash balances of £6,078,000 (2015/16 - £5,893,000). The Group will put the accumulated reserves and cash balances towards the integration of the merger between Chichester College and Central Sussex College, which took place on 1st August 2017 and subsequent further investment in the merged College's buildings and infrastructure. Unrestricted reserves prior to the Pension reserve reduction (2016/17 - £2,017,000, 2015/16 - £5,485,000), came to £21,466,000 (2015/16 - £21,504,000)

Fixed asset additions during the year amounted to £2,087,000 (£2,011,000 tangible and £76,000 intangible). This was split between land and buildings acquired of £1,106,000, equipment purchased of £905,000 and software (treated as an intangible asset) of £76,000. The majority of the land and building costs related to work done on updating the kitchens and restaurants on the Chichester campus.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 62% (2016 – 60%) of the Group's total income.

The College has two subsidiary companies, Chichester College Services Limited and Anglia Examination Syndicate Limited. The principal activity of Chichester College Services Limited is the provision of nursery services, whilst Anglia Examination Syndicate Limited's principal activity is the establishment and administration of an education syllabus in a number of countries. Any surpluses generated by the subsidiaries are transferred to the College under gift aid. In the current year, the surpluses generated were £297,000 (2015/16 - £303,000) and £302,000 (2015/16 - £179,000) for Chichester College Services Limited and Anglia Examination Syndicate Limited respectively.

Treasury policies and objectives

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

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

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

Cash flows and liquidity

At £3,542,000 (2015/16 - £4,720,000), net cash flow from operating activities remains very strong. With the major investment in the kitchens and restaurants at the Chichester Campus, net investing activity outflows came to £2,199,000 (2015/16 - £2,925,000).

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded. By the end of the financial year, cash and cash equivalents increased by £185,000 (2015/16 - £510,000) to £6,078,000.

College borrowings at the end of the financial year amount to £10,096,000 (2015/16 - £10,712,000). Two separate borrowings make up the total: firstly, a 2008/09 unsecured loan to help finance the professional fees associated with the scrapped LSC era project totalling £173m, secondly, the £8m loan secured during 2011/12 to partly finance the new construction centre and animal care buildings; the latter was refinanced in the year.

The closing cash balance for the year was £6,078,000 and net current assets have increased to £1,422,000 (2015/16 - £1,217,000). The Colleges' target remains to maintain positive working capital cash levels throughout the year. Both College bank loan covenant conditions have been met for the year.

The College merged with Central Sussex College on 1st August 2017 and it is the intention of the Group to invest significant amounts in the infrastructure and buildings of the merged entity.

Reserves policy

The college has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £6,000 held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £19,449,000 (2015/16: £16,019,000).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College currently has a financial health grading of good. With the merger of Chichester College and Central Sussex College, it is expected that the financial health grading will drop to satisfactory in 2017/18 and 2018/19 before returning to good. To help with the integration of Central Sussex College into the Group, the Group has secured support from both the Department of Education and the Group's Bankers. Significant investment is proposed in the infrastructure and buildings on all the Group's campuses.

Student numbers

In 2016/17 the College has delivered activity that has produced £26,704,000 in funding body main allocation funding (2015/16 – £26,014,000). This was generated by 14,285 leavers in classroom based learning and 1,882 leavers in apprentices.

Student achievements

The College is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying. For the academic year 2016/17 the achievement rate for Chichester College classroom based learning was 86.9%, including English and Maths. This was an increase of 1.9 percentage points from 85.0% in the academic year 2014/15. The College's apprentice achievement rate was 74.4%, which is 5.5 percentage points above the national average for General FE colleges.

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

Student Support

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

Curriculum developments

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

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

Other courses prepare students for university. These include:

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

Staff

The business of the College is people focused and it acknowledges the enormous contribution by the 1,135 staff (headcount not FTE) who work there. Valuing staff is a continuing high priority. Arrangements which continued this year include a bi-weekly newsletter, recognising special contributions through a Team of the half term award, and improving continuing personal development through five Development days when no teaching takes place and there is a focus on training teams and individuals. Significant funds have been invested in a development programme for all staff.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 92 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

As reported in the financial statements, the College merged with Central Sussex College on 1st August 2017. The merger was classed as a type B merger with the Central Sussex College corporation being dissolved and all staff, assets and liabilities transferring to Chichester College on 1st August 2017. The relevant merger transactions will be reported in the Group's accounts for the year ended 31st July 2018.

Future prospects

Mainstream College business areas are likely to face further challenge over the next few years, primarily as a result of further pressure on government funding. As a result, there is an increased need to retain current learner numbers and grow these wherever possible. The College commercial areas of business and the synergies from the merger provide the greatest opportunities for growth.

The financial statements have been prepared on a going concern basis. The College has net assets as at the 31st July 2017 of £46,398,000 (2016 - £42,839,000) and net current assets of £1,422,000 (2016 - £1,217,000). In addition, the College has a strong cash position at 31st July 2017 of £6,078,000 (2016 - £5,893,000) and generated £3,542,000 net cash flow from operating activities (2016 - £4,720,000), which supports the assessment that the College remains a going concern. The College will continue to closely monitor its financial position.

RESOURCES

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

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

Financial

The College has £46,398,000 (2015/16 - £42,839,000) of net assets (including £2,017,000 pension liability (2015/16 - £5,485,000)) and long term debt of £9,475,000 (2015/16 - £9,991,000).

People

The College employs 802 (2015/16 – 805) people (expressed as full time equivalents), of whom 314 (2015/16 – 314) are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 62% (2015/16 – 60%) of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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

This risk is mitigated in a number of ways

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies

- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies
- Focus on improving forecasting skills within the College

Tuition fee policy

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

This risk is mitigated in a number of ways:

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

Attracting and retaining excellent staff

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

Commercial Income

The College has a strong reputation internationally and attracts over 1,500 students annually to study in Chichester. It also has significant commercial income streams including three halls of residence, a sports complex, a farm and many full cost courses. In the current economic climate and with the Brexit results there is a risk that these streams will weaken. 2015/16 saw a reduction in International income and the childcare nurseries, but an increase in income from Anglia Examinations. The College remains committed to growing its commercial areas.

Major Capital Build

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

Maintain adequate funding of pension liabilities

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

The risk is mitigated by an agreed deficit recovery plan with the West Sussex LGPS.

Failure to maintain the financial viability of the College

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

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

Post-merger risk

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

A significant amount of planning was undertaken prior to the merger which included detailed external due diligence, not only on the respective Colleges, but also on the merger implementation plans themselves. Detailed risk registers were created to monitor specific risks relating to merger, which have been carried forward for monitoring into the new merged entity. Risks are monitored not only by the governing body, but also externally through enhanced reporting to government and College lenders.

STAKEHOLDER RELATIONSHIPS

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

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

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

Equality

Chichester College is committed to providing equal opportunities for staff, students and service users and to eliminating discrimination, As detailed in the Strategic Plan, the College's mission is achieved, in part, by 'providing teaching and learning in a community where diversity and internationalism are positively welcomed'. In addition, 'respecting and valuing all individuals' forms one of the College's core values. The College understands and appreciates the benefits of a diverse workforce/College community and strives to create and maintain an inclusive environment. The College 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 College produces an Equality & Diversity Annual Report which is published on the College website. As well as explaining what has been achieved from an equality and diversity perspective, the report sets out the College's equality and diversity objectives and contains information about staff, students and applicants by the protected characteristics we gather data on. Consultation with stakeholders has taken place to agree the equality objectives.

The College is a Disability Confident Employer, a scheme accredited by the Department for Work & Pensions. The scheme demonstrates that the College has a positive approach to employing disabled people by Actively looking to attract and recruit disabled people, supporting employees to manage their disabilities or health conditions, offering innovative and effective approaches to encourage disabled people to apply for opportunities and supporting them when they do and ensuring employees have sufficient disability equality awareness training.

Disability statement

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

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

Disclosure of information to auditors

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

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

Kieran Stigant

Chairman

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31st July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 21st March 2016.

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

The Corporation

The members who served on the Corporation during the year 2016/17 and up to the date of signature of this report were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Barbara Alderton	1 August 2014	4 years		Staff Governor	Student Committee	50%
Simon Baldey	2 April 2014	4 years		Independent member	Audit Committee and Quality & Curriculum Committee	56%
Martyn Bell	1 August 2015	4 years	13 September 2017	Independent member	Finance & General Purposes Committee	67%
Marilyn Billingham	1 August 2012. Re-appointed 1 August 2016	4 years plus 4 years		Independent member	Governance & Search, Quality & Curriculum and Remuneration Committees	80%
Christopher Chapman	Appointed as Chairman 1 August 2016	3 years	19 January 2017	Appointed Chairman from 1 August 2016	Governance & Search, Finance & General Purposes, Remuneration and Resources Committees	100%
Robert Craig	16 December 2016	To the end of the academic year in which the Student Governor	31 July 2017	Student Governor	Quality & Curriculum Committee and Student Committee	33%
Andrew Davies	1 August 2013	4 years		Staff Governor	Audit Committee and Quality & Curriculum Committee	56%
Jane Dodsworth	1 August 2013 Re-appointed 1 August 2017	4 years plus 4 years		Independent member	Resources Committee and Staff Committee	100%

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Margaret Eva OBE	Vice-Chair from 1 August 2016. Appointed as Chair from 14 February – 31 July 2017 Appointed as Vice-Chair from 13 September 2017	Vice-Chair for a term of office of two years from 13 September 2017		Independent member. Appointed Vice-Chair from 1 August 2016	Governance & Search Committee, Remuneration Committee, Quality & Curriculum Committee and Staff Committee	76%
Nick Fox	1 January 2013	4 years		Independent member	Audit Committee, Governance & Search Committee, Remuneration Committee and Resources Committee	85%
Steve Hansford	1 August 2014	4 years	31 July 2017	Independent member	Quality & Curriculum Committee	83%
Julia Hendry	1 August 2013	4 years	31 July 2017	Independent member	Audit Committee and Staff Committee	90%
David Hobson	1 August 2014	4 years		Independent member	Finance & General Purposes Committee and Resources Committee	89%
Shelagh Legrave OBE	1 September 2010	Ex-officio		Principal and Chief Executive	Governance & Search, Finance & General Purposes, Quality & Curriculum, Resources, Staff and Student Committees	100%
Benjamin Phillips	1 August 2016	To the end of his term of office as Student President		Student Governor	Staff Committee, Student Committee	100%

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Kieran Stigant	1 January 2015 Appointed Chairman from 1 August 2017	4 years Chairman appointment for term of 2 years		Independent member	Governance & Search, Finance & General Purposes, Remuneration and Student Committees	78%
Nick Sutherland	1 August 2016	4 years		Independent member	Student Committee	100%
Deborah Urquhart	1 August 2009. Re-appointed from 1 August 2013	4 years	31 July 2017	Independent member	Audit Committee	50%
Caroline Wood	1 January 2015	4 years		Independent member	Staff Committee	57%
Paul Wright	1 August 2013 Appointed Vice-Chairman from 14 February – 31 July 2017 Re-appointed as a Governor from 1 August 2017	4 years plus 4 years		Independent member	Governance & Search, Finance & General Purposes, Remuneration and Student Committees	70%

The members who joined the Corporation on 1 August 2017 are as follows:

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Chris Maidment	1 August 2017	Maximum term of office to 31 December 2018		Independent member	Audit Committee
Patrick McHale	1 August 2017	To 31 December 2017 (1st term)		Independent member	Resources Committee
Ryan Sallows	1 August 2017	To 28 February 2018 (1st term)		Independent member	Crawley Quality & Stakeholder Board
James Sarmecanic	1 August 2017	To 28 February 2018 (1st term)		Independent member	Finance & General Purposes Committee
Ramesh Shingadia	1 August 2017	Maximum term of office to 31 March		Independent member	Finance & General Purposes Committee

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Martyn Bell	13 September 2017	4 years		External member	Remuneration and Governance & Search Committees	
Andrew Dunlop	1 January 2008. Re-appointed 1 January 2012	4 years	31 December 2017	External member	Audit Committee	100%
Pam Foden	1 January 2013	4 years		External member	Quality & Curriculum Committee	67%
Elisabeth Whitaker	1 August 2015	4 years		External member	Resources Committee	67%

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

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

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

- Wednesday, 14 December 2016;
- Tuesday, 14 February 2017;
- Monday, 20 March 2017;
- Wednesday, 5 April 2017;
- Friday, 5 May 2017;
- Monday, 26 June 2017;
- Wednesday, 12 July 2017;
- Monday, 24 July 2017.

The meetings in February, March, May, June and the meeting on Monday, 24 July were additional meetings to deal with matters relating to the merger with Central Sussex College.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are the Audit, Finance & General Purposes, Governance & Search, Quality & Curriculum, Remuneration, Resources, Staff and Student committees. Following the merger with Central Sussex College a review of the governance structure was undertaken. For the academic year 2017/18 the Quality & Curriculum Committee was replaced by a Chichester & Brinsbury Quality & Stakeholder Board and Crawley Stakeholder Board. Staff and Student Committees for Chichester & Brinsbury now report in to the Chichester & Brinsbury Quality & Stakeholder Board, with a Crawley Staff Committee and Crawley Student Committee reporting in to the Crawley Quality & Stakeholder Board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.chichester.ac.uk or from the Clerk to the Corporation at:

Chichester College
Westgate Fields
Chichester
West Sussex
PO19 1SB

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation and Committee meetings. Briefings are provided to governors 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 are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance & Search Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. Following the merger with Central Sussex College, five former members of Central Sussex Corporation joined Chichester College's Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The extract from Chichester College's Self-Assessment Report 2016/17, which relates to governance is as follows:

> *Governance continues to be outstanding. The Governing Body challenges senior leaders very effectively using a robust system of accountability. Governors and senior managers have strong and transparent relationships which are based on trust and openness. They have a wide range of skills which they use very well in ensuring that the College achieves its ambitions. A small group of governors worked effectively to review of the Strategic Plan in 2016 and as a result key performance indicators were updated. They are monitored closely. The decision to expand the College Group has led to a merger in 2017 and this was excellently overseen by Governors with clear milestones established and reviewed. A challenge for the future is the diversity of the Governing Body following merger.*
>
> *Governors use performance management systems very effectively and as a result ask pertinent and thoughtful questions which identify key areas for improvement as well as celebrating success. The use of excellent governor development sessions enabled valuable in-depth discussion on issues of strategic importance. Governors' support for the College's activities is strong and this includes excellent attendance at meetings and at many wider community events.*

Remuneration Committee

The College'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 senior post-holders.

Details of remuneration for the year ended 31st July 2017 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprised five members of the Corporation (excluding the Accounting Officer and Chair of the Corporation) and one co-opted audit specialist, whose term of office ceased at the end of December 2016. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chichester College for the year ended 31st July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation considered the annual report from the Audit Committee for the year ended 31st July 2017, which set out the Committee's opinion on the College's systems for Internal Controls, Risk Management and Governance.

Based on the advice of the Audit Committee and the Accounting Officer and taking account of events since 31st July 2017, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Going Concern

The College's forecasts and financial projections indicate that it will be able to operate within the existing facility and covenants for the foreseeable future. After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared on a going concern basis. The College has net assets as at the 31st July 2017 of £46,398,000 (2016 - £42,839,000) and net current assets of £1,422,000 (2016 - £1,217,000). In addition, the College has a strong cash position at 31st July 2017 of £6,078,000 (2016 - £5,893,000) and generated £3,542,000 net cash flow from operating activities (2016 - £4,719,000), which supports the assessment that the College remains a going concern. The College will continue to closely monitor its financial position.

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

Kieran Stigant	**Shelagh Legrave OBE**
Chairman	**Accounting Officer**

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

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

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

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

Kieran Stigant
Chairman
Date: 05/12/17

Shelagh Legrave OBE
Accounting Officer
Date: 05/12/17

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued jointly by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

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

Kieran Stigant
Chairman

Independent auditor's report to the Corporation of Chichester College

Opinion

We have audited the financial statements of Chichester College (the "College") and its subsidiaries (the "Group") for the year ended 31st July 2017 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 4th July 2017.

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 2017 and of the Group's and the College's surplus/deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation of Chichester College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 24, 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 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 College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

RSM UK Audit LLP

RSM UK AUDIT LLP Dated: 08/12/17
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 is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 19. The nature of the College's operations are set out in the Member's Report.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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 College and its subsidiaries, Chichester College Services Limited and Anglia Examination Syndicate Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31st July 2017.

Going concern

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

The College currently has £10.1m of loans outstanding with bankers on terms negotiated in 2008/09 (£3.7m) and 2016/17 (£6.4m) both being unsecured. Further details are given in note 17. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

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 College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recongnised 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 College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

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 College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the 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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 College up to a maximum of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to a maximum of 50 years.

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

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 College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

- The College has a present legal or constructive obligation as a result of a past event

- It is probable that a transfer of economic benefit will be required to settle the obligation and
- A reliable estimate can be made of the amount of the obligation.

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31st March 2013 has been used by the actuary in valuing the pensions liability at 31st July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

CHICHESTER COLLEGE

Consolidated Statements of Comprehensive Income for the year ended 31st July 2017

	Notes	2017		2016	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Income					
Funding body grants	1	28,527	28,527	26,474	26,474
Tuition fees and education contracts	2	6,682	6,779	7,193	7,219
Other income	3	10,519	8,301	10,175	8,121
Endowment and investment income	4	35	14	23	23
Donations	5	-	480	-	521
Total income		45,763	44,101	43,865	42,358
Expenditure					
Staff costs	6	26,169	24,538	24,778	23,266
Restructuring costs	6	61	61	259	259
Other operating expenses	7	17,868	17,991	16,282	16,282
Depreciation & Amortisation	10-11	2,765	2,728	2,557	2,528
Interest and other finance costs	8	611	611	823	823
Total expenditure		47,474	45,929	44,699	43,158
Deficit before other gains and losses		(1,711)	(1,828)	(834)	(800)
Gain on investment properties		456	456	12	12
Deficit before tax		(1,255)	(1,372)	(822)	(788)
Taxation	9	-	-	-	-
Deficit for the year		(1,255)	(1,372)	(822)	(788)
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain in respect of pensions	23	4,814	4,814	4,485	4,485
Total Comprehensive Income for the year		3,559	3,442	3,663	3,697
Represented by:					
Unrestricted comprehensive income		3,559	3,442	3,663	3,697
Restricted comprehensive income		-	-	-	-
		3,559	3,442	3,663	3,697
Deficit for the year atributable to:					
Non controlling interest		-	-	-	-
Group		(1,255)	(1,372)	(822)	(788)
		(1,255)	(1,372)	(822)	(788)
Total Comprehensive Income for the year attributable to:					
Non controlling interest		-	-	-	-
Group		3,559	3,442	3,663	3,697
		3,559	3,442	3,663	3,697

All items of income and expenditure relate to continuing activities

CHICHESTER COLLEGE

Consolidated and College Statement of Changes in Reserves for the year ended 31st July 2017

	Income and Expenditure account £'000	Restricive reserve £'000	Revaluation reserve £'000	Investment Property Revaluation reserve £'000	Total excluding Non controlling interest £'000	Non Contolling interest £'000	Total £'000
Group							
Restated balance at 1st August 2015	11,982	6	25,821	1,367	39,176	-	39,176
Deficit from the income and expenditure account	(834)	-	-	12	(822)	-	(822)
Other comprehensive income	4,485		-	-	4,485	-	4,485
Transfers between revaluation and income and expenditure reserves	386	-	(386)	-	-	-	-
	4,037	-	(386)	12	3,663	-	3,663
Balance at 31st July 2016	16,019	6	25,435	1,379	42,839	-	42,839
Deficit from the income and expenditure account	(1,711)	-	-	456	(1,255)	-	(1,255)
Other comprehensive income	4,814		-	-	4,814	-	4,814
Transfers between revaluation and income and expenditure reserves	327	-	(327)	-	-	-	-
Total comprehensive income for the year	3,430	-	(327)	456	3,559	-	3,559
Balance at 31st July 2017	19,449	6	25,108	1,835	46,398	-	46,398
College							
Restated balance at 1st August 2015	11,805	6	25,821	1,367	38,999	-	38,999
Deficit from the income and expenditure account	(800)	-	-	12	(788)	-	(788)
Other comprehensive income	4,485	-	-	-	4,485	-	4,485
Transfers between revaluation and income and expenditure reserves	386	-	(386)	-	-	-	-
	4,071	-	(386)	12	3,697	-	3,697
Balance at 31st July 2016	15,876	6	25,435	1,379	42,696	-	42,696
Deficit from the income and expenditure account	(1,828)	-	-	456	(1,372)	-	(1,372)
Other comprehensive income	4,814	-	-	-	4,814	-	4,814
Transfers between revaluation and income and expenditure reserves	327	-	(327)	-	-	-	-
Total comprehensive income for the year	3,313	-	(327)	456	3,442	-	3,442
Balance at 31st July 2017	19,189	6	25,108	1,835	46,138	-	46,138

CHICHESTER COLLEGE

Balance sheets as at 31st July 2017

	Notes	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Non current assets					
Tangible fixed assets	10	62,302	62,119	62,537	62,371
Intangible fixed assets	11	168	139	158	144
Investments	12	-	71	-	71
		62,470	62,329	62,695	62,586
Current assets					
Stocks		303	274	309	284
Trade and other receivables	13	2,828	2,631	2,520	5,097
Investments	14	8	8	9	9
Cash at bank and in hand		6,078	5,775	5,893	2,999
		9,217	8,688	8,731	8,389
Less: Creditors - amounts falling due within one year	15	(7,795)	(7,385)	(7,514)	(7,206)
Net current assets		1,422	1,303	1,217	1,183
Total assets less current liabilities		63,892	63,632	63,912	63,769
Creditors - amounts falling due after more than one year	16	(15,182)	(15,182)	(15,588)	(15,588)
Provisions					
Defined benefit obligations	18	(2,017)	(2,017)	(5,485)	(5,485)
Other provisions		(295)	(295)	-	-
Total net assets		46,398	46,138	42,839	42,696
Restricted reserves					
Income and expenditure reserve - restricted reserve		6	6	6	6
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserve		19,449	19,189	16,019	15,876
Revaluation reserve		25,108	25,108	25,435	25,435
Investment Property Revaluation Reserve		1,835	1,835	1,379	1,379
Total reserves		46,398	46,138	42,839	42,696

The financial statements on pages 27 to 56 were approved and authorised for issue by the Corporation on 5th December 2017 and were signed on its behalf on that date by:

Kieran Stigant
Chairman

Shelagh Legrave OBE
Accounting Officer

CHICHESTER COLLEGE

Consolidated Statement of Cash Flows for the year ended 31st July 2017

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Deficit for the year		(1,255)	(822)
Adjustment for non cash items			
Depreciation		2,765	2,557
Gain on investment properties		(456)	(12)
Decrease in stocks		6	26
(Increase)/decrease in debtors		(308)	3,407
Increase/(decrease) in creditors due within one year		535	(3,039)
Increase in creditors due after one year		193	1,008
Increase in provisions		295	-
Pensions costs less contributions payable		1,200	794
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(35)	(23)
Interest payable		611	823
Taxation paid		-	-
(Profit)/Loss on sale of fixed assets		(9)	1
Net cash flow from operating activities		3,542	4,720
Cash flows from investing activities			
Proceeds from sale of fixed assets		12	97
Investment income		35	23
Payments made to acquire fixed assets		(2,246)	(3,045)
		(2,199)	(2,925)
Cash flows from financing activities			
Placed on deposit		1	(1)
Interest paid		(437)	(457)
Interest element of finance lease rental payments		(28)	(33)
New unsecured loans		6,421	-
Repayments of amounts borrowed		(7,037)	(721)
Capital element of finance lease rental payments		(78)	(73)
		(1,158)	(1,285)
Increase in cash and cash equivalents in the year		185	510
Cash and cash equivalents at beginning of the year	19	5,893	5,383
Cash and cash equivalents at end of the year	19	6,078	5,893

1 Funding body grants

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency -Adult	2,503	2,503	2,791	2,791
Education and Skills Funding Agency -16-18	18,173	18,173	17,473	17,473
Education and Skills Funding Agency -Apprenticeships	6,028	6,028	5,750	5,750
Recurrent grant - HEFCE	349	349	346	346
Specific Grants				
Non recurrent grants - Education and Skills Funding Agency	953	953	(153)	(153)
Non recurrent grants - HEFCE	17	17	19	19
Releases of deferred capital grants	504	504	248	248
Total	28,527	28,527	26,474	26,474

2 Tuition fees and education contracts

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	123	123	110	110
Apprenticeship fees and contracts	140	134	95	95
Fees for FE loan supported courses	2,013	2,118	2,084	2,141
Fees for HE loan supported courses	1,415	1,415	1,451	1,451
European (excluding UK) students	414	414	432	432
International students fees	954	952	1,442	1,411
Total tuition fees	5,059	5,156	5,614	5,640
Education contracts	1,623	1,623	1,579	1,579
Total	6,682	6,779	7,193	7,219

3 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	5,089	5,597	4,958	5,485
Profit/(loss) on disposal of tangible fixed assets	9	9	-	-
Other income generating activities	4,102	1,337	3,781	1,192
Other grant income	-	-	25	25
Other and miscellaneous income	1,319	1,358	1,411	1,419
Total	10,519	8,301	10,175	8,121

4 Endownments & Investment income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	35	14	23	23
	35	14	23	23

5 Donations

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Gift Aid	-	480	-	521
Total	-	480	-	521

6 Staff costs - Group and College

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

	2017 No.	2016 No.
Teaching staff	314	314
Non teaching staff	488	491
	802	805

The staff numbers above have been re-analysed to treat additional support staff as non teaching staff. The adjustment resulted in 83 (2016: 85) FTEs moving from teaching staff to non teaching staff.

Staff costs for the above persons

		Year ended 31 July		Year ended 31 July	
		2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Wages and salaries		20,263	19,006	19,572	18,361
Social security costs		1,739	1,662	1,446	1,383
Other pension costs		4,051	3,774	3,602	3,385
Payroll sub total		26,053	24,442	24,620	23,129
Contracted out staffing services		116	96	158	137
		26,169	24,538	24,778	23,266
Fundamental restructuring costs -	contractual	61	61	259	259
	non contractual	-	-	-	-
		26,230	24,599	25,037	23,525

Key management personnel

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

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

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

2017 No.	2016 No.
8	8

6 Staff costs - Group and College (continued)

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

	Key management personnel		Other Staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000	-	3	-	-
£70,001 to £80,000	3	1	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	2	1	-	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	1	-	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	1	-	-	-
	8	8	-	-

Key management personnel emoluments are made up as follows:

	2017	2016
	£'000	£'000
Salaries- gross of salary sacrifice and waived emoluments	768	701
Benefits in kind	9	8
	777	709
Social security costs	97	82
Pension contributions	114	110
Total emoluments	988	901

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:

	2017	2016
	£'000	£'000
Salaries	164	152
Benefits in kind	2	2
Social security costs	22	19
	188	173
Pension contributions	24	24

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

7 Other operating expenses

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,862	5,908	5,489	5,516
Non teaching costs	7,573	7,717	6,499	6,542
Premises costs	4,433	4,366	4,294	4,224
Total	17,868	17,991	16,282	16,282

Other operating expenses include:	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit		
External: financial statements audit*	46	49
External: taxation compliance services**	6	5
External: FRS102 advice services**	-	8
Internal audit***	21	22
Payments to sub-contractors	4,512	4,029
Losses on disposal of tangible fixed assets (where not material)	-	1
Hire of assets under operating leases	224	201

* includes £44,000 in respect of the College (2015/16 £46,000)

** includes £1,000 in respect of the College (2015/16 £9,000)

*** includes £21,000 in respect of the College (2015/16 £22,000)

8 Interest payable - Group and College

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	437	437	457	457
On finance leases	28	28	33	33
Net interest on defined pension liability (note 23)	146	146	333	333
Total	611	611	823	823

9 Taxation - Group only

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

10 Tangible fixed assets (Group)

	Land and buildings			Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property	Long leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2016	76,655	1,688	495	11,267	1,755	91,860
Additions	205	-	-	905	901	2,011
Revaluations	-	455	-	-	-	455
Transfers	2,656	-	-	-	(2,656)	-
Disposals	(966)	-	-	(5,700)	-	(6,666)
At 31st July 2017	78,550	2,143	495	6,472	-	87,660
Depreciation						
At 1st August 2016	19,698	-	195	9,430	-	29,323
Charge for the year	1,789	-	49	861	-	2,699
Elimination in respect of disposals	(975)	-	-	(5,689)	-	(6,664)
At 31st July 2017	20,512	-	244	4,602	-	25,358
Net book value at 31st July 2017	58,038	2,143	251	1,870	-	62,302
Net book value at 31st July 2016	56,957	1,688	300	1,837	1,755	62,537

10 Tangible fixed assets (College only)

	Land and buildings Freehold	Investment property	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2016	76,640	1,688	289	11,149	1,755	91,521
Additions	205	-	-	860	901	1,966
Revaluations	-	455	-	-	-	455
Transfers	2,656	-	-	-	(2,656)	-
Disposals	(966)	-	-	(5,599)	-	(6,565)
At 31st July 2017	78,535	2,143	289	6,410	-	87,377
Depreciation						
At 1st August 2016	19,696	-	140	9,314	-	29,150
Charge for the year	1,785	-	30	853	-	2,668
Elimination in respect of disposals	(974)	-	-	(5,586)	-	(6,560)
At 31st July 2017	20,507	-	170	4,581	-	25,258
Net book value at 31st July 2017	58,028	2,143	119	1,829	-	62,119
Net book value at 31st July 2016	56,944	1,688	149	1,835	1,755	62,371

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 2017. 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 £26,218,604 (2016: £24,958,757) have been part funded from local education authority sources, £26,072,887 (2016: £24,808,135) and exchequer funds £145,717 (2016: £150,622), 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 £178,028 (2016: £222,535) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £44,507 (2016: £44,507)

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

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

11 Intangible fixed assets

	Group		College	
	Software	Total	Software	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1st August 2016	891	891	861	861
Additions	76	76	55	55
Disposals	(335)	(335)	(325)	(325)
At 31st July 2017	632	632	591	591
Amortisation				
At 1st August 2016	733	733	717	717
Amortisation for the year	66	66	60	60
Elimination in respect of disposals	(335)	(335)	(325)	(325)
At 31st July 2017	464	464	452	452
Net book value at 31st July 2017	168	168	139	139
Net book value at 31st July 2016	158	158	144	144

12 Non current Investments

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investments in subsidiary companies	-	71	-	71
Total	-	71	-	71

Investments in subsidiary companies are as follows:

	2017		2016	
	Group	College	Group	College
	£	£	£	£
Chichester College Services Limited	-	500	-	500
Anglia Examination Syndicate Limited	-	70,100	-	70,100
	-	70,600	-	70,600

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

Chichester College Services Limited was incorporated on 3rd Febuary 1993 and commenced trading on 1st April 1993. The principal business activities are the provision of nursery services and commercial residential lettings. The results for the year ended 31st July 2017 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 2017 have been included in the consolidated financial statements.

13 Trade and other receivables

	2017		2016	
	Group	College	Group	College
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Trade receivables	1,135	735	1,456	997
Amounts owed by subsidiary undertakings	-	222	-	3,061
Other debtors	79	79	120	120
Prepayments and accrued income	771	752	758	733
Amounts owed by the ESFA	843	843	186	186
Total	2,828	2,631	2,520	5,097

14 Current investments

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Short term deposits	7	7	8	8
Investment in shares	1	1	1	1
Total	8	8	9	9

15 Creditors: amounts falling due within one year

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	621	621	721	721
Obligations under finance leases	83	83	78	78
Trade payables	1,119	1,101	818	792
Other taxation and social security	843	843	839	839
Payments received in advance & deferred income	605	574	1,579	1,545
Accruals	2,427	2,285	2,496	2,365
Other Creditors	608	389	589	472
Deferred income - government capital grants	537	537	237	237
Amounts owed to the ESFA	952	952	157	157
Total	7,795	7,385	7,514	7,206

16 Creditors: amounts falling due after one year

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	9,475	9,475	9,991	9,991
Obligations under finance leases	282	282	365	365
Deferred income - government capital	5,425	5,425	5,232	5,232
Total	15,182	15,182	15,588	15,588

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	621	621	721	721
Between one and two years	621	621	721	721
Between two and five years	6,679	6,679	2,163	2,163
In five years or more	2,175	2,175	7,107	7,107
Total	10,096	10,096	10,712	10,712

A bank loan at a fixed rate of 6.645% was renegotiating to take effect on 31/7/17. Previously the rate was a fixed rate of 5.06% (2016: 5.06%) (2017: £3,675,000, 2016: £3,975,000). The loan repayable by instalments between 1st August 2009 and 31st August 2029 and is unsecured.

An unsecured bank loan of £8,000,000 was taken out in July 2012 at a fixed interest rate of 3.54% for a period of 5 years and was repayable by quarterly instalments of £105,000 between 18th October 2013 and 20th July 2017. This was renegotiated on 20th July 2017, with a new loan of £6,421,000 repayable by quarterly instalments of £80,263.16 between 31st October 2017 and 29th April 2022 and was coverted to a floating rate based on LIBOR plus a margin of 2.75%.

(b) Finance leases

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

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	83	83	78	78
Between two and five years	282	282	365	365
In five years or more	-	-	-	-
Total	365	365	443	443

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

18 Provisions

	Group and College		
	Dilapidations	Defined benefit Obligations	Total
	£'000	£'000	£'000
At 1st August 2016	-	5,485	5,485
Expenditure in the period	295	(1,407)	(1,112)
Transferred from income and expenditure	-	(2,061)	(2,061)
At 31st July 2017	295	2,017	2,312

Dilapidations are in respect of contractual commitments on the Halls of Residence lease. Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

19 Cash and cash equivalents

	At 1/8/16	Cash flows	At 31/7/17
	£'000	£'000	£'000
Cash and cash equivalents	5,893	185	6,078
Overdrafts	-	-	-
Total	5,893	185	6,078

20 Capital commitments

	2017		2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Commitments contracted for at 31st July	43	43	991	991

21 Lease Obligations

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

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	53	45
Later than one year and not later than five years	-	8
later than five years	1,299	1,262
	1,352	1,315
Other		
Not later than one year	134	164
Later than one year and not later than five years	78	71
later than five years	3	3
	215	238
Total lease payments	1,567	1,553

22 Events after the reporting period

The College merged with Central Sussex College on 1st August 2017. The merger was classed as a type B merger with the Central Sussex College corporation being disolved and all trade, assets and liabilities transferring to Chichester College on 1st August 2017 at £nil consideration.

23 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31st March 2012 and of the LGPS 31st March 2016.

Total pension cost for the year		2017 £'000		2016 £'000
Teachers Pension Scheme: contributions paid		1,418		1,382
Local Government Pension Scheme:				
Contributions paid	1,429		1,426	
FRS 102 (28) charge	1,204		794	
Charge to the Statement of Comprehensive Income		2,633		2,220
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year - Per note 6		4,051		3,602

Contributions amounting to £347,303 (2016:£330,385) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1st April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1st January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

23 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1st April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,418,000 (2016: £1,382,000)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by West Sussex County Council Local Authority . The total contribution made for the year ended 31 July 2017 was £1,967,398, of which employer's contributions totalled £1,429,091 and employees' contributions totalled £538,307. The agreed contribution rates for future years are 2017/18 17.5 to 18.9%, 2018/19 19.5% and 2019/20 20% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2016 updated to 31st July 2017 by a qualified independent actuary.

	At 31st July 2017	At 31st July 2016
Rate of increase in salaries	2.00%	2.00%
Future pensions increases	2.50%	1.90%
Discount rate for scheme liabilities	2.70%	2.40%
Inflation assumption (CPI)	2.50%	1.90%

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

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

	At 31st July 2017	At 31st July 2016
	years	years
Retiring today		
Males	23.6	24.4
Females	25.0	25.8
Retiring in 20 years		
Males	26.0	26.9
Females	27.8	28.5

Sensitivity analysis	At 31st July 2017	At 31st July 2016
	£'000	£'000
0.5% Decrease in Real Discount Rate	8,514	5,314
0.5% Increase in the Salary Rate	114	2,203
0.5% Increase in the Pension Increase rate	7,306	6,007

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

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

	Long-term rate of return expected at 31st July 2017	Fair Value at 31st July 2017	Long-term rate of return expected at 31st July 2016	Fair Value at 31st July 2016
		£'000		£'000
Equities	2.4%	35,386	2.4%	43,513
Bonds	2.4%	25,179	2.4%	9,537
Property	2.4%	5,444	2.4%	4,768
Cash	2.4%	2,042	2.4%	1,788
Total market value of assets		68,051		59,606
Weighted average expected long term rate of return	2.4%		2.4%	
Actual return on plan assets		7,660		7,608

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

	2017	2016
	£'000	£'000
Fair value of plan assets	68,051	59,606
Present value of plan liabilities	(69,635)	(64,637)
Present value of unfunded liabilities	(433)	(454)
Net pensions (liability)/asset (Note 18)	(2,017)	(5,485)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,633	2,146
Past service cost	-	79
Total	2,633	2,225
Amounts included in investment income		
Net interest cost	(146)	(333)
	(146)	(333)

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

Amounts recognised in Other Comprehensive Income

	2017	2016
	£'000	£'000
Return on pension plan assets	6,221	5,752
Experience losses arising on defined benefit obligations	267	660
Changes in assumptions underlying demographics	1,733	-
Changes in assumptions underlying the present value of plan liabilities	(3,407)	(1,927)
Amount recognised in Other Comprehensive Income	4,814	4,485

Movement in net defined benefit liability during the year

	2017	2016
	£'000	£'000
Deficit in scheme at 1 August	(5,485)	(8,843)
Movement in year:		
Current service cost	(2,633)	(2,146)
Employer contributions	1,407	1,404
Past service cost	-	(79)
Contributions in respect of unfunded benefits	26	27
Net interest on the defined (liability)/asset	(146)	(333)
Actuarial gain or loss	4,814	4,485
Net defined benefit liability at 31st July	(2,017)	(5,485)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,091	59,976
Current Service cost	2,633	2,146
Past Service cost (including curtailments)	-	79
Interest cost	1,585	2,189
Contributions by Scheme participants	531	508
Experience gains and losses on defined benefit obligations	(267)	(660)
Changes in demographic assumptions	(1,733)	-
Changes in financial assumptions	3,407	1,927
Estimated benefits paid	(1,153)	(1,047)
Past Service cost	(26)	(27)
Defined benefit obligations at end of period	70,068	65,091

	2017	2016
Reconciliation of Assets		
Fair value of plan assets at start of period	59,606	51,133
Interest on plan assets	1,439	1,856
Contributions by Scheme participants	531	508
Employer contributions	1,407	1,404
Contributions in respect of unfunded benefits	26	27
Estimated benefits paid	(1,153)	(1,047)
Unfunded benefits	(26)	(27)
Return on plan assets	6,221	5,752
Assets at end of period	68,051	59,606

24 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £899; 4 governors (2016: £3,181; 4 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 (2016: None).

Brighton Film School Limited - a company in which Mr A Green, the Deputy Principal has a major interest. Transactions totalling £540,271 (2016: £474,993) relating to partnership costs for the delivery of HND/HNC programmes. There were no amounts outstanding (2016: £nil).
All transactions with Brighton Film School were on an arm's length basis.

25 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants - discretionary learner support	472	801
Funding body grants - residential bursaries	30	30
Funding body grants - Free School Meals (incl £123,000 2015/16 unspent)	306	-
Other Funding body grants	4	38
Interest earned	-	1
	812	870
Disbursed to students	(646)	(863)
Administration costs	(32)	(43)
Balance unspent as at 31st July, included in creditors	134	(36)

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 and the Secretary of State for Education acting through the Department for Education

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 4th July 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Chichester College during the period 1st August 2016 to 31st July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of Corporation of Chichester College for regularity

The Corporation of Chichester College is responsible, under the SFA financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Chichester College 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 Post-16 Audit Code of Practice 2016 to 2017.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August

2016 to 31st July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

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

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Dated: 08/12/17