

Chichester College



**Members' Report and Financial Statements**

**For the year ended 31 July 2015**

## Chichester College

### Members' Report and financial statements

Index	Page
Operating and Financial Review	3 - 12
Statement of Corporate Governance and Internal Control	13 - 19
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	20
Statement of the responsibilities of the members of the Corporation	21
Independent auditor's report to the members of the Corporation of Chichester College	22- 23
Statement of Principal Accounting Policies	24 - 28
Consolidated Income and Expenditure Account	29
Consolidated Note of Historical Gains and Losses	30
Consolidated Statement of Total Recognised Gains and Losses	31
Balance Sheets as at 31 July	32
Consolidated Cash Flow Statement	33
Reconciliation of net cash flow to movement in net funds	33
Notes to the accounts	34 - 54
Independent reporting Accountants's Report on Regularity to the Corporation of Chichester College	55

## Operating and Financial Review

### Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2015.

#### 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. Following the merger with Brinsbury College on 1 August 2002, the College changed its name to Chichester College. The College is an exempt charity for the purposes of the Charities Act 2011.

#### The College's Business

The College's main business is to deliver education and training to students aged fourteen and upwards. Its vocational and academic programmes cover a wide curriculum area:

Access to Higher Education	Business	Hair & Beauty
Accounting	Computing & Information Tech	Health Care & Social Sciences
Adult Education	Construction & Creative Crafts	Horticulture
A Levels	Drama & Dance	Hospitality & Catering
Agriculture	Engineering	Motor Vehicle & Motorcycle
Animal Management	English Languages & Literature	Music
Apprentices	English as a foreign language	Science & Maths
Art, Design and Media	Equine	Sport & Public Services
Travel & Tourism	Floristry	
Beauty Therapy	Foundation Programmes	

Subjects can be studied at all levels, from entry level to level 5 (HNDs) and include vocational programmes, Work Based NVQs and A Levels.

The College also provides accommodation to over 2,000 international students, runs a very large childcare and nursery provision and operates an English examination business through a subsidiary. At its Brinsbury campus it runs a commercial farm and riding school.

The College has two main campuses, Chichester and Brinsbury. It also operates from outreach centres in Bognor Regis and Littlehampton.

#### Mission and Vision

Chichester College's Mission is *changing lives through learning*.

We do this by:

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

**Chichester College**  
**Operating and financial review (continued)**

**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

**Public Benefit**

Chichester College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England The Rt Hon Sajid Javid MP. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13-16. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

**Implementation of strategic plan**

The Corporation reviews the strategic plan and key performance targets annually. The College's objectives for 2014/15 were:

- Continue to deliver outstanding teaching learning and assessment which ensures the highest levels of success for our students
- To provide a curriculum relevant for today and the future which equips students with appropriate work and life skills
- To provide employers with skilled new workers and support them to improve their employees' skills
- To develop substantial commercial businesses to support the College's financial health
- To continue to develop Brinsbury as a vibrant, sustainable campus which meets the needs of its rural community
- To develop a college community that is a highly fulfilling place to work
- To develop the long term financial viability of the College

**Chichester College**  
**Operating and financial review (continued)**

The College is on target for achieving these objectives.

**Financial Objectives**

The College's financial objectives for 2014/15 were:

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

The Group did not achieve its adult skills allocation; however, all other financial objectives were met. A revised set of financial objectives and key performance indicators have been set for 2015/16.

**Performance Indicators**

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner views")
- Satisfaction survey (formerly "employer views")

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The College has a current rating of satisfactory for its financial position.

**FINANCIAL POSITION**

**Financial Results**

The Group has maintained a positive operating position in 2014/15. Income has increased from the previous year by £3,702,000 while pay costs were very closely managed to achieve a £763,000 reduction on the previous year. The resulting surplus of £941,000 is a £562,000 improvement on the previous year surplus of £379,000, enhanced by the profit on disposal of a small parcel of land at Brinsbury. The increase in income was driven largely by additional, unbudgeted European Social Funding (ESF) contracts of £5,526,000. Recurrent funding body income reduced by £1,949,000 due to a reduction in the groups' adult skills allocation whilst other income stayed relatively flat overall with an increase of £87,000.

Funding body grants increased by £4,055,000, largely as a result of the £5,526,000 increase in ESF income. This large increase in ESF grant income offset what was a declining funding position overall of £1,471,000. There was a reduction in 16-18 and 19+ classroom funding of £1.2m and £1.5m respectively however this was offset by an increase in 16-18 and 19+ apprenticeship income of £0.3m and £0.8m respectively. There was also a small increase in HEFCE grant funding. Contributing to part of the reduction in adult grant funding was the shortfall against the target ASB allocation for the year, for which a £0.7m provision has been made for returning funds to the SFA.

## Chichester College Operating and financial review (continued)

The reduction of income through tuition fees of £1,027,000 was driven largely by international delivery of EFL, lower than expected summer school numbers and declining 19+ student numbers. In addition, a high income generating contract with NAPT ended in the Spring. An increase to education contracts was largely due to a reclassification of high needs support income received from West Sussex County Council of £329,000. This was included as a non-recurrent grant in 2013/14.

College pay costs have been tightly controlled during 2014-15 resulting in a reduction of £763,000. Planned savings through restructuring were budgeted and achieved. These pay savings have been achieved resulting in 39 redundancies and £354,000 of exceptional restructuring costs.

In 2014/15 other operating expenses increased by £4,188,000. This was largely due to the additional sub-contracting cost of the new ESF projects and has resulted in operating expenses teaching cost increasing to £13,670,000 (2013/14 - £9,178,000). Other operating expenses have been tightly controlled; non-teaching costs have decreased by £50,000 and premises costs have reduced by £254,000, primarily due to the two building leases at Terminus road ending in 2013/14.

The consolidated results show a surplus on operations of £941,000 (2013/14: £379,000). The historic surplus is £1,274,000 (2013/14: £713,000) following the transfer of revaluation reserve.

Capital spend in year was £938,000 (2013/14: £2,400,000); the reduction due to the completion of the two major capital projects from 2012/13 and 2013/14. Planned operating capital spend across the rest of the campus has been tightly controlled. In 2013/14 the College submitted a proposal to the Coast to Capital LEP for a 70% grant funded £2.0m project to refurbish the hospitality and catering department and this has now been approved. Work on this project began over the summer 2015 and is due to be completed by September 2016.

### 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 treasury management policy in place within the College financial procedures.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### Cash flows

At £4,254,000 (2013/14 £1,526,000), the College's operating cash inflow was very positive. Net capital cash outflows amounted to only £207,000 largely as a result of profit on the sale of land at Brinsbury of £459,000 and deferred capital grants received which offset the capital spend for the year. The substantial increase of delivery on ESF programmes has resulted in an increase of cash in the period of £2,869,000, a large proportion will reduce down after the period as contracts complete and sub-contractors are paid. There was a net inflow of cash amounting to £2,869,000 (cash outflow 2013/14 £1,156,000).

### Liquidity

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

The closing cash balance for the year was £5,383,000 and net current assets have increased to £1,427,000 (net current liabilities 2013/14 £65,000). The Colleges' target remains to maintain positive

**Chichester College**  
**Operating and financial review (continued)**

working capital cash levels throughout the year. Both College bank loan covenant conditions have been met for the year.

The College has consolidated accumulated general reserves of £20,950,000 (2013/14: 19,632,000) prior to the FRS 17 adjustment which results in reserves of £12,107,000 (2013/14: 13,053,000).

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

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Student Numbers**

The College was contracted to deliver education and training to the following numbers of students in 2014/15.

	<u>2013/14</u>	<u>2014/15</u>
14-16 IF & Links programmes	388	319
16-18	3,566	3,586
19+	3,685	2,490
Apprentices average in learning	1,453	3,038
Total	<u>9,092</u>	<u>9,433</u>

**Student Success**

The College is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying for. For the academic year 2014/15 the methodology for measuring success changed, based on the new methodology the 2013/14 success rate for Chichester College was 91.6% and the comparative success rate for 2014/15 was 89.0%. This excludes functional skills.

This is a decrease of 2.6 percentage points but is still well above the latest national average of 83.6%. The College is continuing to implement a number of measures to improve its teaching and learning which include teacher development from the professional development unit, student observers, regular student feedback and the use of value added and distance travelled measures to encourage students to achieve their full potential.

The College was judged as Outstanding by Ofsted in March 2014. Eight out of nine curriculum areas inspected were judged grade 1 (outstanding) and outcomes for learners, teaching learning and assessment, leadership and management and overall effectiveness were outstanding, grade 1. The College was also awarded a National Beacon Award for its staff development program, Licence to Observe.

The College has over 3,038 (1,608 in 2013/14) apprentices who receive formal teaching for one day a week and are employed and go to work for the other four days. Success rates for College based apprentices are holding at 81.6% at the time of reporting, and are 11% above the current national average.

**Student Support**

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

## **Chichester College** **Operating and financial review (continued)**

help students who experience financial hardship and also negotiates advantageous prices for rail and bus travel.

### **Curriculum Developments**

The College has a strong focus on curriculum innovation and change. It has introduced new courses in many areas of the curriculum over the last year in order to meet student needs better and meet the needs of the local community. A particular strength of the college is its inclusivity, it's promise to find the right course, with the right level of support for any student that wants to come to Chichester College. The college provides progression ladders from entry level through to level 5 HND level study. For many of our students we provide their first educational achievement, we concentrate on instilling self-belief, building confidence and enabling the students to achieve their potential.

Courses have been designed to ensure students are able to move securely into the labour market or onto their first choice university. The majority of the college provision is vocational, with about 452 A and AS students.

### **Staff**

The business of the College is people focused and it acknowledges the enormous contribution by the 1,067 staff (headcount not FTE) who work there. Valuing staff is a continuing high priority. Arrangements which continued this year include a bi-weekly newsletter, recognising special contributions through a Team of the half term award, and improving continuing personal development through five Development days when no teaching takes place and there is a focus on training teams and individuals. Significant funds have been invested in a development programme for all staff.

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

### **Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. For the year ending 31 July 2015, the College paid invoices within 30 creditor days from the date of invoice 91% of the time. The College incurred no interest charges in respect of late payment for this period.

### **Charitable and Taxation Status**

The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to Corporation tax on its charitable activities.

### **Future developments**

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

The College is part of the Sussex Area Review process which is scheduled to conclude by February 2016.



## RESOURCES

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

Tangible resources include the two main College sites and leased buildings on Terminus Road.

### Financial

The College has £29,546,000 (2013/14: £31,013,000) of net assets (including £8,843,000 (2013/14: £6,579,000) pension liability) and long term debt of £10,713,000 (2012/13: £11,434,000).

### People

The College employs 822 (2013/14: 878) people (expressed as full time equivalents), of whom 378 (2013/14: 402) 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 in attracting students and for 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.

### 1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE (though to a lesser extent since the changes to tuition fees were introduced in 2011/12). In 2014/15, 67% (2013/14: 63%) of the College's revenue was ultimately public funded (the increase is largely as a result of the additional ESF income). Whilst the College has significant diversification of income, there is continued reliance on government funding. 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 current Area Review process for Further Education signals further cuts to government funding over the next five years as the government intention to eliminate the UK deficit continues.

## Chichester College Operating and financial review (continued)

These risks are 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 the funding agencies
- Focus on improving forecasting skills within the College

### 2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50% in 2014/15. In line with the majority of other colleges, Chichester College continues to review tuition fees in line with changes in government policy, although it has not yet matched the fee assumptions outlined above. Funding rules are continually changing and it is therefore difficult to gauge how much adult learners are prepared to contribute to their learning. The risk for the College is that demand falls off as fees increase especially with the current state of the economy. This will impact on the growth strategy of the College. The biggest change in tuition fees in recent years has been the introduction of 24+ Advanced Learning Loans for those learners wanting to study Level 3 programmes and above but are aged over 24. There is a high probability that this policy will broaden in the near future to include ages 19-24 for Level 3 and above.

The risks are 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

### 3. 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.

### 4. Commercial income

The College has a strong reputation internationally and attracts over 2,000 students annually to study in Chichester. It also has some significant commercial income streams including three halls of residence, a sports complex, a farm and many full-cost courses. In the current economic climate there is a risk that these income streams will weaken. 2014/15 performance in commercial areas was variable. The childcare nurseries and Anglia examinations both performed well. The College remains committed to growing its commercial areas.

### 5. Major Capital Build

The College commenced a medium sized £2.8m 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.

### 6. 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 17.

### **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;
- Government Offices/ Regional Development Agencies/ Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

#### **Equal Opportunities and Employment of Disabled Persons**

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

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

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

#### **Disability Statement**

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995, as amended by the Special Education Needs and Disability Act 2001 and 2005. In particular it makes the following commitments:

- 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.

**Chichester College**  
**Operating and financial review (continued)**

- 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 16 December 2015 and signed on its behalf:



Sir Paul Haddacks  
Chairman

**Professional Advisers**

Financial statement  
and regularity Auditors:

RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP), Highfield Court,  
Toilgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY

Internal Auditors:

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

Solicitors:

Bankers: Lloyds TSB Bank plc, 10 East Street, Chichester, PO19 1HJ  
Thomas Eggar, The Corn Exchange, Baffins Lane, Chichester, PO19 1GE

Chichester College

Mr C Chapman	1 August 2011	4 years	Governor	Vice-Chair of the Governing Body. Chair of the Resources Committee and member of Finance & General Purposes, Governance & Search and Remuneration Committees	10/14
Mr R Craig	Appointment to be made 16 December 2015	To the end of the academic year in which studies are completed	Student Governor	Member of the Quality & Curriculum Committee and Student Committee	N/A
Mr A Davies	1 August 2013	4 years	Staff Governor	Member of the Audit and Quality & Curriculum Committees	6/9
Mrs J Dodsworth	1 August 2013	4 years	Governor	Member of the Resources and Staff Committees	8/10
Mrs M Eva OBE	1 August 2012	4 years	Governor	Chair of Staff Committee. Member of the Quality & Curriculum and Governance & Search and Remuneration Committees	10/10
Mr N Fox	1 January 2013	4 years	Governor	Member of the Finance & General Purposes and Resources Committees. Resigned from membership of Finance & General Purposes Committee from 31 July 2015. Appointed as Chair of Audit Committee from 1 August 2015. Also member of Governance & Search and Remuneration Committees from 1 August 2015	9/9
Sir Paul Haddacks	1 August 2015	4 years	Governor	Chairman of the Governing Body. Chairman of the Student and Remuneration Committees. Member of Finance & General Purposes and Governance & Search Committees	15/18
Mr S Hansford	1 August 2014	4 years	Governor	Quality & Curriculum Committee	3/3
Mrs J Hendry	1 August 2013	4 years	Governor	Member of the Audit and Staff Committee	11/11

## 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.

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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") 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/Board has adopted and complied with the Foundation 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 all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011.

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

#### Members

The members, who served the Corporation for the year to 31 July 2015 and up to the date of signature of this report, were as follows:

Name	Date of Appointment/ Reappointment	Term of Office	Status of Appointment	Committees served	Attendance
Mrs B Alderton	1 August 2014	4 years	Staff Governor	Member of Student Committee	N/A
Mr S Baldey	2 April 2014	4 years	Governor	Member of the Audit and Quality & Curriculum Committees.	3/4
Mr M Bell	1 August 2015	4 years	Governor	Member of the Finance & General Purposes Committee	1/1
Mrs M Billingham	1 August 2012	4 years	Governor	Chair of the Quality & Curriculum Committee. Member of the Governance & Search and Remuneration Committees	7/11

Chichester College

Mr D Hobson	1 August 2014	4 years	Governor	Member of the Finance & General Purposes Committee and Resources Committee	N/A
Mrs A Jenkins	1 August 2010. Re-appointed from 31 July 2014. Retired from the Governing Body 31 July 2015	4 years	Governor	Chair of Audit Committee and member of Resources, Governance & Search and Remuneration Committees	8/9
Mrs S Legrave	1 September 2010	N/A	Principal	Member of the Finance & General Purposes, Governance & Search, Quality & Curriculum, Resources, Staff and Student Committees	22/22
Miss L Mackay	10 December 2014. Left the Governing Body at the end of the academic year 2014/15	To the end of the academic year in which studies are completed	Student Governor	Member of the Quality & Curriculum Committee and Student Committee	
Mr Matthew Robertshaw	Appointment to be made 16 December 2015	To the end of his term of office as Student President	Student Governor	Member of the Staff Committee and Student Committee	
Mr Kieran Stigant	1 January 2015	4 years	Governor	Member of the Finance & General Purposes Committee and Student Committee	
Miss G Reece-Watters	1 August 2013. Retired from the Governing Body at the end of the academic year 2014/15	To the end of her term of office as Student President	Student Governor	Member of the Staff and Student Committees	7/10
Mrs D Urquhart	1 August 2009. Re-appointed from 31 July 2013.	4 years	Governor	Member of Audit Committee	5/6
Mrs C Wood	1 January 2015	4 years	Governor	Member of the Staff Committee	
Mr P Wright	1 August 2013	4 years	Governor	Chair of the Finance & General Purposes Committee. Member of the Student, Governance & Search and Remuneration Committees	8/9

## Chichester College

Name	Date of Appointment/ Reappointment	Term of Office	Status of Appointment	Committee	Attendance
Mr R A Dunlop	1 January 2008 Re-appointed 1 January 2012	4 years	External Member	Audit Committee	2/3
Mrs P Foden	1 January 2013	4 years	External Member	Quality & Curriculum Committee	2/3
Mrs Elisabeth Whitaker	1 August 2015	4 years	External Member	Resources Committee	1/1

The following also acted as directors of the College's wholly owned subsidiaries during the year:

Mrs S Legrave  
 Sir Paul Haddacks  
 Mr C Chapman  
 Mr P Wright

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 key performance indicators in the strategic plan, performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least on a termly basis.

The Corporation conducts its business through a number of committees. These committees are Audit, Finance & General Purposes, Governance & Search, Quality & Curriculum, Remuneration, Resources, Staff and Student. Each committee has terms of reference which have been approved by the full Corporation. Agenda and minutes of the meetings are available on the College website at [www.chichester.ac.uk](http://www.chichester.ac.uk) or from the Clerk to the Corporation at Westgate Fields, Chichester, West Sussex PO19 1SB. Copies are also available for inspection.

The Clerk to the Corporation maintains a register of the financial and personal interests of the Governors and senior staff at the College. 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. The Clerk does not hold any other position with the College.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are provided on an ad-hoc basis and development/strategy events for the full Board take place on a termly basis.

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

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



## Chichester College

### 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 and Search Committee which comprises the Chairman and Vice-Chairman together with the Chairmen of the other Committees and the Principal, as indicated above. The Governance and Search Committee is responsible for the selection and recommendation of any new member for the Corporation's consideration, with the exception of staff and student governors. 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 two terms of office. In exceptional circumstances the Governing Body may approve an extension beyond a total of eight consecutive years.

### Remuneration Committee

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised the Chairman and Vice-Chairman together with the Chairmen of other committees, as indicated above. The Committee's responsibilities are to make recommendations to the board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2015 are set out in Note 6 to the financial statements.

### Audit Committee

The Audit Committee comprises of five members of the Corporation (excluding the Accounting Officer) and one external co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation. The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's internal and external auditors, who have the right of access to the Committee for independent discussion. 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 are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow-up reviews to ensure such recommendations have been implemented.

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

### Internal Control

#### *Scope of Responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum

## Chichester College

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 31 July 2015 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 31 July 2015 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 SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College.

### *Review of effectiveness*

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors 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.

## Chichester College

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the audit committee also receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

### Going Concern

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

Approved by order of the members of the Corporation on 16 December 2015 and signed on its behalf by:



Sir Paul Haddacks  
Chairman



Mrs S J Legrave  
Accounting Officer

## Chichester College

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with 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 its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding's terms and conditions of funding under the College's financial memorandum. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.



Sir Paul Haddacks  
Chairman



Mrs S J Legrave  
Accounting Officer

## Chichester College

### Statement of the Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

In preparing the financial statements the Corporation is required to:

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and group, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 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 group and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 16 December 2015 and signed on its behalf by:



Sir Paul Haddacks  
Chairman  
16 December 2015

## Chichester College

### INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF CHICHESTER COLLEGE

We have audited the Group and College financial statements ("the financial statements") which comprise the Consolidated Income and Expenditure Account, the Group and College Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 18 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of Skills Funding and our engagement letter dated 18 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 18 November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 21 the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

#### Scope of the audit of the financial statements

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

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and the College's affairs as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Chichester College

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

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

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

*RSM UK Audit LLP*

RSM UK AUDIT LLP (Formerly Baker Tilly UK Audit LLP)  
Chartered Accountants  
Highfield Court, Tollgate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

Date *22/12/15*

## **Chichester College**

### **Statement of Principal Accounting Policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education 2007 and in accordance with applicable Accounting Standards. They conform to guidance given by the SFA and EFA, in the 2014/15 Accounts Direction Handbook.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### **Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College currently has £11.4m of loans outstanding with bankers. 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.

#### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary undertakings for the year ended 31 July 2015. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control those activities.

#### **Recognition of income**

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Other Funding Body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.



## **Chichester College**

### **Principal Accounting Policies (continued)**

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

### **Post retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) and the assets are held separately from those of the college. The TPS is an unfunded scheme and contributions 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 the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

### **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 and expenditure account 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.

### **Goodwill**

Goodwill is written off in the first year of acquisition.

## Chichester College

### Principal Accounting Policies (continued)

#### Tangible fixed assets

##### a. Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and completed buildings are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Freehold land is not depreciated. Completed freehold buildings are depreciated over their expected useful economic life to the College indicated in the valuation 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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

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

Refurbishments, which result in significant improvements to buildings, are depreciated over 10 years.

##### Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

##### Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

## Chichester College

### Principal Accounting Policies (continued)

#### b. Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight-line basis over its remaining useful economic life to the College. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	4 years straight-line
Computer equipment	3 years straight-line
Furniture and fittings	5 years straight-line
Plant and machinery	5-10 years straight-line

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Payments under operating leases are charged against expenditure in the year the payments are made.

#### Investments

Fixed asset investments are carried at cost.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

#### Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

#### Maintenance of premises

The College has a 5-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

#### 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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a

## **Chichester College**

minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### **Principal Accounting Policies (continued)**

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

### **Liquid resources**

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

### **Provisions**

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.

### **Agency arrangements**

The College acts as an agent in the collection and payment of Bursary Funds. Related payments received from the SFA/EFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

## CHICHESTER COLLEGE

### Consolidated Income and Expenditure Account for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>Income</b>			
Funding body grants	1	36,047	31,889
Tuition fees and education contracts	2	7,021	7,647
Other income	3	10,165	10,180
Investment income	4	628	442
<b>Total Income</b>		<u>53,861</u>	<u>50,158</u>
<b>Expenditure</b>			
Staff costs	5	25,649	26,412
Exceptional restructuring costs	5	354	140
Other operating expenses	7	24,220	20,032
Depreciation	11	2,651	2,683
Interest and other finance costs	8	484	512
<b>Total Expenditure</b>		<u>53,358</u>	<u>49,779</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		503	379
Profit on disposal of land		438	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets, exceptional items but before tax		<u>941</u>	<u>379</u>
Taxation	9	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	10	<u>941</u>	<u>379</u>

The income and expenditure account is in respect of continuing activities.

There were no operations that were acquired or discontinued by Chichester College during the year.

## CHICHESTER COLLEGE

### Consolidated Note of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations before taxation		941	379
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	18	333	334
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount - Impaired assets	18	-	-
<b>Historical cost surplus for the period before taxation</b>		<u>1,274</u>	<u>713</u>
<b>Historical cost surplus for the period after taxation</b>		<u>1,274</u>	<u>713</u>

## CHICHESTER COLLEGE

### Consolidated Statement of the Total Recognised Gains and Losses for the year ended 31 July 2015

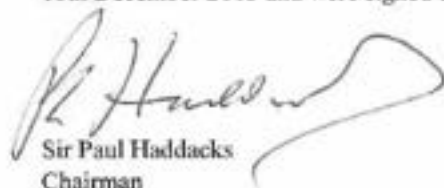
	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and tax		941	379
Actuarial loss in respect of pension scheme	27	(2,220)	(5,283)
<b>Total recognised losses relating to the year</b>		<u>(1,279)</u>	<u>(4,904)</u>
<b>Reconciliation</b>			
Opening reserves		25,938	30,842
Total recognised losses for the year		(1,279)	(4,904)
<b>Closing reserves</b>		<u>24,659</u>	<u>25,938</u>


## CHICHESTER COLLEGE

### Balance Sheets as at 31 July 2015

	Note	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
<b>Fixed assets</b>					
Tangible assets	11	47,375	47,173	49,091	48,877
Investments	12	-	71	-	71
		<u>47,375</u>	<u>47,244</u>	<u>49,091</u>	<u>48,948</u>
<b>Current assets</b>					
Stocks		335	318	306	306
Debtors	13	5,927	6,963	4,779	5,150
Investments		8	8	9	9
Cash at bank and in hand		5,383	3,941	2,513	1,597
Total Current Assets		<u>11,653</u>	<u>11,230</u>	<u>7,607</u>	<u>7,062</u>
<b>Less: Creditors - amounts falling due within one year</b>	14	<u>(9,926)</u>	<u>(9,563)</u>	<u>(7,672)</u>	<u>(7,185)</u>
<b>Net current assets/(liabilities)</b>		<u>1,727</u>	<u>1,667</u>	<u>(65)</u>	<u>(123)</u>
<b>Total assets less current liabilities</b>		49,102	48,911	49,026	48,825
<b>Less: Creditors - amounts falling due after more than one year</b>	15	<u>(10,713)</u>	<u>(10,713)</u>	<u>(11,434)</u>	<u>(11,434)</u>
<b>Net assets excluding pension liability</b>		<u>38,389</u>	<u>38,198</u>	<u>37,592</u>	<u>37,391</u>
Net pension liability	27	<u>(8,843)</u>	<u>(8,843)</u>	<u>(6,579)</u>	<u>(6,579)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>29,546</u>	<u>29,355</u>	<u>31,013</u>	<u>30,812</u>
<b>Deferred capital grants</b>	17	4,887	4,886	5,075	5,064
<b>Reserves</b>					
General reserve excluding pension reserve	20	20,950	20,760	19,632	19,442
Pension reserve	27	<u>(8,843)</u>	<u>(8,843)</u>	<u>(6,579)</u>	<u>(6,579)</u>
General reserve including pension reserve	20	12,107	11,917	13,053	12,863
Revaluation reserve	18	12,546	12,546	12,879	12,879
Restricted reserve	19	6	6	6	6
<b>Total Reserves</b>		<u>24,659</u>	<u>24,469</u>	<u>25,938</u>	<u>25,748</u>
<b>TOTAL FUNDS</b>		<u>29,546</u>	<u>29,355</u>	<u>31,013</u>	<u>30,812</u>

The financial statements on pages 24 to 54 were approved and authorised for issue by the governing body on 16th December 2015 and were signed on its behalf by:-

  
Sir Paul Haddacks  
Chairman

  
Mrs S J Legrave  
Accounting Officer



## CHICHESTER COLLEGE

### Consolidated Cash Flow Statement for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>Cash flow from operating activities</b>	21	4,254	1,526
Returns on investments and servicing of finance	22	(457)	(503)
Taxation	9	-	-
Capital expenditure and financial investment	23	(207)	(1,458)
Cash inflow/(outflow) before use of liquid resources and financing		<u>3,590</u>	<u>(435)</u>
Management of liquid resources	24	-	-
Financing	25	(721)	(721)
<b>Increase/(decrease) in cash in the period</b>		<u><u>2,869</u></u>	<u><u>(1,156)</u></u>

### Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year		2,869	(1,156)
Change in net debt resulting from cash flows	25	<u>721</u>	<u>721</u>
Movement in net debt in year		3,590	(435)
Net funds at 1 August	26	(9,632)	(9,192)
Unrealised surplus/(loss) on current asset investments		-	(5)
<b>Net funds at 31 July</b>	26	<u><u>(6,042)</u></u>	<u><u>(9,632)</u></u>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015

#### 1 Funding Body grants

	2015 £'000	2014 £'000
Recurrent grant - Main funding body	25,480	27,326
Recurrent grant - HEFCE	232	178
Non recurrent grants - Main funding body	10,075	4,123
Non recurrent grants - HEFCE	-	-
Releases of deferred capital grants (note 17)	260	262
	<u>36,047</u>	<u>31,889</u>

#### 2 Tuition Fees and Education Contracts

	2015 £'000	2014 £'000
Tuition Fees	5,453	6,480
Education contracts	1,568	1,167
	<u>7,021</u>	<u>7,647</u>

#### 3 Other Income

	2015 £'000	2014 £'000
Residencies, catering and conferences	5,020	5,084
Profit/(loss) on disposal of tangible fixed assets	13	(20)
Other income generating activities	3,606	3,659
Other grant income	-	63
Releases from deferred capital grants - non Funding Council (note 17)	64	75
Other income	1,462	1,319
	<u>10,165</u>	<u>10,180</u>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 4 Investment Income

	2015 £'000	2014 £'000
Other interest receivable	27	9
Pension finance income (note 27)	601	433
	<u>628</u>	<u>442</u>

#### 5 Staff Costs

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	Number of Employees	
	2015	2014
Teaching staff	378	402
Non teaching staff	444	476
	<u>822</u>	<u>878</u>

#### Staff costs for the above persons:

	2015 £'000	2014 £'000
Wages and salaries	20,792	21,717
Social security costs	1,401	1,483
Other pension costs (including FRS 17 adjustments of £643,000 – 2014 £515,000)	3,299	3,167
Payroll sub-total	<u>25,492</u>	<u>26,367</u>
Contracted out staffing costs	157	45
	<u>25,649</u>	<u>26,412</u>
Exceptional restructuring costs approved by Corporation	354	140
	<u>26,003</u>	<u>26,552</u>

The number of senior post-holders and other staff, who received emoluments, excluding pension contributions and including benefits in kind in the following ranges was:

	Senior Post Holders		Other Staff	
	2015	2014	2015	2014
£60,001 to £70,000	-	-	1	5
£70,001 to £80,000	1	-	3	-
£90,001 to £100,000	-	1	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	1	-	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	1	-	-	-
	<u>4</u>	<u>3</u>	<u>4</u>	<u>5</u>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 6 Senior Post-holders' Emoluments

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the board of governors.

	Number 2015	Number 2014
The number of senior post-holders including the Principal was:	4	3
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries	454,003	348,367
Benefits in kind	5,002	3,000
Pension contributions	64,493	49,585
<b>Total emoluments</b>	<b><u>523,498</u></b>	<b><u>400,952</u></b>

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

	2015 £	2014 £
Salary	164,509	152,088
Benefits in kind	1,684	1,200
	<b><u>166,193</u></b>	<b><u>153,288</u></b>
Pension contributions	<b><u>23,611</u></b>	<b><u>22,397</u></b>

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme and LGPS and are paid at the same rate as for other employees.

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

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 7 Other Operating Expenses

	2015 £'000	2014 £'000
Teaching costs	13,670	9,178
Non teaching costs	5,971	6,021
Premises costs	4,579	4,833
<b>Total</b>	<b>24,220</b>	<b>20,032</b>

#### Other operating expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration:		
External : financial statements audit	29	29
taxation compliance services	1	2
Internal : audit	23	39
Hire of plant and machinery - operating leases	87	85
Hire of other assets - operating leases	61	78

#### 8 Interest Payable and Finance Costs

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	-	-
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	484	512
	<u>484</u>	<u>512</u>
On finance leases	-	-
Pension finance costs (note 27)	-	-
Unrealised loss on valuation of current investments	-	-
<b>Total</b>	<b>484</b>	<b>512</b>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 9 Taxation

It is considered that the College is not liable for corporation tax arising out of its activities during either the current or previous year. Taxable profits of the subsidiary companies are paid to the College under gift aid.

#### 10 Surplus on continuing operations for the period

The surplus on continuing operations for the period is made up as follows:

	2015 £'000	2014 £'000
College's surplus/(loss) for the period before gift aid and deed of covenants	225	(236)
Surplus generated by subsidiary undertakings and transferred to the college under gift aid	<u>716</u>	<u>1,127</u>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	941	891
Surplus/(loss) in subsidiary undertakings	-	(512)
Total	<u><u>941</u></u>	<u><u>379</u></u>

**CHICHESTER COLLEGE**

**Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

**11 Tangible Fixed Assets (Group)**

	Freehold Land & Buildings £'000	Assets in the Course of Construction £'000	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or Valuation</b>					
At 1 August 2014	63,133	-	410	10,396	73,939
Additions	300	202	-	436	938
Transfers	-	-	-	-	-
Disposals	(3)	-	-	-	(3)
<b>At 31 July 2015</b>	<b><u>63,430</u></b>	<b><u>202</u></b>	<b><u>410</u></b>	<b><u>10,832</u></b>	<b><u>74,874</u></b>
<b>Depreciation</b>					
At 1 August 2014	16,507	-	187	8,154	24,848
Charge for year	1,626	-	28	997	2,651
Eliminated in respect of disposals	-	-	-	-	-
<b>At 31 July 2015</b>	<b><u>18,133</u></b>	<b><u>-</u></b>	<b><u>215</u></b>	<b><u>9,151</u></b>	<b><u>27,499</u></b>
<b>Net book value At 31 July 2015</b>	<b><u>45,297</u></b>	<b><u>202</u></b>	<b><u>195</u></b>	<b><u>1,681</u></b>	<b><u>47,375</u></b>
<b>Net book value At 31 July 2014</b>	<b><u>46,626</u></b>	<b><u>-</u></b>	<b><u>223</u></b>	<b><u>2,242</u></b>	<b><u>49,091</u></b>

**CHICHESTER COLLEGE**

**Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

**11 Tangible Fixed Assets (College only)**

	Freehold Land & Buildings £'000	Assets in the course of Construction £'000	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or Valuation</b>					
At 1 August 2014	63,115	-	217	10,271	73,603
Additions	484	-	-	429	913
Transfers	-	-	-	-	-
Disposals	(3)	-	-	-	(3)
<b>At 31 July 2015</b>	<b>63,596</b>	<b>-</b>	<b>217</b>	<b>10,700</b>	<b>74,513</b>
<b>Depreciation</b>					
At 1 August 2014	16,500	-	188	8,038	24,726
Charge for year	1,625	-	8	981	2,614
Eliminated in respect of disposals	-	-	-	-	-
<b>At 31 July 2015</b>	<b>18,125</b>	<b>-</b>	<b>196</b>	<b>9,019</b>	<b>27,340</b>
<b>Net book value</b>					
At 31 July 2015	<b>45,471</b>	<b>-</b>	<b>21</b>	<b>1,681</b>	<b>47,173</b>
<b>Net book value</b>					
At 31 July 2014	<b>46,615</b>	<b>-</b>	<b>29</b>	<b>2,233</b>	<b>48,877</b>

Land and Buildings for both campuses were revalued in 2000 at depreciated replacement cost. An election to freeze the value at the 2000 level in accordance with FRS 15 has been approved and therefore no further revaluations will be carried out in future years.

Fixed assets with a net book value of £9,697,560 (2014: £10,510,293) have been part funded from local education authority sources, £9,652,834 (2014: £10,460,661) and exchequer funds £44,726 (2014: £49,632), through for example the receipt of capital grants. Should these assets be sold, the college would have to use the sale proceeds in accordance with the Financial Memorandum with the SFA.

If inherited land and buildings had not been revalued it would have been included at £Nil cost, aggregate depreciation based on cost and net book value based on cost.



## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 12 Investments

	2015		2014	
	Group £000	College £000	Group £000	College £000
Investments in subsidiary companies	-	71	-	71
	<u>-</u>	<u>71</u>	<u>-</u>	<u>71</u>

Investments in subsidiary companies are as follows:

	2015		2014	
	Group £	College £	Group £	College £
Chichester College Services Limited	-	500	-	500
Anglia Examination Syndicate Limited	-	70,100	-	70,100
	<u>-</u>	<u>70,600</u>	<u>-</u>	<u>70,600</u>

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 3 February 1993 and commenced trading on 1 April 1993. The principal business activities are the provision of nursery services and commercial residential lettings. The results for the year ended 31 July 2015 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 31 July 2015 have been included in the consolidated financial statements.

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 13 Debtors

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Trade debtors	972	715	1,797	1,058
Amounts owed by the Skills Funding Agency	252	252	149	149
Amounts owed by subsidiary undertakings due after more than 1 year	-	1,626	-	1,131
Other debtors	159	159	315	315
Prepayments and accrued income	4,544	4,211	2,518	2,497
<b>Total</b>	<b>5,927</b>	<b>6,963</b>	<b>4,779</b>	<b>5,150</b>

#### 14 Creditors: Amounts Falling Due Within One Year

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	720	720	720	720
Payments received in advance	1,323	1,190	611	454
Trade creditors	1,434	1,389	1,489	1,427
Other taxation and social security	761	761	760	760
Accruals	4,249	4,175	2,565	2,306
Other creditors	774	663	215	206
Amounts owed to the Skills Funding Agency	665	665	1,312	1,312
<b>Total</b>	<b>9,926</b>	<b>9,563</b>	<b>7,672</b>	<b>7,185</b>

Included in other taxes and social security is £327,234 (2013: £335,991) relating to pension contributions.

#### 15 Creditors: Amounts Falling Due After More Than One Year

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank Loans	10,713	10,713	11,434	11,434
<b>Total</b>	<b>10,713</b>	<b>10,713</b>	<b>11,434</b>	<b>11,434</b>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 16 Borrowings

	2015		Restated 2014	
	Group £'000	College £'000	Group £'000	College £'000
<b>a) Bank loans and overdrafts</b>				
Bank loans and overdrafts are repayable as follows:				
In one year or less	720	720	720	720
Between one and two years	721	721	721	721
Between two and five years	2,163	2,163	2,884	2,884
In five years or more	7,829	7,829	7,829	7,829
Total	<u>11,433</u>	<u>11,433</u>	<u>12,154</u>	<u>12,154</u>

A bank loan at a fixed rate of 5.06% (2015: £4,275,000 2014: £4,575,000) is repayable by instalments between 1st August 2009 and 31st August 2029 and is unsecured.

An unsecured bank loan of £8,000,000 was taken in July 2012 at a fixed interest rate of 3.54% for a period of 5 years and is repayable by quarterly instalments of £105,000 between 18 October 2013 and 20 July 2017. This will leave £6,421,000 outstanding at 20 July 2017, at the end of the fixed interest rate period, at which point the College plans to renegotiate the loan.

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 17 Deferred Capital Grants

	Main Funding Body £'000	Group Other grants £'000	Total £'000	Main Funding Body £'000	College Other grants £'000	Total £'000
<b>At 1 August 2014</b>						
Land and buildings	4,458	478	4,936	4,474	449	4,923
Equipment	96	43	139	95	46	141
Cash received						
Land and buildings	141	-	141	141	-	141
Equipment	-	-	-	-	-	-
Released to income and expenditure account in respect of impairment						
Land and buildings	-	(4)	(4)	-	-	-
Equipment	(2)	-	(2)	(2)	-	(2)
Released to income and expenditure account						
Land and buildings	(233)	(25)	(258)	(233)	(25)	(258)
Equipment	(27)	(38)	(65)	(27)	(32)	(59)
<b>Total</b>	<b>4,433</b>	<b>454</b>	<b>4,887</b>	<b>4,448</b>	<b>438</b>	<b>4,886</b>
<b>At 31 July 2015</b>						
Land and buildings	4,366	449	4,815	4,382	424	4,806
Equipment	67	5	72	66	14	80
<b>Total</b>	<b>4,433</b>	<b>454</b>	<b>4,887</b>	<b>4,448</b>	<b>438</b>	<b>4,886</b>

#### 18 Revaluation Reserve

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
<b>At 1 August</b>	12,879	12,879	13,213	13,213
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(333)	(333)	(334)	(334)
<b>At 31 July</b>	<b>12,546</b>	<b>12,546</b>	<b>12,879</b>	<b>12,879</b>

#### 19 Restricted Reserves

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
<b>Income and Expenditure Account Reserve</b>				
<b>At 1 August</b>	6	6	6	6
Transfer to the Income & Expenditure Account in respect of assets purchased from specific donations	-	-	-	-
<b>At 31 July</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 20 Movement on General Reserves

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
<b>Income and Expenditure Account Reserve</b>				
<b>At 1 August</b>	13,053	12,863	17,623	16,921
Surplus on continuing operations after deprecation of assets at valuation, disposal of assets and tax	941	941	379	891
Transfer from revaluation reserve	333	333	334	334
Actuarial loss in respect of pension scheme	(2,220)	(2,220)	(5,283)	(5,283)
<b>At 31 July</b>	<u>12,107</u>	<u>11,917</u>	<u>13,053</u>	<u>12,863</u>
Balance represented by:				
Pension reserve	(8,843)	(8,843)	(6,579)	(6,579)
Income and expenditure reserve excluding pension reserve	20,950	20,760	19,632	19,442
<b>At 31 July</b>	<u>12,107</u>	<u>11,917</u>	<u>13,053</u>	<u>12,863</u>

#### 21 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	941	379
Depreciation (note 11)	2,651	2,683
Deferred capital grants released to income (notes 1 & 3)	(329)	(337)
(Profit)/loss on disposal of tangible fixed assets	(456)	32
Loss on disposal of current asset investments	-	5
Interest payable (note 8)	484	512
Pension cost less contributions payable (notes 4, 5, 8 and 27)	44	86
Increase in stocks	(29)	(32)
Increase in debtors	(1,148)	(2,089)
Increase in creditors	2,123	296
Dividends and interest receivable (note 4)	(27)	(9)
<b>Net cash inflow from operating activities</b>	<u>4,254</u>	<u>1,526</u>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 22 Returns on Investments and Servicing of Finance

	2015	2014
	£'000	£'000
Interest received	27	9
Interest paid	(484)	(512)
<b>Net cash outflows from returns on investment and servicing of finance</b>	<b><u>(457)</u></b>	<b><u>(503)</u></b>

#### 23 Capital Expenditure and Financial Investment

	2015	2014
	£'000	£'000
Purchase of tangible fixed assets	(938)	(2,370)
Movement in capital expenditure creditors	131	732
Sales of tangible fixed assets	459	7
Deferred capital grants received	141	173
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(207)</u></b>	<b><u>(1,458)</u></b>

#### 24 Management of Liquid Resources

	2015	2014
	£'000	£'000
Withdrawals from deposits	-	-
Placing of deposits	-	-
<b>Net cash inflow from management of liquid resources</b>	<b><u>-</u></b>	<b><u>-</u></b>

#### 25 Financing

	2015	2014
	£'000	£'000
Debt due beyond a year:		
Repayment of amounts borrowed	(721)	(721)
<b>Net cash outflow from financing</b>	<b><u>(721)</u></b>	<b><u>(721)</u></b>

**CHICHESTER COLLEGE****Notes to the Financial Statements for the year ended 31 July 2015 (continued)****26 Analysis of Changes in Net Debt**

	<b>At 1 August</b>	<b>Cashflows</b>	<b>Other</b>	<b>At 31 July</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand, and at bank	2,513	2,870	-	5,383
Overdrafts	-	-	-	-
Movement of Cash	2,513	2,870	-	5,383
Current asset investments	9	-	(1)	8
Debt due within 1 year	(720)	721	(721)	(720)
Debt due after 1 year	(11,434)	-	721	(10,713)
<b>Total</b>	<b><u>(9,632)</u></b>	<b><u>3,591</u></b>	<b><u>(1)</u></b>	<b><u>(6,042)</u></b>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 27 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme England & Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non teaching staff, which is managed by Hymans Robertson. Both are defined benefit schemes.

#### Total pension cost for the year

	2015 £'000	2014 £'000
Teachers Pension Scheme: contributions paid	1,232	1,318
Local Government Pension Scheme		
Contributions paid	1,428	1,334
FRS 17 charge	645	515
Charge to the Income and Expenditure Account (staff costs)	2,073	1,849
<b>Total Pension Cost for Year</b>	<b>3,305</b>	<b>3,167</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2013. Contributions amounting to £157,041 (2014: £160,330) were payable to the scheme at 31st July and are included within creditors.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension Budgeting And Valuation Account

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

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

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

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

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



## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 27 Pension and similar obligations (continued)

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,234,000 (2014: £1,318,000).

#### FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), 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 accounted for its contributions as if it were a defined contribution scheme. The college has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2015 was £1,976,000 of which employers contributions totalled £1,428,000 and employees contributions totalled £548,000. The agreed employers contribution rates for future years are as follows:

Year to 31/3/15 and subsequent years 14.1%

The agreed employees contribution rates for future years are banded (Pensionable Pay) as follows:

£0 to £13,700	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
£87,101 and above	7.5%

#### FRS 17

##### Principal Actuarial Assumptions:

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.0%	4.0%
Rate of increase for pensions/inflation	2.6%	2.7%
Discount rate for scheme liabilities	3.6%	4.0%

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 27 Pension and similar obligations (continued)

##### Local Government Pension Scheme (continued)

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

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	24.4 years	24.4 years
Females	25.8 years	25.8 years
Retiring in 20 years		
Males	26.9 years	26.9 years
Females	28.5 years	28.5 years

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

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	36,304	6.6%	33,766
Bonds	3.6%	8,181	3.8%	7,301
Property	3.6%	4,091	4.7%	3,650
Cash	3.6%	2,557	3.6%	913
<b>Total Market Value of assets</b>		<b>51,133</b>		<b>45,630</b>
Present value of scheme liabilities				
- Funded		(59,533)		(51,755)
- Unfunded		(443)		(454)
<b>Deficit in the scheme</b>		<b>(8,843)</b>		<b>(6,579)</b>
<b>Analysis of the amount charged to income and expenditure account</b>				
		<b>2015</b>		<b>2014</b>
		<b>£'000</b>		<b>£'000</b>
Current service cost (net of employee contributions)		2,071		1,849
<b>Total operating charge</b>		<b>2,071</b>		<b>1,849</b>
<b>Analysis of pension income</b>				
Expected return on pension scheme assets		2,719		2,417
Interest on pension liabilities		(2,118)		(1,984)
<b>Pension finance income</b>		<b>601</b>		<b>433</b>
<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>				
Actual return less expected return on pension scheme assets		1,875		1,073
Experience gains and losses arising on the scheme liabilities		376		(923)
Change in financial and demographic assumptions underlying the scheme liabilities		(4,471)		(5,433)
Actuarial loss recognised in STRGL		(2,220)		(5,283)
<b>Total loss recognised in STRGL</b>		<b>(2,220)</b>		<b>(5,283)</b>

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 27 Pension and similar obligations (continued)

##### Local Government Pension Scheme (continued)

	2015	2014
	£'000	£'000
<b>Movement in deficit during year</b>		
<b>Deficit in scheme at 1 August</b>	(6,579)	(1,210)
Movement in year:		
Current service charge	(2,071)	(1,849)
Contributions	1,402	1,308
Contributions in respect of unfunded benefits	26	26
Impact of curtailments and settlements	(2)	(4)
Net return on assets	601	433
Actuarial loss	(2,220)	(5,283)
<b>Deficit in scheme at 31 July</b>	<u>(8,843)</u>	<u>(6,579)</u>

##### Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	52,209	42,479
Current service cost	2,071	1,849
Interest cost	2,118	1,984
Employee contributions	548	529
Actuarial loss	4,095	6,356
Past Service (Gains)	-	-
Curtailments and settlements	2	4
Estimated unfunded benefits paid	(26)	(26)
Estimated benefits paid	(1,041)	(966)
<b>Liabilities at end of period</b>	<u>59,976</u>	<u>52,209</u>
<b>Reconciliation of Assets</b>		
Assets at start of period	45,630	41,269
Expected return on assets	2,719	2,417
Employee contributions	548	529
Employer contributions	1,402	1,308
Unfunded benefits contributions	26	26
Actuarial Gain	1,875	1,073
Estimated unfunded benefits paid	(26)	(26)
Estimated benefits paid	(1,041)	(966)
<b>Assets at end of period</b>	<u>51,133</u>	<u>45,630</u>

The estimated value of employer contributions for the year ended 31st July 2016 is £1,439,000.

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 27 Pension and similar obligations (continued)

##### Local Government Pension Scheme (continued)

The five-year history of experience adjustments is as follows

	2015	2014	2013	2012	2011
Present value of defined benefit obligations Amount £'000	59,976	52,209	42,479	38,220	31,123
Fair value of share of scheme assets Amount £'000	51,133	45,630	41,269	33,159	30,608
Deficit in scheme	8,843	6,579	1,210	5,061	515
Experience adjustments on share of scheme assets Amount £'000	1,875	1,073	5,261	(508)	2,374
Experience adjustments on share of scheme liabilities Amount £'000	376	(923)	10	(375)	2,751

#### 28 Capital Commitments

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31 July	-	-	-	-
Commitments under finance leases entered into but not yet provided for in the financial statements	Nil	Nil	Nil	Nil

#### 29 Financial Commitments

At 31 July the college had annual commitments under non-cancellable operating leases as follows:

	2015		2014	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring within one year	-	39	53	120
Expiring within two and five years inclusive	8	153	8	78
Expiring in over five years	1,272	-	1,171	-
	1,280	192	1,232	198

## CHICHESTER COLLEGE

### Notes to the Financial Statements for the year ended 31 July 2015 (continued)

#### 30 Related Party Transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £4,262; 8 governors (2014: £2,526; 8 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

Transactions with the funding bodies and HEFCE are detailed in notes 1, 13, 14 and 17.

Brighton Film School Limited - a company in which Mr A Green, the Deputy Principal has a major interest. Transactions totalling £241,014 (2014: £143,967) relating to partnership costs for the delivery of HND/HNC programmes. There were no amounts outstanding (2014: 1,366).

All transactions with Brighton Film School were on an arm's length basis.

#### 31 Amounts Disbursed as Agent

Bursary Support Funds	2015	2014
	£'000	£'000
	<b>Access Funds</b>	
Balance unspent at 1 August	87	146
Skills Funding Agency Grants	925	1,073
Interest earned	-	-
	1,012	1,219
Disbursed to Students	(862)	(1,099)
Administration costs	(38)	-
Returned to SFA	(41)	(33)
<b>Balance unspent at 31 July</b>	<b>71</b>	<b>87</b>

Skills Funding Agency 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 Income and Expenditure Account. The income and expenditure consolidated in the College's financial statements relates to the payment of some equipment and creche facilities from the access fund and the payment of accommodation by the College on the student's behalf.

	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
	<b>Access Funds</b>		<b>Other Funds</b>	
Balance unspent at 1 August	20	15	-	-
Higher Education Funding Council Grants	-	5	-	-
	20	20	-	-
Disbursed to Students	-	-	-	-
Returned to HEFCE	-	-	-	-
<b>Balance unspent at 31 July</b>	<b>20</b>	<b>20</b>	<b>-</b>	<b>-</b>

**CHICHESTER COLLEGE**

**Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

**32 Post Balance Sheet Events**

There were no material post balance sheet events.

## **INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF CHICHESTER COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH THE SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 18 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Chichester College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

#### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*RSM UK Audit LLP*

RSM UK AUDIT LLP (Formerly Baker Tilly UK Audit LLP)  
Chartered Accountants  
Highfield Court  
Toligate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

*22/12/15*