



**Report and Financial Statements  
for the year ended 31 July 2021**

## **Key Management Personnel, Corporation Membership and Professional Advisers**

### **Key management personnel**

Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2020/21 and from 1<sup>st</sup> August 2021:

Andrew Green, Chief Executive & Accounting Officer (from 1<sup>st</sup> October 2021) and Executive Principal (to 30<sup>th</sup> September 2021 and seconded to Greater Brighton Metropolitan College from 10<sup>th</sup> August 2020 to 31<sup>st</sup> August 2021)

Shelagh Legrave, Chief Executive & Accounting Officer (to 30<sup>th</sup> September 2021)

Julie Kapsalis, Group Managing Director Commercial & Deputy Chief Executive

Stephen Coulthard, Chief Financial Officer

Victoria Illingworth, Principal, Crawley College

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

Paul Riley, Principal, Worthing College and Haywards Heath College

Helen Loftus, Acting Operational Principal, Chichester College (from 10<sup>th</sup> August 2020)

### **Corporation Membership**

A full list of members of the Corporation is given on page 18 of these financial statements.

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

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

MHA Macintyre Hudson  
Floor 6,  
2 London Wall Place,  
London  
EC2Y 5AU

#### **Solicitors:**

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

#### **Internal auditors (during 2020/21):**

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

#### **Bankers:**

Lloyds Bank plc  
10 East Street,  
Chichester  
PO19 1HJ

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## Members' Report

### OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2021.

### LEGAL STATUS

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

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

### MISSION, VISION AND STRATEGY

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

We do this by:

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

### Our Vision

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

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

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

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

### Implementation of Strategic Plan

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

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

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

The Group is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group's financial health was assessed by the ESFA as "Good" for the year 2020/21.

#### Financial objectives

The Group's financial objectives for 2020/21 were:

- To achieve the budgeted deficit;
- To maintain a positive cash balance throughout the year;
- To achieve the adult education budget allocation.
- Achieve loan agreement financial covenants agreed with lenders as part of the merger plans

The Group achieved the budgeted deficit for the year. Positive cash balances were maintained throughout the year and loan agreement covenants were adjusted (and met) in year by agreement with Lloyds and Barclays banks.

The ESFA decision to set a higher 2020/21 threshold on delivery of the Adult Education budget allocation has resulted in a shortfall of £749,000 this year which will be clawed back in December 2021. This clawback has been provided for in the future cashflow forecast. Any immaterial reduction in the final reconciliation clawback from the ESFA to the amount provided in the accounts will go into the 2021/22 accounts.

#### COVID-19

Group operations and finances have continued to be significantly impacted by COVID-19. At the commencement of the national lockdown, most of the Group commercial operations ceased trading and all teaching and learning was moved to online delivery only. During 2020/21, there has been a mixture of some commercial areas such as First Steps Childcare returning to almost full operations while others like International, Sports Centres and Anglia Examinations are taking longer to recover.

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

The Group continued to access the Coronavirus Job Retention Scheme (CJRS) during 2020/21. The Group furloughed 88 roles during the year across commercial areas, drawing down £167,000 CJRS grant to support the retention of these roles. All these roles were retained when the CJRS came to an end in September 2021.

The Group continued to support its key suppliers through the additional lockdowns in 2020/21. Changes to agreements to try to ensure a fair approach to risk sharing during closure or reduced activity periods were adopted on a similar basis to 2019/20.

## RESOURCES

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

### Tangible

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

### Financial

The Group has £95,676,000 (2019/20 - £88,113,000) of net assets (including £9,507,000 pension asset (2019/20 - £377,000)). This includes long term liabilities of £26,413,000 (2019/20 - £24,603,000).

### People

The Group employed an average of 1,494 (2019/20 – 1,530 people (expressed as headcount not full time equivalents), of whom 627 (2019/20 – 635) were teaching staff.

### Students

The Group enrolled approximately 15,264 students in 2020/21 (14,899 - 2019/20). The student population includes 6,785 (2019/20 - 6,224) 16-to-18 year old students (or 19 to 24 year old students with an EHC plan), 2,785 apprentices (2019/20 - 2,555), 340 higher education students (2019/20 – 310) and 2,660 classroom based funded adult learners (2019/20 – 3,359). A significant proportion of the overall reduction from 2019/20 relates to Adult & Community Learning (392 down). The Group also saw significant decline in both Self-Financing (123 down) and International (353 down), with all three of these areas being heavily impacted by COVID-19 and lockdown.

### Reputation

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

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

## STAKEHOLDERS

In line with other colleges and with universities, Chichester College Group has a range of stakeholders, including:

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



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

## DEVELOPMENT AND PERFORMANCE

### Financial Results

The Group achieved a deficit before other gains and losses in the year of £(6,160,000) (2019/20 £(7,125,000)), with total comprehensive income of £7,563,000 (2019/20 – negative income £(5,874,000)). FRS102 pension adjustments in the year impacted interest payable by £27,000 (2019/20 – investment income of £64,000), staff costs by £4,719,000 (2019/20 - £4,027,000) and actuarial gain in respect of pension schemes by £13,876,000 (2019/20 £1,305,000). These adjustments are shown in the table below.

	2020/21	2019/20
	£'000	£'000
(Deficit) before other gains and losses prior to pension	(1,414)	(3,162)
Less adjustments related to year end pension valuation:		
Included within staff costs (note 24)	(4,719)	(4,027)
Included within investment income (note 4)	-	64
Included within interest payable (note 9)	(27)	-
<b>(Deficit)/Surplus before other gains and losses per statutory accounts</b>	<b>(6,160)</b>	<b>(7,125)</b>

Income increased for the group in the year by £3,125,000. The increase came mainly from the funding body grants (due to increases in 16-19 programme funding and apprenticeships offset by lower adult education budget funding). COVID-19 impacted delivery again this year and there is expected to be a clawback of the Adult Education Budget of £749,000 (2019/20 Nil – the ESFA clawback threshold was reduced in 2019/20 to take account of the impact of COVID19 on delivery by colleges).

Tuition fees and education contracts income decreased by £1,421,000. Although an improvement was seen in Education Contracts (£138,000) this was offset by decreases in all other tuition fees due to the impacts of COVID-19.

Other income reduced again this year by £660,000 (2019/20 £1,620,000 reduction) to £6,970,000. The largest reduction was in catering and residences (£628,000), which mainly to the Group's International students, both of which were hit hard by the impacts of COVID-19 again this year. The Group's subsidiaries managed to show small improvements in turnover compared to the previous year, in spite of the COVID-19 impacts (see Group Companies on page 7).

The Group's payroll staff costs (including restructuring costs) increased by £2,138,000 to £47,982,000. This increase includes Haywards Heath College staff costs (opened in September 2020) and the FRS102 pension adjustments. Restructuring costs of £298,000 related to 38 individuals in the year.

Other operating expenditure decreased by £208,000 to £15,308,000. This was partly due to a reduction in partner costs (£660,000) but also lower overhead costs associated with the closure periods. With the continued pressure on funding income, other operating expenditure continues to be tightly controlled, however future years are likely to be impacted by inflationary pressures on raw materials and supply chain issues.

The consolidated results, show a positive total comprehensive income for the year of £7,563,000 (2019/20 – £5,874,000 expenditure), which have been taken to reserves.

#### Developments

Fixed asset additions during the year amounted to £5,712,000 (£5,638,000 tangible and £74,000 intangible). This was split between land and buildings acquired of £3,497,000 (mainly representing work at Crawley, Haywards Heath and other work from the reconditioning grant), equipment purchased of £1,636,000, assets in the course of construction of £505,000 (again mainly representing work from the reconditioning grant) and software (treated as an intangible asset) of £74,000.

#### Reserves

The Group has accumulated income and expenditure reserves of £76,529,000 (2019/20 - £68,217,000) and cash at bank and in hand balance of £11,875,000 (2019/20 - £8,698,000). Increasing cash balances to enable further development of the Group's infrastructure and campuses remains a priority from an improved operating position for the Group. Unrestricted reserves prior to the Pension reserve adjustment (2020/21 – £9,507,000 asset, 2019/20 - £377,000 asset), came to £67,022,000 (2018/19 - £67,840,000).

#### Sources of Income

The Group has a significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the element provided by FE funding bodies increased to 77.3% (2019/20 – 71.9% excluding one-off merger income) of the Group's total income, partly due to the ongoing impact of COVID-19 on commercial and international income.

#### Group Companies

The Group has two active subsidiary companies, First Steps Childcare Group Limited (FSCG Ltd) and Anglia Examination Syndicate Limited (AES Ltd). The principal activity of FSCG Ltd is the provision of nursery services, whilst AES Ltd principal activity is the establishment and administration of an education syllabus in a number of countries. Both subsidiaries showed an improvement in turnover in the year with FSCG achieving a turnover of £2,259,000 (2020 £2,164,000) and AES Ltd achieving a turnover of £663,000 (2020 £657,000). The profits generated by the subsidiaries are normally transferred to the Group under gift aid. However, both subsidiaries continued to be highly impacted by COVID-19 during the year resulting in a reduction in profits compared to pre-pandemic years (and another loss year for Anglia). In the current year, the subsidiaries generated the following results before taxation.

	2020/21	2019/20
	£	£
First Steps Childcare Group Ltd – profit/(loss) before taxation	223,000	(87,000)
Anglia Examination Syndicate Ltd – (loss) before taxation	(57,000)	(40,000)

In the year the subsidiaries issued irredeemable preference shares, which were acquired by the Group. Further information is supplied in note 13 to the accounts. The Group has one dormant subsidiary; Chichester College Group Commercial Ltd.

#### FUTURE PROSPECTS

##### Future developments

The Group was named as the preferred partner in a prospective merger with Greater Brighton Metropolitan College. Initial due diligence is currently taking place and expected to complete in January 2022. If the merger takes place, it is expected to happen on 1<sup>st</sup> August 2022 and will be a type B merger with the Greater Brighton Metropolitan College corporation being dissolved and all trade, assets and liabilities transferring to Chichester College Group on that date at £nil consideration.



The Group currently has two funding applications submitted awaiting decisions which if successful, would have a very positive impact on the delivery of the Group Estates Strategy and Masterplans. The first application is a partnership project, led by CCG for an Institute of Technology on the Crawley College site which would if successful, see a capital investment on the Crawley site of circa £12m. The second application is through FE Capital Transformation Fund for a new STEM building on the Chichester site. A successful application would see capital investment on the Chichester site of circa £17m and the removal of some very poor condition buildings.

#### **Financial Plan**

The Corporation approved a three-year financial plan in July 2021 which sets objectives for the period to 2023.

#### **Treasury policies and objectives**

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

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

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

#### **Cash flows and liquidity**

Net cash inflow from operating activities came to £5,810,000 (2019/20 £1,298,000), and remains very strong even with the impacts of COVID-19. There was a net outflow of cash from investing activities of £1,022,000 (2019/20 - £1,561,000 inflow) due to the net investment in fixed assets (see above) after taking deferred capital grants received in account.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. By the end of the financial year, cash and cash equivalents increased by £3,177,000 (2019/20 - £1,142,000) to £11,875,000.

Group's bank borrowings at the end of the financial year amount to £6,723,000 (2019/20 - £7,601,000). Three separate borrowings make up the total: a 2008/09 unsecured loan to help finance the professional fees associated with the scrapped LSC era project totalling £173m, a £8m loan secured during 2011/12 to partly finance the new construction centre and animal care buildings and a new loan taken on from the Central Sussex College merger. The Group also has borrowings with the DfE in relation to the merger with Central Sussex College of £2,603,000.

The closing cash balance for the year was £11,875,000. However, even though the bank balance increased, net current assets were impacted by COVID-19 and reduced to £1,732,000 (2019/20 - £1,887,000), when the pension asset is ignored. The Group's target remains to maintain positive working capital cash levels throughout the year. The Group did achieve the amended financial covenants on the loans for 2020/21.

#### **Reserves**

The Group has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the Group's core activities. The Group reserves include £89,000 (2019/20 - £89,000) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £76,529,000 (2019/20: £68,217,000).

### Going concern

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

Financial plans were developed and submitted to the ESFA by 31st July 2021 on the basis that the entity remains a going concern.

There remains a good deal of uncertainty ahead in terms of the wider economic conditions for a general further education college group. Brexit and COVID provide the greatest areas of uncertainty and exposure for the Group however as a responsive and diversified College Group, CCG is well placed to deliver on the training and retraining agenda to meet the skills shortages across West Sussex and Southeast England.

The ongoing impact of COVID-19 has been incorporated into the current budget and financial plans. The 2021/22 commercial budgets include cautious growth which remains at circa 60% of pre-pandemic surpluses. Most commercial areas performed better than forecast in 2020/21 and provide a more stable starting point for achieving the 2021/22 budget.

16-18 enrolments for 2021/22 are projecting to meet or exceed allocation. Whilst the 2022/23 allocations are yet to be confirmed, achieving the 2021/22 allocation will have a positive impact on income for 2022/23 given that it accounts for over 54% of the Group income. Further still, there were indications in the recent budget and comprehensive spending review that Colleges may receive an increase to the 16-18 funding rate however this has not been formally validated yet.

Achievement of the Adult Education allocation in 2021/22 remains less certain. Given the ESFA position on the threshold for clawback in 2020/21, it seems highly unlikely this will be eased in 2021/22. The position on adult enrolments is not yet known however if recent years provide a pattern, there will be additional recruitment required in-year.

Apprenticeships are at 105% of target to the end of October 2021 in terms of new starts. This provides a strong start to the year in an area where the Group have consistently outperformed expectations through the COVID19 pandemic. This area is expected to achieve or exceed the budget set for 2021/22.

Group commercial businesses are recovering from the pandemic on different trajectories. International, Halls of Residence and Sports Centres all performed better than forecast during 2020/21 but remained in loss making positions. In the absence of further lockdowns during 2021/22, these areas are all budgeted to improve on 2020/21 positions however it is acknowledged that the recovery of confidence of international students to travel and study abroad will take longer to recover than other areas.

First Steps Childcare returned to profit during 2020/21 and is expected to achieve the budgeted surplus for 2021/22.

2020/21 was another challenging year for Anglia Examinations. The global impact of the pandemic wiped out exam seasons in the majority of franchisees territories. South America, Italy and Spain were particularly hard hit with long national lockdowns and restrictions on examinations taking place. The UK Anglia team used the past year to review and tighten up franchise agreements along with continuing on fast-tracking our plans for digitalisation of some exams and development of new content. Looking ahead to 2021/22, Anglia have a significant number of new franchise agreements in place and a strong pipeline of enquiries. These include from Morocco, Greece, Indonesia and Kazakhstan. Accreditation from a number of key public bodies in growth markets such as Spain and a new franchise partner in Italy are positive signs for growth and recovery. Traditionally strong markets in Cyprus and the Netherlands are beginning to recover along with South America.

CCG management continue to meet regularly with the Anglia franchise holders and monitor the situations in their businesses and territories. Notwithstanding another series of global lockdowns, Anglia should return to profit in 2021/22

The Group currently has £6.7m of bank loans and £2.4m of government loans outstanding with terms negotiated in 2017. Further details are given in note 18. Covenants with both high street banks were adjusted by agreement for 2020/21 and tests were met. Both banks have agreed further adjustments to 2021/22 covenants to account for the ongoing impact of COVID-19. The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due.

Latest modelling shows a reduction in cash balances at 31st July 2022, increasing thereafter to 31<sup>st</sup> July 2023.

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

### **RISK MANAGEMENT**

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

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

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

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

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

#### **Government funding**

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through OFS. In 2020/21, 77.4% (2018/19 – 71.8%) of the Group's revenue was ultimately grant funded. This remains proportionately higher than pre-COVID19 levels due to the overall reduction of commercial income. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- By ensuring the Group is rigorous in delivering high quality education and training;



- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and groups;
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with funding bodies;
- Focus on improving forecasting skills within the Group.

#### **Tuition fee policy**

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

This risk is mitigated in a number of ways:

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

#### **Attracting and retaining excellent staff**

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

#### **Commercial Income**

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

#### **Capital Strategy**

The Group continues to implement the capital strategy on an incremental basis, when funds become available. During 2019/20, a £2m refurbishment project at Haywards Heath College was completed and the £5m STEM facility at Crawley College is due for completion in February 2022. The government provided £2m of capital funds in 2020/21 to improve condition of College estates. CCG is awaiting a decision on a bid to the FE Capital Transformation Fund for a new STEM building on the Chichester site. A decision is also pending on the application for a new Institute of Technology on the Crawley site. If successful, both applications will provide a significant capital injection to the two largest sites in the Group.

#### **Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme surplus/(deficit) on the Group's balance sheet in line with the requirements of FRS 102. The College Group's share is valued as an asset for 2020/21 based upon the actuary's report.

#### **Failure to maintain the financial viability of the Group**

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

This risk is mitigated in a number of ways:

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

#### Post-merger risk

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

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

#### KEY PERFORMANCE INDICATORS

Key Performance Indicator	Measure/Target	Actual for 2020/21
16-18 Student number targets	6,641	6,785
Student classroom achievement	90.0%	88.6%
Apprentice achievement	67.0%	59.8%
Progression to work, university or further education	95.0%	97.6%
Earnings before interest, tax, depreciation & amortisation (Management Accounts measure)	398	2,632
OFSTED rating	Outstanding	Outstanding
Staff satisfaction "I am proud to be an employee of Chichester College Group"	>90%	94.8%
Student satisfaction "My teaching is good"	Above 90%	94%

#### Student achievements

Chichester College Group is committed to achieving the best outcome for its students and helping them achieve the qualifications they are studying. For the academic year 2020/21 the achievement rate for Group's classroom based learning was 88.6% (2019/20: 89.9%), including English and Maths. The Group's apprentice achievement rate was 59.8% (2019/20: 66.9%), this was greatly affected by the COVID-19 pandemic, and a significant number of learners who either had to take a break in learning, were made redundant, or had their End Point Assessment delayed into the next academic year.

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

## OTHER INFORMATION

### Public Benefit

Chichester College Group is an exempt charity under the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 17.

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

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

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

### Equality

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

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

During this period, a Diversity Steering Group was established which included a review of the existing E, D I policy and setting up of focus groups with staff to understand the lived experiences of those people with protected characteristics to help inform the action plan.

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



#### Gender pay gap reporting

	Year ending 31 <sup>st</sup> March 2021
Mean gender pay gap	12.9%
Median gender pay gap	22.4%
Mean bonus gender pay gap	-12.1%
Median bonus gender gap	0%
Proportion of males/females receiving a bonus	0.59%/0.1%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 – Lower quartile	22%	78%
2	31%	69%
3	40%	60%
4 – Upper quartile	49%	51%

The Group publishes its annual gender pay gap report on its website

#### Disability statement

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

- To install lifts and ramps etc., so that as far as is practicable, all facilities will be accessible to people with disabilities.
- Providing specialist equipment which Colleges within the Group can make available for use by students.
- To take whatever steps it can to ensure that the admissions policy does not discriminate against students with disabilities. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are also learning support assistants across all our colleges who provide a variety of support to learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in Colleges prospectuses, and achievements and destinations are recorded.
- Bespoke programmes are created for students with significant needs that prevent them from engaging in a full time course.
- Students are made aware of the Counselling and wellbeing services during induction, this information is reiterated throughout the year through 1:1s with student tutors. Students are also made aware of the Complaints and Disciplinary Procedure during induction.
- Specialist provision for 14-16 year old emotionally based school refusers with SEND to enable a smooth transition into post 16 provision

#### Trade union facility time

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

FTE employee number	1,441
Percentage of time	Number of employees
0%	0
1-50%	8.68 FTE (10 employees)
51-99%	0
100%	0
Total cost of facility time	£30,266.57
Total pay bill	£41,862,680.01
Percentage of total bill spent on facility time	0.07%
Time spent on paid trade union activities as a percentage of total paid facility time	3.89%

#### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1<sup>st</sup> November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1<sup>st</sup> August 2020 to 31<sup>st</sup> July 2021, the College paid 94% (2019/20: 88%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

#### EVENTS AFTER THE REPORTING PERIOD

The Group was named as the preferred partner in a prospective merger with Greater Brighton Metropolitan College. Initial due diligence is currently taking place and expected to complete in January 2022. If the merger takes place, it is expected to happen on 1<sup>st</sup> August 2022 and will be a type B merger with the Greater Brighton Metropolitan College corporation being dissolved and all trade, assets and liabilities transferring to Chichester College Group on that date at Enil consideration.

#### DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2021 and signed on its behalf by:



Dr James Sarmecanic  
Chairman

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the Group's annual report and accounts to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2020 to 31<sup>st</sup> July 2021 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

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

In the opinion of the Corporation, the Group complies with the provisions of the Code, and it has complied throughout the year ended 31st July 2021. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 21st March 2016.

## The Corporation

The members who served on the Corporation during the year 2020/21 and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2020/21
Jeff Alexander	1 January 2019	4 years		Independent Member		67%
Dr Roy Bowden	29 March 2019	Until 28 March 2023 (continued term of office from Worthing College Corporation)		Independent Member	Audit & Risk Committee, Worthing Quality & Stakeholder Board	100%
Steve Cooper	29 March 2019	Until 16 July 2022 (continued term of office from Worthing College Corporation)		Independent Member	Finance & General Purposes Committee, Worthing Staff Committee	89%
Tom Crowley	1 April 2018	4 years	2 October 2020	Independent Member	Resources Committee	0%
Anne Curle	1 January 2019	4 years	10 September 2020	Staff Governor		0%
Andrew Davies	1 August 2013, re-appointed ratified from 1 August 2017	4 years, plus 4 years	Term ended 31 July 2021	Staff Governor	Chichester Quality & Stakeholder Board	67%
Jane Dodsworth	1 August 2013, re-appointed 1 August 2017 Appointed as Vice-Chair from 1 August 2019	4 years, plus 4 years		Independent Member	Resources Committee, Chichester Staff Committee, Governance & Search Committee, Remuneration Committee	100%
Keira Embleton	14 October 2021		To the end of her term as Student President,	Student Governor	Student Committee	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2020/21
			Chichester College			
Nick Fox	1 January 2013 Re-appointment ratified from 1 January 2018	4 years, plus 4 years. Extension to 31 July 2022 approved 31 March 2021.		Independent Member	Resources Committee, Audit & Risk Committee, Governance & Search Committee, Remuneration Committee	93%
Andrew Green	14 October 2021	Ex-officio		Chief Executive	Finance & General Purposes Committee, Resources Committee, Governance & Search Committee, Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board, Chichester Staff Committee, Group Student Committee, Crawley Staff Committee, Worthing & Haywards Heath Quality & Stakeholder Board, Worthing Staff Committee	100%
Donna Harfield	1 August 2021	4 years		Staff Governor		N/a
David Hobson	1 August 2014 Re-appointment ratified from 1 August 2018	4 years, plus 4 years	12 July 2020	Independent Member	Resources Committee, Finance & General Purposes Committee	89%
David Jones	1 August 2020	4 years		Independent Member	Chichester Quality &	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2020/21
					Stakeholder Board, Finance & General Purposes Committee	
Helen Kilpatrick CB	1 January 2019	4 years		Independent Member	Audit & Risk Committee	100%
Shelagh Legrave CBE DL	1 September 2010	Ex-officio	30 September 2021	Chief Executive	Finance & General Purposes Committee, Resources Committee, Governance & Search Committee, Chichester Quality & Stakeholder Board, Crawley Quality & Stakeholder Board, Chichester Staff Committee, Group Student Committee, Crawley Staff Committee, Worthing & Haywards Heath Quality & Stakeholder Board, Worthing Staff Committee	100%
Richard Moore	1 August 2020	4 years		Independent Member	Chichester Quality & Stakeholder Board	100%
Ryan Sallows	1 August 2017, re-appointed from 1 March 2018	4 years from 1 March 2018		Independent Member	Crawley Quality & Stakeholder Board, Crawley Staff Committee	89%
Dr James Sarmecanic	1 August 2017, appointed as Chairman from 1 August 2019			Independent Member	Governance & Search Committee, Remuneration Committee	100%



Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership	Attendance in 2020/21
Sophie Sargent	1 August 2018	To the end of her term as Student President, Chichester College	31 July 2021	Student Governor	Chichester Quality & Stakeholder Board, Chichester Staff Committee, Group Student Committee	92%
Nick Sutherland	1 August 2018	4 years		Independent Member	Group Student Committee, Finance & General Purposes Committee	89%
Donna Turner-Irwin	1 August 2021	4 years		Staff Governor		N/a
Ria Voice	11 December 2020	To the end of her term as Student President, Crawley College	31 July 2021	Student Governor	Group Student Committee	67%
Ellen Walsh	1 August 2021	4 years		Independent Member	Finance & General Purposes Committee	
Caroline Wood	1 January 2015, re-appointed 1 January 2020	4 years		Independent Member	Worthing Quality & Stakeholder Board	100%
Paul Wright	1 August 2013, re-appointed 1 August 2017,	4 years, plus 4 years. Extension to 31 July 2022 approved 31 March 2021.		Independent Member	Finance & General Purposes Committee, Governance & Search Committee, Remuneration Committee	100%

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

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Amy Kensett	20 November 2018	4 years		Co-opted member	Audit & Risk Committee
Zoe Wright	15 October 2020	4 years		Co-opted member	Resources Committee

### The Governance framework

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

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

During the year 2020/21 the Corporation met on the following dates:

- Wednesday, 9 December 2020;
- Wednesday, 31 March 2021;
- Wednesday, 7 July 2021.

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

Chichester College Group  
Westgate Fields  
Chichester  
West Sussex  
PO19 1SB

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

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

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

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

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

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

### Appointments to the Corporation

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

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

### Corporation Performance

The extract from Chichester College Group's Self-Assessment Report 2020/21, which relates to governance is as follows:

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

### Remuneration Committee

Throughout the year ending 31 July 2021, the Group's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and the other key management personnel. The Committee meets twice a year, in the autumn term and spring term.

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

Details of remuneration for the year ended 31<sup>st</sup> July 2021 are set out in note 7 to the financial statements.

### Audit & Risk Committee

The Audit & Risk Committee comprised three members of the Corporation, plus a Co-opted Member (excluding the Accounting Officer and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

The Audit & Risk Committee met four times in the year to 31<sup>st</sup> July 2021. The members of the committee and their attendance records are shown below:

Committee Member	Meetings attended
Dr Roy Bowden	3
Nick Fox	3
Helen Kilpatrick CB	3
Amy Kensett	3

#### Internal control

##### *Scope of responsibility*

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

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

##### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chichester College Group for the year ended 31<sup>st</sup> July 2021 and up to the date of approval of the annual report and accounts.

##### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31<sup>st</sup> July 2021 and up to the date of approval of the annual report and accounts. This process is reviewed each term by the Corporation.

##### *The risk and control framework*

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation.



- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

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

#### **Risks faced by the corporation**

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Chichester College Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

The Board has an approved Risk Management Policy in place and the identification and evaluation of key risks that threaten achievement of the College's objectives are carried out under that Policy. Proportional steps are taken to mitigate the identified risks and a register of these risks including detail of the mitigating action taken, is maintained for the College.

The College holds and maintains a Risk Register which incorporates the organisational and financial risks. The Risk Register lists risks; assesses their impact and their likelihood. The Risk Management Policy sets out the appetite for risk and the Risk Register format, including the scoring of impact.

The Board is responsible for determining the nature and extent of the significant risks they are willing to take in achieving their strategic objectives, taking regard of the overarching risk appetite as set out in the policy. The Board is charged with establishing formal and transparent arrangements for considering how they should apply the risk management and internal control principles and monitoring the effectiveness of those.

Internal audit will be performing a review of risk and/or assurance in 2021/22.

#### **Control weaknesses identified**

The 2020/21 internal audit programme reviewed payroll, human resources, sub-contracting, learner numbers, health & safety, purchasing & procurement plus a follow up on previous actions and recommendations. No significant deficiencies in controls were identified in these reviews.

The 2020/21 external audit identified one significant control weakness with respect to source documentation checking which arose as part of the review of internal controls within the College ILR system. The observation and risk was in relation to an over-reliance of the work of the internal audit review of learner numbers and systems. The recommendation was accepted by the College and was to agree and then put in place additional internal checks to verify ILR data to source documentation. An audit trail will be maintained and a regular report to audit committees during the year.

#### **Responsibilities under funding agreements**

The Corporation has funding agreements and contracts in place with a number of organisations including the ESFA and the OFS, which are signed by the Principal as Accounting Officer.

All funding streams have specific individuals responsible for ensuring that the terms and conditions of funding are met. The College will review all funding rules and ensure that these are supported by appropriate learner records as well as ensuring there are adequate controls to support the requirement for regularity and propriety in the use of funding. This includes:

- Having approved policies and procedures in place, such as the Financial Regulations;
- Purchase systems require hierarchical authorization for all purchases at the point of order and payment. This ensures all proposed expenditure is authorised in advance and approved by the appropriate individuals, thus assisting in maintaining budgetary control;
- Setting and regularly monitoring an annual budget. The budget is set prior to the start of the year and approved by the Board. Management accounts are produced and reviewed by the CEO on a monthly basis and are presented on a regular basis throughout the year to the Finance & General Purposes Committee;
- Monthly reconciliation and submission of the ILR to the ESFA; and
- Monthly completion and review of key financial reconciliations, such as the bank, debtors and creditors reconciliation, to confirm the accuracy and validity of financial transactions.

During 2020/21, all returns/claims required under the funding agreements have been submitted in accordance with the deadlines.

#### **Statement from the Audit & Risk Committee**

Based upon a review of the work undertaken by the Internal and External Auditors during the year and subject to limitations placed upon their opinions, the Audit & Committee has concluded that Chichester College Group's systems for internal controls, risk management and governance are adequate and effective and may be relied upon by the Corporation when considering approval of the College Group's financial statements.

The Audit & Risk Committee is satisfied that the Corporation has adequate and effective internal and external audit arrangements.

The specific areas of work undertaken by the Audit & Risk Committee in 2020/21 and up to the date of the approval of the financial statements include:

- The appointment of the Corporation's internal and external auditors
- Termly reviews of the Group's risk registers
- Reviews of the work undertaken by the internal and external auditors.

The internal auditors reviewed seven areas during the year 2020/21. The majority of recommendations were of a housekeeping nature, there were no fundamental recommendations. The Committee was satisfied that actions were in place to address all of the recommendations raised. On the basis of their work the internal auditors concluded that the Group's *'framework of governance, risk management, and control was moderate in its overall adequacy and effectiveness.'*

The external audit findings were presented to the Committee in November 2021. Overall, there was one Grade A recommendation, three Grade B and five Grade C recommendations, all of which have been agreed by management and appropriate actions identified. The Grade A recommendation related to the internal verification of the ILR against source documentation. A testing approach, which involves both the external and internal auditors has been agreed with management.

#### **Review of effectiveness**

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

- the work of the internal auditors;



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

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

The Group Leadership Team receives reports setting out risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded across the College Group. The Group Leadership Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk management and control and receives reports thereon from the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation considered the annual report from the Audit & Risk Committee for the year ended 31<sup>st</sup> July 2021, which set out the Committee's opinion on the Group's systems for Internal Controls, Risk Management and Governance.

Based on the advice of the Audit & Risk Committee and the Accounting Officer and taking account of events since 31<sup>st</sup> July 2021, the Corporation is of the opinion that the Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2021 and signed on its behalf by:



Dr James Sarmecanic  
Chairman



Andrew Green  
Accounting Officer

## Chichester College Group

### Statement on Regularity, Propriety and Compliance

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

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

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



Dr James Sarmecanic

Chairman

Date:



Andrew Green

Accounting Officer

Date: 8 / 12 / 21

## Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2021 and signed on its behalf by:

Dr James Sarmecanic  
Chairman



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

### **Opinion**

We have audited the financial statements of the Corporation of Chichester College Group (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2021 which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Group and College Balance sheets, Consolidated Statement of Cash Flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group and College's affairs as at 31 July 2021 and of the surplus/deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education

### **Basis for opinion**

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice Issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

#### **Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)**

In our opinion, in all material respects

- funds from whatever source administered by the Corporation for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The Corporation's grant and fee income, as disclosed in note number 1 to the financial statements, has been materially misstated; or
- The Corporation's expenditure on access and participation activities for the financial year, as disclosed in note number 8a to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

#### **Responsibilities of the Corporation of Chichester College Group**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;

- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of the Corporation staff and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing the design and implementation of control systems in place;
- Testing the operational effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

#### Use of our report

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required 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 College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MacIntyre Hudson

MHA MacIntyre Hudson  
Chartered Accountants  
London  
United Kingdom

Date: 14/12/2021



## Statement of accounting policies and estimation techniques

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

### General Information

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

### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

### Basis of accounting

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

### Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, First Steps Childcare Group Limited, Anglia Examination Syndicate Limited and Chichester College Group Commercial Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College Group does not control those activities. All financial statements are made up to 31<sup>st</sup> July 2021.

### Going concern

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

Financial plans were developed and submitted to the ESFA by 31st July 2021 on the basis that the entity remains a going concern.

There remains a good deal of uncertainty ahead in terms of the wider economic conditions for a general further education college group. Brexit and COVID provide the greatest areas of uncertainty and exposure for the Group however as a responsive and diversified College Group, CCG is well placed to deliver on the training and retraining agenda to meet the skills shortages across West Sussex and Southeast England.

The ongoing impact of COVID-19 has been incorporated into the current budget and financial plans. The 2021/22 commercial budgets include cautious growth which remains at circa 60% of pre-pandemic surpluses.

Most commercial areas performed better than forecast in 2020/21 and provide a more stable starting point for achieving the 2021/22 budget.

16-18 enrolments for 2021/22 are projecting to meet or exceed allocation. Whilst the 2022/23 allocations are yet to be confirmed, achieving the 2021/22 allocation will have a positive impact on income for 2022/23 given that it accounts for over 54% of the Group income. Further still, there were indications in the recent budget and comprehensive spending review that Colleges may receive an increase to the 16-18 funding rate however this has not been formally validated yet.

Achievement of the Adult Education allocation in 2021/22 remains less certain. Given the ESFA position on the threshold for clawback in 2020/21, it seems highly unlikely this will be eased in 2021/22. The position on adult enrolments is not yet known however if recent years provide a pattern, there will be additional recruitment required in-year.

Apprenticeships are at 105% of target to the end of October 2021 in terms of new starts. This provides a strong start to the year in an area where the Group have consistently outperformed expectations through the COVID19 pandemic. This area is expected to achieve or exceed the budget set for 2021/22.

Group commercial businesses are recovering from the pandemic on different trajectories. International, Halls of Residence and Sports Centres all performed better than forecast during 2020/21 but remained in loss making positions. In the absence of further lockdowns during 2021/22, these areas are all budgeted to improve on 2020/21 positions however it is acknowledged that the recovery of confidence of international students to travel and study abroad will take longer to recover than other areas.

First Steps Childcare returned to profit during 2020/21 and is expected to achieve the budgeted surplus for 2021/22.

2020/21 was another challenging year for Anglia Examinations. The global impact of the pandemic wiped out exam seasons in the majority of franchisees territories. South America, Italy and Spain were particularly hard hit with long national lockdowns and restrictions on examinations taking place. The UK Anglia team used the past year to review and tighten up franchise agreements along with continuing on fast-tracking our plans for digitalisation of some exams and development of new content. Looking ahead to 2021/22, Anglia have a significant number of new franchise agreements in place and a strong pipeline of enquiries. These include from Morocco, Greece, Indonesia and Kazakhstan. Accreditation from a number of key public bodies in growth markets such as Spain and a new franchise partner in Italy are positive signs for growth and recovery. Traditionally strong markets in Cyprus and the Netherlands are beginning to recover along with South America.

CCG management continue to meet regularly with the Anglia franchise holders and monitor the situations in their businesses and territories. Notwithstanding another series of global lockdowns, Anglia should return to profit in 2021/22

The Group currently has £6.7m of bank loans and £2.5m of government loans outstanding with terms negotiated in 2017. Further details are given in note 18. Covenants with both high street banks were adjusted by agreement for 2020/21 and tests were met. Both banks have agreed further adjustments to 2021/22 covenants to account for the ongoing impact of COVID-19. The Group forecasts that it will continue to meet its obligations in respect of these as they are expected to fall due.

Latest modelling shows a reduction in cash balances at 31st July 2022, increasing thereafter to 31<sup>st</sup> July 2023.

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

## **Recognition of Income**

### *Revenue grant funding*

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

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

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

### *Capital grant funding*

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

### *Fee income*

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

### *Investment income*

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

### **Agency arrangements**

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

### **Accounting for post-employment benefits**

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

#### *Teachers' pension scheme (TPS)*

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



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

#### *West Sussex Local Government Pensions Scheme (LGPS)*

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

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

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

#### *NEST pension scheme (NEST)*

NEST is a defined contribution scheme. Contributions to NEST are expensed as they become payable.

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

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

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

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

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

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

#### *Land and buildings*

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

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

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

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

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

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

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

#### *Assets under construction*

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

#### *Subsequent expenditure on existing fixed assets*

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

#### *Equipment*

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

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

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

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

#### **Non-current Assets - Intangible fixed assets**

##### *Intangibles other than Goodwill*

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

- |                         |         |
|-------------------------|---------|
| • Software and websites | 3 years |
|-------------------------|---------|

##### *Goodwill*

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

#### **Borrowing costs**

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

## **Leased assets**

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

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

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

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

## **Investments**

### *Investments in subsidiaries*

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

### *Other investments*

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

## **Inventories**

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

## **Debtors and creditors receivable/payable within one year**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price

## **Cash and cash equivalents**

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

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

## **Financial liabilities and equity**

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and



amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

#### **Foreign currency translation**

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

#### **Taxation**

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

The Group is partially exempt in respect of Value Added Tax, so that it can only recover around 2.5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

#### **Provisions and contingent liabilities**

Provisions are recognised when

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

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

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

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

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

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

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

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

*Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31<sup>st</sup> March 2019 has been used by the actuary in valuing the pensions liability at 31<sup>st</sup> July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

CHICHESTER COLLEGE GROUP

Consolidated Statements of Comprehensive Income for the year ended 31st July 2021

	Notes	2021		2020	
		Group £'000	College £'000	Group £'000	College £'000
<b>Income</b>					
Funding body grants	1	48,278	48,278	42,674	42,674
Tuition fees and education contracts	2	7,039	7,077	8,460	8,479
Other grants and contracts	3	169	187	454	301
Other income	4	6,970	4,345	7,630	5,304
Investment income	5	-	-	113	108
Donations and Endowments	6	-	-	-	300
<b>Total income</b>		<u>62,456</u>	<u>59,887</u>	<u>59,331</u>	<u>57,166</u>
<b>Expenditure</b>					
Staff costs	7	47,684	45,522	45,643	43,302
Restructuring costs	7	298	287	201	197
Other operating expenses	8	15,308	15,127	15,516	15,325
Depreciation & Amortisation	11-12	4,873	4,824	4,605	4,550
Interest and other finance costs	9	453	453	491	491
<b>Total expenditure</b>		<u>68,616</u>	<u>66,213</u>	<u>66,456</u>	<u>63,865</u>
<b>Deficit before other gains and losses</b>		<u>(6,160)</u>	<u>(6,326)</u>	<u>(7,125)</u>	<u>(6,699)</u>
(Loss)/Gain on investment properties		<u>(113)</u>	<u>(113)</u>	<u>(27)</u>	<u>(27)</u>
<b>Deficit before tax</b>		<u>(6,273)</u>	<u>(6,439)</u>	<u>(7,152)</u>	<u>(6,726)</u>
Taxation	10	<u>(40)</u>	-	<u>(27)</u>	-
<b>Deficit for the year</b>		<u>(6,313)</u>	<u>(6,439)</u>	<u>(7,179)</u>	<u>(6,726)</u>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain in respect of pensions	24	13,876	13,876	1,305	1,305
<b>Total Comprehensive Income for the year</b>		<u>7,563</u>	<u>7,437</u>	<u>(5,874)</u>	<u>(5,421)</u>
<b>Represented by:</b>					
Unrestricted comprehensive income		7,563	7,437	(5,874)	(5,421)
Restricted comprehensive income		-	-	-	-
		<u>7,563</u>	<u>7,437</u>	<u>(5,874)</u>	<u>(5,421)</u>
<b>Deficit for the year attributable to:</b>					
Non controlling interest		-	-	-	-
Group		<u>(6,313)</u>	<u>(6,439)</u>	<u>(7,179)</u>	<u>(6,726)</u>
		<u>(6,313)</u>	<u>(6,439)</u>	<u>(7,179)</u>	<u>(6,726)</u>
<b>Total Comprehensive Income for the year attributable to:</b>					
Non controlling interest		-	-	-	-
Group		<u>7,563</u>	<u>7,437</u>	<u>(5,874)</u>	<u>(5,421)</u>
		<u>7,563</u>	<u>7,437</u>	<u>(5,874)</u>	<u>(5,421)</u>

All items of income and expenditure relate to continuing activities

CHICHESTER COLLEGE GROUP

Consolidated and College Statement of Changes In Reserves for the year ended 31st July 2021

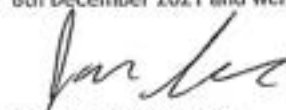
	Income and Expenditure account £'000	Restrictive reserve £'000	Revaluation reserve £'000	Investment Property Revaluation reserve £'000	Total excluding Non controlling Interest £'000	Non Controlling Interest £'000	Total £'000
<b>Group</b>							
Balance at 1st August 2019	72,933	89	18,549	2,416	93,987	-	93,987
Deficit from the income and expenditure account	(7,152)	-	-	(27)	(7,179)	-	(7,179)
Other comprehensive income	1,305	-	-	-	1,305	-	1,305
Additions through business combination	-	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserves	1,131	-	(321)	(810)	-	-	-
	(4,716)	-	(321)	(837)	(5,874)	-	(5,874)
Balance at 31st July 2020	68,217	89	18,228	1,579	88,113	-	88,113
(Deficit)/Surplus from the income and expenditure account	(6,200)	-	-	(113)	(6,313)	-	(6,313)
Other comprehensive income	13,876	-	-	-	13,876	-	13,876
Transfers between revaluation and income and expenditure reserves	636	-	(321)	(315)	-	-	-
Total comprehensive income for the year	8,312	-	(321)	(428)	7,563	-	7,563
Balance at 31st July 2021	76,529	89	17,907	1,151	95,676	-	95,676
<b>College</b>							
Balance at 1st August 2019	72,777	89	18,549	2,416	93,831	-	93,831
Deficit from the income and expenditure account	(6,699)	-	-	(27)	(6,726)	-	(6,726)
Other comprehensive income	1,305	-	-	-	1,305	-	1,305
Additions through business combination	-	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserves	1,131	-	(321)	(810)	-	-	-
	(4,263)	-	(321)	(837)	(5,421)	-	(5,421)
Balance at 31st July 2020	68,514	89	18,228	1,579	88,410	-	88,410
(Deficit)/Surplus from the income and expenditure account	(6,326)	-	-	(113)	(6,439)	-	(6,439)
Other comprehensive income	13,876	-	-	-	13,876	-	13,876
Transfers between revaluation and income and expenditure reserves	636	-	(321)	(315)	-	-	-
Total comprehensive income for the year	8,186	-	(321)	(428)	7,437	-	7,437
Balance at 31st July 2021	76,700	89	17,907	1,151	95,847	-	95,847



**CHICHESTER COLLEGE GROUP**  
**Balance sheets as at 31st July 2021**

	Notes	2021		2020	
		Group £'000	College £'000	Group £'000	College £'000
<b>Fixed assets</b>					
Tangible fixed assets	11	110,545	110,478	110,149	110,046
Intangible fixed assets	12	305	304	303	290
Investments	13	-	621	-	71
Pensions asset	24	9,507	9,507	377	377
		<u>120,357</u>	<u>120,910</u>	<u>110,829</u>	<u>110,784</u>
<b>Current assets</b>					
Stocks		293	293	274	258
Debtors	14	3,623	3,527	2,981	3,235
Investments	15	1	1	1	1
Cash at bank and in hand		11,875	11,375	8,698	8,206
		<u>15,792</u>	<u>15,196</u>	<u>11,954</u>	<u>11,700</u>
<b>Current Liabilities:</b>					
Creditors - amounts falling due within one year	16	(14,060)	(13,846)	(10,067)	(9,471)
		<u>1,732</u>	<u>1,350</u>	<u>1,887</u>	<u>2,229</u>
<b>Net current assets</b>					
		<u>122,089</u>	<u>122,260</u>	<u>112,716</u>	<u>113,013</u>
<b>Total assets less current liabilities</b>					
Creditors - amounts falling due after more than one year	17	(26,413)	(26,413)	(24,603)	(24,603)
		<u>95,676</u>	<u>95,847</u>	<u>88,113</u>	<u>88,410</u>
<b>Total net assets</b>					
<b>Restricted reserves</b>					
Income and expenditure reserve - restricted reserve		89	89	89	89
<b>Unrestricted reserves</b>					
Income and expenditure reserve		76,529	76,700	68,217	68,514
Revaluation reserve		17,907	17,907	18,228	18,228
Investment Property Revaluation Reserve		1,151	1,151	1,579	1,579
		<u>95,676</u>	<u>95,847</u>	<u>88,113</u>	<u>88,410</u>
<b>Total reserves</b>					

The financial statements on pages 32 to 63 were approved and authorised for issue by the Corporation on 8th December 2021 and were signed on its behalf on that date by:

  
 Dr James Sarmecanic  
 Chairman

  
 Andrew Green  
 Accounting Officer

CHICHESTER COLLEGE GROUP

Consolidated Statement of Cash Flows for the year ended 31st July 2021

	Notes	2021 £'000	2020 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(6,273)	(7,152)
<b>Adjustment for non cash items</b>			
Depreciation		4,873	4,605
Release of Deferred Capital Grants		(1,305)	(1,032)
Gain on investment properties		113	27
Decrease in stocks		(19)	62
Decrease in debtors		(642)	811
(Decrease) in creditors due within one year		3,838	(424)
(Decrease) in provisions		-	-
Pensions costs less contributions payable		4,719	4,027
<b>Adjustment for investing or financing activities</b>			
Investment income		-	(113)
Interest payable		426	491
Taxation paid		27	-
(Profit)/Loss on sale of fixed assets		53	(4)
<b>Net cash flow from operating activities</b>		<u>5,810</u>	<u>1,298</u>
<b>Investing activities</b>			
Proceeds from sale of fixed assets		275	2,914
Investment income		-	49
Payments made to acquire fixed assets		(5,858)	(3,877)
Capital Grants Received		4,561	2,475
		<u>(1,022)</u>	<u>1,561</u>
<b>Financing activities</b>			
Interest paid		(431)	(479)
Interest element of finance lease rental payments		(6)	(12)
Repayments of amounts borrowed		(1,075)	(1,132)
Capital element of finance lease rental payments		(99)	(94)
		<u>(1,611)</u>	<u>(1,717)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>3,177</u>	<u>1,142</u>
Cash and cash equivalents at beginning of the year	20	8,698	7,556
Cash and cash equivalents at end of the year	20	11,875	8,698

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

1 Funding body grants

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency -Adult	3,394	3,394	4,777	4,777
Education and Skills Funding Agency -16-18	34,562	34,562	29,178	29,178
Education and Skills Funding Agency -Apprenticeships	6,857	6,857	5,821	5,821
Office for Students	133	133	291	291
<b>Specific Grants</b>				
Education and Skills Funding Agency:				
Restructuring Facility Grant	-	-	299	299
Recommissioning Grant	245	245	-	-
COVID 19 Testing	154	154	-	-
16-19 Tuition Fund	70	70	-	-
Other non recurrent grants	159	159	16	16
Non recurrent grants - Office for Students	154	154	158	158
Teacher Pension Scheme contribution grant	1,245	1,245	1,102	1,102
Releases of deferred capital grants	1,305	1,305	1,032	1,032
<b>Total</b>	<b>48,278</b>	<b>48,278</b>	<b>42,674</b>	<b>42,674</b>

The Group received funding of £869,000 for the 16-19 Tuition Fund from the ESFA. Of this £70,000 was spent in the year. The remaining funding will be spent in the following year or repaid.

The Group received funding of £180,000 for the T Level Early Adopted Fund from the ESFA. Of this £24,000 was spent in the year. The remaining funding will be spent in the following year.

The Group received of £144,000 for the 16-19 High Value Courses School and College Leavers funds. None of this was spent and will be repaid.

The Group received funding of £413,000 for two COVID skills offers: High Value courses for school & college leavers; and National skills fund level 3 offer for 24 year olds and over, from the ESFA. Of this None of this £32,000 was claimed. The remaining funding will be repaid.

Income in relation to Level 4 courses and above

Grant income from Office for Students	133	133	291	291
Grant income from other bodies	2,435	2,435	1,064	1,064
Fee income for taught awards (exclusive of VAT)	1,520	1,520	1,860	1,860
Fee income for non qualifying course	365	365	588	588
	<b>4,453</b>	<b>4,453</b>	<b>3,803</b>	<b>3,803</b>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

2 Tuition fees and education contracts

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,078	1,116	1,603	1,622
Apprenticeship fees and contracts	146	146	123	123
Fees for FE loan supported courses	641	641	856	856
Fees for HE loan supported courses	1,664	1,664	2,021	2,021
European (excluding UK) students	366	366	675	675
International students fees	410	410	586	586
Total tuition fees	4,305	4,343	5,864	5,883
Education contracts	2,734	2,734	2,596	2,596
<b>Total</b>	<b>7,039</b>	<b>7,077</b>	<b>8,460</b>	<b>8,479</b>

3 Other grants and contracts

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Erasmus	2	2	50	50
Coronavirus Job Retention Scheme grant	167	185	404	251
<b>Total</b>	<b>169</b>	<b>187</b>	<b>454</b>	<b>301</b>

The Group furloughed 88 roles (2020: 49 roles) within its commercial areas (Nursery, Sports Centre, International, Sales & Marketing) under the government's Coronavirus Job Retention Scheme. The funding received of £167,000 (2020: £404,000) relates to staff costs which are included within staff costs (note 7) as appropriate.

4 Other income

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	2,042	2,338	2,670	2,971
Profit/(loss) on disposal of tangible fixed assets	-	-	4	4
Other income generating activities	3,490	586	3,501	846
Other grant income	96	96	5	5
Other and miscellaneous income	1,342	1,325	1,450	1,478
<b>Total</b>	<b>6,970</b>	<b>4,345</b>	<b>7,630</b>	<b>5,304</b>

5 Investment income

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	-	-	49	44
Pension finance income (note 24)	-	-	64	64
<b>Total</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>108</b>



CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

6 Donations and Endowments

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Distributions from subsidiaries	-	-	-	300
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>

7 Staff costs - Group and College

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

	2021 No.	2020 No.
Teaching staff	627	635
Non teaching staff	867	895
	<b>1,494</b>	<b>1,530</b>

Staff costs for the above persons

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Wages and salaries	33,003	31,511	32,181	30,602
Social security costs	2,863	2,766	2,765	2,671
Other pension costs	11,052	10,518	10,341	9,691
<b>Payroll sub total</b>	<b>46,918</b>	<b>44,795</b>	<b>45,287</b>	<b>42,964</b>
Contracted out staffing services	766	727	356	338
	<b>47,684</b>	<b>45,522</b>	<b>45,643</b>	<b>43,302</b>
Fundamental restructuring costs - contractual	298	287	201	197
non contractual	-	-	-	-
	<b>47,982</b>	<b>45,809</b>	<b>45,844</b>	<b>43,499</b>

All severance costs were approved by the Corporation.

Key management personnel compensation

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

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

7 Staff costs - Group and College (continued)

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

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

	2021 No.	2020 No.
	8	7

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

	Key management personnel		Other Staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000	-	-	3	1
£65,001 to £70,000	-	-	4	2
£70,001 to £75,000	-	-	-	1
£75,001 to £80,000	-	-	1	2
£85,001 to £90,000	1	-	-	-
£90,001 to £95,000	-	2	-	1
£95,001 to £100,000	-	1	-	-
£100,001 to £105,000	3	1	-	-
£105,001 to £110,000	-	1	-	-
£110,001 to £115,000	-	1	-	-
£115,001 to £120,000	1	-	-	-
£120,001 to £125,000	1	-	-	-
£135,001 to £140,000	1	-	-	-
£160,001 to £165,000	-	1	-	-
£165,001 to £170,000	1	-	-	-
	<u>8</u>	<u>7</u>	<u>8</u>	<u>7</u>

Key management personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries- gross of salary sacrifice and waived emoluments	938	763
Benefits in kind	5	6
	<u>943</u>	<u>769</u>
Pension contributions	190	162
Total emoluments	<u>1,133</u>	<u>931</u>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

7 Staff costs - Group and College (continued)

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

	2021 £'000	2020 £'000
Salaries	164	162
Benefits in kind	2	1
	<u>166</u>	<u>163</u>
Pension contributions	30	32
	<u>196</u>	<u>195</u>

The Accounting Officer's salary is set at a spot point and the remuneration package includes a performance related pay scheme of up to ten per cent of the spot salary. The remuneration for the Accounting Officer in 2020/21 was determined in February 2017 by Chichester College Group Corporation and has remained the same since that time. The Accounting Officer was not involved in setting their remuneration. The key factor considered by the Corporation in determining the Accounting Officer's remuneration was sector data on the pay of Accounting Officers.

The performance management scheme comprises four corporate targets and two individual targets which are considered by the Remuneration Committee and approved by the Corporation. The corporate targets relate to student and staff satisfaction, financial performance and student achievement. Performance against the targets set under scheme is assessed by the Remuneration Committee who present a recommendation to the Corporation. For 2020/21 there was no performance related pay award for the Accounting Officer as the financial target was not achieved. For 2020/21 the Accounting Officer received an honorarium payment of £2,000 in recognition of the Group's outstanding Ofsted inspection in March 2020.

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

	2021 No	2020 No
Basic salary as a multiple of median basic salary of staff	8.1	8.5
Total remuneration as a multiple of median total remuneration of staff	7.9	8.3

Compensation for loss of office paid to former key management personnel

	2021 £	2020 £
Compensation paid to the former post-holder	10,229	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>10,229</u>	<u>-</u>

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

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

8 Other operating expenses

	2021		2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,432	2,473	2,882	2,897
Non teaching costs	7,585	7,430	8,428	8,296
Premises costs	5,291	5,224	4,206	4,132
<b>Total</b>	<b>15,308</b>	<b>15,127</b>	<b>15,516</b>	<b>15,325</b>

Other operating expenses include:

	2021	2020
	£'000	£'000
Auditors' remuneration:		
Financial statements audit		
External: financial statements audit*	72	82
External: taxation compliance services**	7	10
Internal audit***	33	29
Payments to sub-contractors	493	1,153
Losses on disposal of tangible fixed assets (where not material)	53	-
Depreciation & Amortisation	4,873	4,605
Hire of assets under operating leases	462	536

\* Includes £69,000 in respect of the College (2019/20 £79,000)

\*\* Includes £nil in respect of the College (2019/20 £nil)

\*\*\* Includes £34,000 in respect of the College (2019/20 £29,000)

8a Access and participation spending

	2021		2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Access investment	121	121	142	142
Financial Support to students	20	20	12	12
Disability support	29	29	38	38
<b>Total</b>	<b>170</b>	<b>170</b>	<b>192</b>	<b>192</b>

9 Interest payable - Group and College

	2021		2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	420	420	479	479
On finance leases	6	6	12	12
Net interest on defined pension liability (note 23)	27	27	-	-
<b>Total</b>	<b>453</b>	<b>453</b>	<b>491</b>	<b>491</b>



CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

10 Taxation - Group only

	2021 £'000	2020 £'000
United Kingdom corporation tax at 19 per cent	40	27
<b>Total</b>	<u>40</u>	<u>27</u>

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

11 Tangible fixed assets (Group)

	Land and buildings		Long leasehold	Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2020	131,212	1,887	350	10,177	3,642	147,268
Additions	3,497	-	-	1,636	505	5,638
Revaluations	-	(113)	-	-	-	(113)
Transfers	3,209	-	-	426	(3,635)	-
Disposals	(18)	(315)	-	(571)	-	(904)
<b>At 31st July 2021</b>	<u>137,900</u>	<u>1,459</u>	<u>350</u>	<u>11,668</u>	<u>512</u>	<u>151,889</u>
Depreciation						
At 1st August 2020	29,442	-	281	7,396	-	37,119
Charge for the year	3,393	-	21	1,387	-	4,801
Elimination in respect of disposals	(7)	-	-	(569)	-	(576)
<b>At 31st July 2021</b>	<u>32,828</u>	<u>-</u>	<u>302</u>	<u>8,214</u>	<u>-</u>	<u>41,344</u>
<b>Net book value at 31st July 2021</b>	<u>105,072</u>	<u>1,459</u>	<u>48</u>	<u>3,454</u>	<u>512</u>	<u>110,545</u>
<b>Net book value at 31st July 2020</b>	<u>101,770</u>	<u>1,887</u>	<u>69</u>	<u>2,781</u>	<u>3,642</u>	<u>110,149</u>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

11 Tangible fixed assets (College only)

	Land and buildings			Equipment	Assets in the Course of Construction	Total
	Freehold	Investment property	Long leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1st August 2020	131,199	1,887	144	10,077	3,642	146,949
Additions	3,497	-	-	1,636	505	5,638
Revaluations	-	(113)	-	-	-	(113)
Transfers	3,209	-	-	426	(3,635)	-
Disposals	(18)	(315)	-	(556)	-	(889)
At 31st July 2021	<u>137,887</u>	<u>1,459</u>	<u>144</u>	<u>11,583</u>	<u>512</u>	<u>151,585</u>
Depreciation						
At 1st August 2020	29,434	-	144	7,325	-	36,903
Charge for the year	3,393	-	-	1,371	-	4,764
Elimination in respect of disposals	(7)	-	-	(553)	-	(560)
At 31st July 2021	<u>32,820</u>	<u>-</u>	<u>144</u>	<u>8,143</u>	<u>-</u>	<u>41,107</u>
Net book value at 31st July 2021	<u>105,067</u>	<u>1,459</u>	<u>-</u>	<u>3,440</u>	<u>512</u>	<u>110,478</u>
Net book value at 31st July 2020	<u>101,765</u>	<u>1,887</u>	<u>-</u>	<u>2,752</u>	<u>3,642</u>	<u>110,046</u>

Land and Buildings for both campuses were revalued in 2000 at depreciated replacement cost. Land was valued in 2014 at depreciated replacement cost by Medhursts a firm of independent chartered surveyors. These values were retained as deemed cost on transition to FRS 102. Investment properties were valued at fair value as at 31st July 2021. Fair value being the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date and using assumptions of the market conditions and risk at that date.

Fixed assets with a net book value of £18,114,436 (2020: £18,850,524) have been part funded from local education authority sources, £17,988,342 (2020: £18,719,524) and exchequer funds £126,094 (2020: £131,000), through for example the receipt of capital grants. Should these assets be sold, the College would have to use the sale proceeds in accordance with the Financial Memorandum with the ESFA.

The net book value of equipment includes an amount of £nil (2020: £44,507) in respect of assets held under finance leases.

The depreciation charge on these assets for the year was £44,507 (2020: £44,507).

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

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u>Nil</u>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

12 Intangible fixed assets

	Group		College	
	Software £'000	Total £'000	Software £'000	Total £'000
Cost or valuation				
At 1st August 2020	921	921	857	857
Additions	74	74	74	74
Disposals	(304)	(304)	(297)	(297)
At 31st July 2021	<u>691</u>	<u>691</u>	<u>634</u>	<u>634</u>
Amortisation				
At 1st August 2020	618	618	567	567
Amortisation for the year	72	72	60	60
Elimination in respect of disposals	(304)	(304)	(297)	(297)
At 31st July 2021	<u>386</u>	<u>386</u>	<u>330</u>	<u>330</u>
Net book value at 31st July 2021	<u>305</u>	<u>305</u>	<u>304</u>	<u>304</u>
Net book value at 31st July 2020	<u>303</u>	<u>303</u>	<u>290</u>	<u>290</u>

## CHICHESTER COLLEGE GROUP

### Notes to the Accounts for the year ended 31st July 2021 (continued)

#### 13 Non current investments

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Investments in subsidiary companies	-	621	-	71
<b>Total</b>	<b>-</b>	<b>621</b>	<b>-</b>	<b>71</b>

Investments in subsidiary companies are as follows:

	2021		2020	
	Group £	College £	Group £	College £
First Steps Childcare Group Limited	-	500,500	-	500
Anglia Examination Syndicate Limited	-	120,100	-	70,100
Chichester College Group Commercial Limited	-	100	-	100
	<b>-</b>	<b>620,700</b>	<b>-</b>	<b>70,700</b>

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

First Steps Childcare Group Limited was incorporated on 3rd February 1993 and commenced trading on 1st April 1993. The principal business activities are the provision of nursery services. On 24th February 2021, Chichester College Group acquired 500,000 of £1 preference shares at par, which represented 100% of the issued preference shares. The results for the year ended 31st July 2021 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. On 24th February 2021, Chichester College Group acquired 50,000 of £1 preference shares at par, which represented 100% of the issued preference shares. for the year ended 31st July 2021 have been included in the consolidated financial statements.

Chichester College Group Commercial Limited was incorporated on 11th March 2018 and is a dormant company.

#### 14 Trade and other receivables

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	1,172	903	1,047	895
Amounts owed by subsidiary undertakings	-	426	-	694
Other debtors	25	25	16	16
Prepayments and accrued income	1,767	1,514	1,481	1,204
Amounts owed by the ESFA	659	659	437	426
<b>Total</b>	<b>3,623</b>	<b>3,527</b>	<b>2,981</b>	<b>3,235</b>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

15 Current investments

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Investment in shares	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

16 Creditors: amounts falling due within one year

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	894	894	878	878
Funding Body Loans	200	200	200	200
Obligations under finance leases	-	-	99	99
Trade creditors	1,145	1,125	903	864
Amounts owed to group undertakings	-	222	-	-
Corporation tax	40	-	27	-
Other taxation and social security	1,434	1,410	1,397	1,397
Payments received in advance & deferred income	2,003	1,961	1,370	1,332
Accruals	2,823	2,671	2,042	1,918
Other Creditors	623	465	842	474
Deferred income - government capital grants	1,317	1,317	962	962
Amounts owed to the ESFA	3,581	3,581	1,347	1,347
<b>Total</b>	<b>14,060</b>	<b>13,846</b>	<b>10,067</b>	<b>9,471</b>

17 Creditors: amounts falling due after one year

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	5,829	5,829	6,723	6,723
Funding Body Loans	2,403	2,403	2,600	2,600
Deferred income - government capital grants	18,181	18,181	15,280	15,280
<b>Total</b>	<b>26,413</b>	<b>26,413</b>	<b>24,603</b>	<b>24,603</b>



**CHICHESTER COLLEGE GROUP**

**Notes to the Accounts for the year ended 31st July 2021 (continued)**

**18 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	894	894	878	878
Between one and two years	911	911	4,107	4,107
Between two and five years	2,014	2,014	1,641	1,641
In five years or more	2,904	2,904	975	975
<b>Total</b>	<b>6,723</b>	<b>6,723</b>	<b>7,601</b>	<b>7,601</b>

A bank loan at a fixed rate of 6.645% was renegotiated on 1/8/17 (2021: £2,475,000, 2020: £2,775,000). This loan is secured on the property Westgate Halls at the Chichester Campus. The loan is payable by quarterly instalments up to 31st August 2029.

A bank loan at a floating rate of LIBOR plus 2.75% was renegotiated on 1/8/17 (2021: £3,534,000, 2020: £3,855,000) and is payable by quarterly instalments up to August 2022, which will leave £3,294,000 outstanding at that date. The Group plans to renegotiate the loan prior to that date and this is represented above.

A bank loan at a fixed rate of 8.25% was negotiated on 1/8/17 in relation to the merger with Central Sussex College (2021: £714,000 respectively, 2020: £971,000). The bank loan is repayable by quarterly instalments up to November 2023. The loan is secured on the Crawley Campus.

**(b) Finance leases**

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

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	-	-	99	99
Between two and five years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>99</b>

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

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

18 Maturity of debt (continued)

(c) Funding Body Loans

Funding body loans are repayable as follows:

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	200	200	200	200
Between one and two years	200	200	200	200
Between two and five years	600	600	2,400	2,400
In five years or more	1,603	1,603	-	-
<b>Total</b>	<b>2,603</b>	<b>2,603</b>	<b>2,800</b>	<b>2,800</b>

A loan at a fixed rate of 1.23% was renegotiated on 1/8/17. This rate increased to 3.23% in April 2020. The loan is secured on the Chichester Campus (excluding the property Westgate Halls) and is repayable by annual instalments starting on September 2019 up to July 2029.

19 Provisions

Dilapidations	Group and College		Total
	Other Provisions	Defined benefit Obligations	
£'000	£'000	£'000	£'000
At 1st August 2020	-	-	(377)
Expenditure in the period	-	-	2,816
Additions in the period	-	-	(11,946)
<b>At 31st July 2021</b>	<b>-</b>	<b>-</b>	<b>(9,507)</b>

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

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

20 Cash and cash equivalents

	At 1/8/20 £'000	Cash flows £'000	At 31/7/21 £'000
Cash and cash equivalents	8,698	3,177	11,875
Overdrafts	-	-	-
	<u>8,698</u>	<u>3,177</u>	<u>11,875</u>
Bank loans	(7,601)	878	(6,723)
Finance leases	(99)	99	-
Funding body loans	(2,800)	197	(2,603)
Current asset investments	1	-	1
	<u>(1,801)</u>	<u>4,351</u>	<u>2,550</u>

21 Capital commitments

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31st July	<u>676</u>	<u>676</u>	<u>3,329</u>	<u>3,329</u>

22 Lease Obligations

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

	2021 £'000	2020 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	77	77
Later than one year and not later than five years	67	64
later than five years*	4,828	4,828
	<u>4,972</u>	<u>4,969</u>
Other		
Not later than one year	292	468
Later than one year and not later than five years	288	144
later than five years	-	-
	<u>580</u>	<u>612</u>
Total lease payments	<u>5,552</u>	<u>5,581</u>

\* Rent payments commence on 1st September 2030

## CHICHESTER COLLEGE GROUP

### Notes to the Accounts for the year ended 31st July 2021 (continued)

#### 23 Events after the reporting period

The Group was named as the preferred bidder in a proposed merger with Greater Brighton Metropolitan College. If the bid progresses, the expected merger date will be 1st August 2022.

#### 24 Retirement benefits

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

Total pension cost for the year	2021 £'000	2020 £'000
Teachers Pension Scheme: contributions paid	3,496	3,346
NEST: contributions paid	21	-
Local Government Pension Scheme:		
Contributions paid	2,816	2,968
FRS 102 (28) charge	<u>4,719</u>	<u>4,027</u>
Charge to the Statement of Comprehensive Income	7,535	6,995
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year - Per note 7</b>	<u>11,052</u>	<u>10,341</u>

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

## CHICHESTER COLLEGE GROUP

### Notes to the Accounts for the year ended 31st July 2021 (continued)

#### 24 Retirement benefits (continued)

##### Valuation of the Teachers' Pension Scheme (continued)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £3,496,000 (2020: £3,346,000)

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by West Sussex County Council Local Authority. The total contribution made for the year ended 31 July 2021 was £3,763,000, of which employer's contributions totalled £2,816,000 and employees' contributions totalled £947,000. The agreed contribution rates for current & future years are 2020/21 18.4%, 2021/22 18% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2019 updated to 31st July 2021 by Hymans Robertson.

	2021	2020
Rate of increase in salaries	2.00%	2.00%
Future pensions increases	2.80%	2.10%
Discount rate	1.60%	1.40%
Inflation assumption (CPI)	2.80%	2.10%
Commutation of pensions to lump sums	50%	50%



CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

24 Retirement benefits (continued)

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

	2021 years	2020 years
<i>Retiring today</i>		
Males	22.1	22.2
Females	24.4	24.2
<i>Retiring in 20 years</i>		
Males	23.1	23.3
Females	26.1	25.9

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

	Fair Value at 31st July 2021	Fair Value at 31st July 2020
	£'000	£'000
Equities	107,872	89,971
Bonds	74,681	62,288
Property	16,596	12,112
Cash	8,298	8,651
<b>Total market value of assets</b>	<b>207,447</b>	<b>173,022</b>
<b>Actual return on plan assets</b>	<b>33,545</b>	<b>22,907</b>

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

	2021 £'000	2020 £'000
Fair value of plan assets	207,446	173,022
Present value of plan liabilities	(197,417)	(172,080)
Present value of unfunded liabilities	(522)	(565)
<b>Net pensions asset</b>	<b>9,507</b>	<b>377</b>

CHICHESTER COLLEGE GROUP

Notes to the Accounts for the year ended 31st July 2021 (continued)

24 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

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

	2021	2020
	£'000	£'000
Amounts included in staff costs		
Current service cost	7,554	6,981
Past service cost	27	46
<b>Total</b>	<b>7,581</b>	<b>7,027</b>

Amounts included in investment income

Net Interest (expenditure)/income	(27)	64
	<b>(27)</b>	<b>64</b>

Amounts recognised in Other Comprehensive Income

	2021	2020
	£'000	£'000
Return on pension plan assets	31,118	6,923
Experience losses arising on defined benefit obligations	2,428	735
Changes in assumptions underlying demographics	(435)	(5,910)
Changes in assumptions underlying the present value of plan liabilities	(19,235)	(443)
<b>Amount recognised in Other Comprehensive Income</b>	<b>13,876</b>	<b>1,305</b>

Movement in net defined benefit asset/(liability) during the year

	2021	2020
	£'000	£'000
Surplus/(Deficit) in scheme at 1st August	377	3,035
Movement in year:		
Current service cost	(7,554)	(6,981)
Employer contributions	2,827	2,962
Past service cost	(27)	(46)
Contributions in respect of unfunded benefits	35	38
Net interest on the defined (liability)/asset	(27)	64
Actuarial gain or loss	13,876	1,305
<b>Net defined benefit asset/(liability) at 31st July</b>	<b>9,507</b>	<b>377</b>

**CHICHESTER COLLEGE GROUP****Notes to the Accounts for the year ended 31st July 2020 (continued)****24 Retirement benefits (continued)****Local Government Pension Scheme (Continued)****Asset and Liability Reconciliation**

	2021	2020
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	172,645	158,979
Current Service cost	7,554	6,981
Past Service cost (including curtailments)	27	46
Interest cost	2,454	3,085
Contributions by Scheme participants	964	930
Experience gains and losses on defined benefit obligations	(2,428)	(735)
Changes in demographic assumptions	435	5,910
Changes in financial assumptions	19,235	443
Estimated benefits paid	(2,912)	(2,956)
Unfunded benefits	(35)	(38)
<b>Defined benefit obligations at end of period</b>	<u>197,939</u>	<u>172,645</u>
<b>Reconciliation of Assets</b>		
Fair value of plan assets at start of period	173,022	162,014
Interest on plan assets	2,427	3,149
Contributions by Scheme participants	964	930
Employer contributions	2,827	2,962
Contributions in respect of unfunded benefits	35	38
Estimated benefits paid	(2,912)	(2,956)
Unfunded benefits paid	(35)	(38)
Return on plan assets	31,118	6,923
<b>Assets at end of period</b>	<u>207,446</u>	<u>173,022</u>

## CHICHESTER COLLEGE GROUP

### Notes to the Accounts for the year ended 31st July 2021 (continued)

#### 25 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £24; 1 governor (2020: £312; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: none).

Gatwick Diamond Business - a company in which a Governor, Jeff Alexander, is Chief Executive. Transactions totalling £2,784 relating to membership fees and alumni lunch. There were no amounts outstanding at the balance sheet date. All transactions were on an arm's length basis.

#### 26 Amounts disbursed as agent

##### Learner support funds

	2021 £'000	2020 £'000
Balance brought forward	330	314
Funding body grants - discretionary learner support	760	745
Funding body grants - residential bursaries	27	27
Funding body grants - Capacity & delivery	-	42
Funding body grants - Free School Meals	136	171
	<u>923</u>	<u>985</u>
Disbursed to students	(990)	(923)
Administration costs	(50)	(46)
	<u>213</u>	<u>330</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

## Chichester College Group Reporting Accountant's Assurance Report on Regularity

**To: The Corporation of Chichester College and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")**

In accordance with the terms of our engagement letter dated 26 May 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the Corporation of Chichester College Group during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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) data returns, for which the ESFA has other assurance arrangements in place.

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

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

The Corporation of Chichester College Group is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are 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 Code. 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 2020 to 31 July 2021 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 Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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.

### **Reporting accountant's assurance report on regularity (continued)**

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.

The work undertaken to draw to our conclusion includes:



## Chichester College Group Reporting Accountant's Assurance Report on Regularity

- An assessment of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including inquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**MHA MacIntyre Hudson**  
Chartered Accountants and Registered Auditor  
London, United Kingdom

Date: 14/12/2021