

**Chesterfield College**  
**Annual Report and Financial Statements**  
**Year ended 31 July 2019**

# **Chesterfield College**

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# Chesterfield College

## Reference and Administrative Details

### Corporation

A full list of members is given on pages 14-17 of these financial statements.

Clerk to the Corporation is Jessica Shore.

### Senior management team

Julie Richards	Principal and CEO; Accounting Officer
Rod Morris	Chief Finance Officer
David Malone	Chief Operating Officer (Appointed 06/02/2019)
Mark Bennington	Chief Commercial Officer (Resigned 31/07/2019)
Chris Todd	Interim Deputy Principal; Learning Skills and Innovation (Resigned 09/11/2018)
Anna Jackson	Vice Principal; Learning Skills and Innovation (Appointed 29/10/2018, Resigned 05/02/2019)

### Principal and Registered Office

Infirmary Road, Chesterfield, S41 7NG

### Professional advisors

External auditors	Mazars LLP, Nottingham
Internal auditors	BDO LLP, Nottingham
Solicitors	Freeths LLP, Nottingham
Bankers	Barclays Bank PLC, Birmingham

# **Chesterfield College**

## **Report of the Corporation**

### **OBJECTIVES AND STRATEGY**

The members present their annual report together with the financial statements and auditor's report for Chesterfield College for the year ended 31 July 2019.

#### **Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### **Mission, Vision and Strategy**

The College's mission and vision remain the same as those adopted in 2015:

##### Our Mission

Inspiring Futures, Changing Lives.

##### Our Vision

To be recognised locally and nationally as an outstanding college by the students, employers and communities we serve.

#### **Implementation of Strategic Plan**

The College's has adopted a new 5 year strategic plan from 2019-2024 and this is reviewed annually and has been developed with its staff, students, governing body and external partners as a statement of the collective ambition for The Chesterfield College Group. This directly feeds into six strategic implementation plans that cover the key areas of the College Group.

The expectations placed on Further Education have changed dramatically over the years. It is now more important than ever that the College's strategic plan embraces and values the staff who dedicate themselves to inspiring the future of every student they teach. Raising the ambitions of the College's students will develop local communities and help support the economy to grow and prosper.

The Chesterfield College Group has pledged to adopt "Great Place to Work", a globally-recognised award which measures workplace culture and staff satisfaction. As a learning organisation, the College commits to its own professional development, equipping staff to deliver high quality education and training for all.

The College's strategy focuses on five key areas: People, looking at customer excellence, developing talented people and offering outstanding services: Performance, developing skills, achieving excellence, and inspiring success: Position, ensuring the College is responsive, ambitious, and an educational business: Prosperity, ensuring the College is financially sound, and equipped to flourish: Progress, driving ambition, enabling progression and maximising potential.

The Chesterfield College Group has much to be proud of and strives for the highest possible standards in everything it does. The successes of its students, the benefits it brings to local and national businesses and the strong partnerships it holds within local communities are evidence of its achievements so far. Together in collaboration with its staff, students and stakeholders, the College continues on its journey to be recognised as a high quality education business, financially sound and equipped to serve the needs of the local community.

### **Resources**

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

Tangible resources include the main College site, Lockoford Lane Automotive Centre and leased premises at Derby, Nottingham, Manchester and Birmingham.

The group has £125,000 net liabilities (2017-18: £9,466,000 net assets), including £19,608,000 pension liability (2017-18: £9,606,000) and total debt of £3,870,000 (2017-18: £4,085,000) with Barclays bank.

At 31<sup>st</sup> July 2019 the College employed 622 people (expressed as full-time equivalents) (2017-18: 572), of whom 281 (2017-18: 243) were teaching or work-based tutors.

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students, employer engagement and external relationships including Local Enterprise Partnerships.

### **Stakeholders**

The College has many stakeholders including:

- Current, future and past students;
- Staff and their trade unions;
- Local and national employers;
- The local community;
- Local borough council, combined authority and Local Enterprise Partnerships;
- Education sector funding bodies;
- FE Commissioner & other FE and HE institutions;
- Professional bodies;
- Bank and leasing companies.

## DEVELOPMENT AND PERFORMANCE

### Financial Results

The inclusion of the LGPS pension costs in accordance with FRS102 has a significant impact on the presentation of the accounts. The table below shows the financial outturn position and the impact of these charges for the group.

	2019 £'000	2018 £'000
<b>Deficit before tax</b>	<b>(1,481)</b>	<b>(1,406)</b>
Adjustment for non-operational items:		
- Pension Reserve Costs	1,850	1,831
<b>Underlying operating surplus</b>	<b>369</b>	<b>425</b>

At 31 July 2019, the College was in breach of one of the lending covenants associated with its bank borrowings. Accordingly, in line with the requirements of accounting standards, the College has reclassified this debt as repayable on demand. The impact of this is to reduce the College's 2019 ESFA "financial health" score from "Outstanding" to "Good". Subsequently to the year end Barclays Bank has formally waived the right to take any action under this breach. This post year end waiver is an unadjusting post balance sheet event.

### Developments

Capital expenditure incurred during 2018-19 amounted to £1,658,000 (2017-18: £1,424,000). Expenditure was incurred in relation to a number of projects and in particular £790,000 on ICT equipment, which forms part of a 3-year strategy to modernise the College's ICT infrastructure.

Significant expenditure was also incurred on the College's estate and systems including the relocation of the College's Sixth Form to West Studios, and the development of a new English and Maths Hub that enhances the student experience and provides quality accommodation to build a strong platform for learning, as well as upgrading Business Information Systems.

The College Group has also invested in diversifying its income streams, and as a consequence has invested in a MOT testing centre in order to train assessors of MOT testing facilities.

### Reserves

The Group has accumulated negative reserves of £125,000 (2017-18: £9,466,000 net assets), however this includes the LGPS pension provision of £19,608,000 (2017-18: £9,606,000), without this provision, accumulated reserves would stand at £19,483,000 (2017-18: £19,072,000). The Group also has cash and short term investment balances of £2,640,000 (2017-18: £4,975,000) and continues to keep a tight control over cash balances, through cash flow forecasting and cash management. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

### **Sources of income**

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018-19, ESFA provided 80.2% (2017-18: 81.2%) of the Group's total income.

### **Group companies**

The College has four trading subsidiary companies, Training Services 2000 Limited, Recruit Unlimited Limited, Chesterfield College Enterprises Limited and Learning Unlimited ATA Limited.

The principal activity of Training Services 2000 Limited is as a training provider, whilst Recruit Unlimited Limited carries out recruitment services and provides ancillary support services. Chesterfield College Enterprises Limited operates a restaurant. Learning Unlimited ATA Limited, a new subsidiary in the year, is an apprenticeship training agency. Any surpluses generated by the subsidiaries are transferred to the College by Gift Aid distribution.

In the current year, Training Services 2000 Limited generated a surplus of £879,948 (2017-18: £643,812), Recruit Unlimited Limited generated a deficit of £1,554 (2017-18: £4,479), Chesterfield College Enterprises Limited generated a deficit of £89,014 (2017-18: £11,902) and Learning Unlimited ATA Limited generated a deficit of £5,183.

## **FUTURE PROSPECTS**

### **Developments**

The College continues to develop its curriculum offer and in order to do this the College will carry out a strategic review of each curriculum area. These reviews will look at the end-to-end training needs in the area and determine the strategic implementation plan that sits alongside the Group Strategic Plan. This review will also consider other non-grant funded income and how it can diversify current income streams in order to enhance financial performance, which will enable the College to reinvest where needed.

The College will refurbish its Lilypad restaurant operating within Chesterfield College Enterprises to enable growth and introduce a student led enterprise of outstanding quality. This will give students valuable real world experiences that will be vital for their continued growth and learning.

The College continues to rationalise its ICT infrastructure and is moving to a suite of Business Information Systems that are from a single source. This will enable harmonious integration enabling staff to spend less time on administrative duties and more time developing core activities.

The College continues to diversify its income streams, investing in Digital Marketing, Curriculum Design and Sales strategies to grow the current short accredited and non-accredited course offer.

### **Financial plan**

The College governors approved a financial plan in July 2019 which set financial targets and objectives for the period to 31 July 2021.

### **Treasury policies and objectives**

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the Corporation.

### **Cash flows and liquidity**

The College's net outflow of cash from operation activities of £1,046,000 (2017-18: £205,000) was largely due to working capital timing differences and growth in non-grant funded income on which customers have agreed payment terms.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

### **Reserves**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at negative £6,493,000 (2017-18: positive £2,925,000), however this includes the LGPS pension provision of £19,608,000 (2017-18: £9,606,000), without this provision, Income and Expenditure reserves would stand at £13,115,000 (2017-18: £12,531,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

### **Going concern**

The Group has net liabilities of £125,000 (2017-18: £9,466,000 net assets), however this includes the LGPS pension provision of £19,608,000 (2017-18: £9,606,000), without this provision, net assets would stand at £19,483,000 (2017-18: £19,072,000).

The College currently has £3,870,000 (2017-18: £4,085,000) of loans outstanding with bankers on terms negotiated in 2017. At 31 July 2019, the College was in breach of one of the lending covenants associated with its bank borrowings. Subsequent to the year end Barclays Bank has formally waived the right to take action under this breach. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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



## **PRINCIPAL RISKS AND UNCERTAINTIES**

### **Risk management**

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

The main risk factors affecting the College are outlined below:

- Customer excellence and outstanding quality of service are not achieved (People)
- Behaviours are not in line with College Professional Values (People)
- Student programme outcomes and career aspirations are not achieved (Performance)
- Strong and effective strategic partnerships are not built (Position)
- The offer is not shaped to meet local needs (Position)
- Failure to respond to Government Educational Priorities or funding changes (Position)
- A sustainable platform for financial health is not created (Prosperity)
- Failure to innovate (Prosperity)
- Downtime as a consequence of a business continuity event (Prosperity)
- Cyber-attack/loss of Data (Prosperity)
- Failure to deliver business growth and support financial sustainability (Prosperity)

With the assistance of BDO LLP, the College's internal auditors, the Senior Management Team have undertaken a comprehensive review of its strategic risks which will continue to be monitored throughout the financial year.

### **Implications of Britain exiting the European Union**

Although uncertainties will remain around the wider economic impact of Brexit, the College doesn't rely on any EU funding, or have any significant trading operations outside of Britain. Therefore the Members of the Corporation do not believe there are any immediate, obvious or significant risks to the future of the College associated with Brexit.

## PERFORMANCE INDICATORS

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

Key Performance Area	Strategic Intent	Performance Measure	Target Value	Actual Value
Prosperity	Financially sound, equipped to flourish	Surplus (before LGPS actuarial adjustment)	2.75%	1.3%
		Pay to income ratio (education specific adjusted 9d)	<= 65.0%	65.2%
		Short-term debt as a proportion of income	<= 20.0%	25.8%
		Current ratio	>= 1.5	0.92
		ESFA financial health grade	Good	Good
Performance	Developing skills, achieving excellence, inspiring success	Achievement rates for classroom provision	>= 83%	79.4%
		Achievement rates for work-based provision	>= 88%	87.6%
		Achievement rates for maths and English provision	>= 80%	76.6%
		Achievement rates for HE provision	>= 88%	77.7%
Progress	Driving ambition, enabling progression, maximising potential	Value-added score for Applied General provision	<= 6	6
		Value-added score for Academic provision	<= 6	8
Position	Responsive, ambitious, educational business	Number of students enrolled	>= 9,324	8,659
		Proportion of employers who express satisfaction with College services	>= 95.0%	83%
People	Customer excellence, talented people, outstanding services	Proportion of students who express satisfaction with College services	>= 95.0%	91%
		Staff completion of mandatory training	100%	95%
		Staff turnover	<= 15%	13%

## **Student achievements**

Students continue to prosper at the College. Achievement rates remained high in 2018/9, 96.9% of 16-18 year olds and 93.8% of total students moved into employment, further or higher education after they completed College.

## **PUBLIC BENEFIT**

### **Public Benefit**

Chesterfield College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14-17. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

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

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Excellent employment record for students, providing 'work ready' students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

### **Equality**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Intranet site.

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

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

## Disability statement

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

- a) Accessible premises – The College complies with the requirements to ensure that premises are accessible and reasonable adjustment is made to ensure that disabled students and staff can access our premises.
- b) Training and development – The College delivers quality and diversity training and disability awareness training, including events specifically designed to enable tutors and support staff to deliver a better service to students with a disability.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

## Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
5	4.0

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£13,350
Total pay bill	£19,811,000
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	60%

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2018 to 31 July 2019, the College paid 96.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

**Approved by order of the members of the Corporation on 19<sup>th</sup> December 2019 and signed on its behalf by:**



**Beej Kaczmarczyk**

**Acting Chair of Corporation**

# Chesterfield College

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. 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 Governors, the College complies all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 25 June 2015.

### The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2018/9
Joe Battye	06.12.17	4 years		Independent Member	Corporation	3/6
				Independent Member	Finance & Corporate Services	3/6
Janet Beaumont	01.10.18	4 years		Co-opted Member – Chair	Remuneration	2/2
Saskia Bedder	01.09.18	1 year	04.04.19	Student Governor	Corporation	1/3
Huw Bowen	18.05.17	4 years	01.09.19	Independent Member	Corporation	3/6
				Independent Member	Audit Committee	2/3
Chris Brightman-White	11.12.18	4 years	25.09.19	Co-opted Member	Finance & Corporate Services	2/4

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2018/9
Tony Cawthorne	01.09.17	4 years		Co-opted Member	Standards & performance	3/9
John Croot	18.05.17	4 years		Independent Member	Corporation	5/6
				Independent Member	Finance & Corporate Services	4/6
Keith Dennis	22.03.18	4 years		Chair	Corporation	6/6
				Independent Member	Standards & Performance	5/7
				Independent Member	Remuneration	2/2
				Chair	Governance & Search	3/3
Ivan Fomin	01.09.18	4 years	06.09.19	Independent Member	Corporation	5/6
				Independent Member	Finance & Corporate Services	5/5
Howard Freeman	11.12.18	4 years	09.10.19 (Recruited as Independent Member 10/10/19)	Co-opted Member	Audit Committee	3/3
Martyn Glossop	26.06.17	4 years		Co-opted Member	Standards & performance	8/9
Jan Hemper	11.04.19	4 years		Independent Member	Corporation	2/3
Julia Hodder	01.09.18	4 years		Independent Member	Corporation	5/6
				Independent Member	Standards & Performance	3/8
Beej Kaczmarczyk	22.03.18	4 years		Vice Chair	Corporation	5/6
				Chair	Finance & Corporate Services	6/6
				Independent Member	Remuneration	2/2

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2018/9
				Independent Member	Governance & Search	2/3
Geoff Leyland	05.12.16	4 years		Independent Member	Corporation	4/6
				Chair	Standards & Performance	9/9
				Independent Member	Remuneration	2/2
				Independent Member	Governance & Search	3/3
John McElvaney	01.09.18	4 years		Independent Member	Corporation	5/6
				Independent Member	Audit	3/3
Leigh McKenzie	11.04.19	4 years		Independent Member	Corporation	2/2
Richard Naylor	01.09.18			Staff Governor	Corporation	4/6
				Staff Governor	Standards & Performance	5/9
Julie Richards	01.03.17	Principal / CEO		Corporation	Principal / CEO	6/6
				Member	Finance & Corporate Services	6/6
				Member	Standards & Performance	9/9
				Member	Governance & Search	2/3
Dominic Staniforth	01.09.19	4 years		Independent Member	Corporation	6/6
				Chair	Audit	3/3
				Independent Member	Remuneration	1/2
				Independent Member	Governance & Search	1/3
Geoff Taster	01.09.18	4 years		Co-opted Member	Finance & Corporate Services	6/6



	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance in 2018/9</b>
Allison Westray-Chapman	01.09.18	4 years		Independent Member	Corporation	4/6
				Independent Member	Standards & performance	3/8

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance & Corporate Services, Remuneration, Audit, Standards & Performance, and Governance & Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [chesterfield.ac.uk](http://chesterfield.ac.uk) or from the Clerk to the Corporation at the colleges registered address.

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

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

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

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

#### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance & Search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

## **Corporation performance**

The Corporation is currently carrying out a self-assessment of its own performance for the year ended 31st July 2019, with the process yet to be finalised.

## **Remuneration Committee**

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

## **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

## **Internal control**

### *Scope of responsibility*

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in Chesterfield College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. On an annual basis the Audit Committee reports to the Corporation on a range of matters including the progress and status of the external audit, the progress and status of internal audit matters, the Risk Management framework, internal controls, as well as any FE Funding body issues.

### *Review of effectiveness*

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

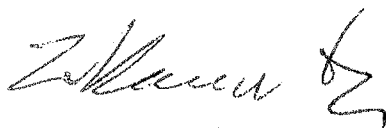
- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance,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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

**Approved by order of the members of the Corporation on 19 December 2019 and signed on its behalf by:**



Beej Kaczmarczyk  
Acting Chair of Corporation



Julie Richards  
Accounting Officer

# Chesterfield College

## Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's 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 College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contract with ESFA, or any other public funder.

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.



Julie Richards

Accounting Officer

19<sup>th</sup> December 2019



Beej Kaczmarczyk

Acting Chair of Governors

19<sup>th</sup> December 2019

# Chesterfield College

## Statement of Responsibilities of the Members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the college'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 2015 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 college 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with 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 to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of the college's website; the work carried out by 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 and any other public funds 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 by ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the college's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 19<sup>th</sup> December 2019 and signed on its behalf by:



Beej Kaczmarczyk

Acting Chair of Governors

# Chesterfield College

## **Independent auditor's report to the members of Chesterfield College and its subsidiaries**

We have audited the financial statements of Chesterfield College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019 and of the Group's and College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

The Directors' view on the impact of Brexit is disclosed on page 9.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.



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

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 22, 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's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to cease operations, or have no realistic alternative but to do so.

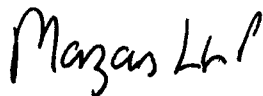
#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Use of the audit report**

This report is made solely to the Corporation as a body in accordance with Article 22 of 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.



**Mazars LLP**

Chartered Accountants and Statutory Auditor

Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Date: 20/12/19

# **Chesterfield College**

## **Reporting accountant's assurance report on regularity**

**To: The Corporation of Chesterfield College and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 16 October 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency 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 Chesterfield College during the period 1 August 2018 to 31 July 2019 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Corporation of Chesterfield College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Chesterfield College and the Department 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 Chesterfield College and the Department for our work, for this report, or for the conclusion we have formed.

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

The Corporation of Chesterfield College 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2018 to 31 July 2019 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 Department. 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.

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:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Mazars LLP*

**Mazars LLP**

Chartered Accountants and Statutory Auditor

Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Date: *20/12/19*

# Chesterfield College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	23,581	21,438	24,439	22,742
Tuition fees and education contracts	3	2,457	2,265	3,096	2,844
Other income	4	2,267	1,649	1,706	1,419
Investment income	5	14	14	14	14
Donations and Endowments	6	-	697	-	-
<b>Total income</b>		<b>28,319</b>	<b>26,063</b>	<b>29,255</b>	<b>27,019</b>
<b>EXPENDITURE</b>					
Staff costs	7	20,138	18,891	20,387	19,411
Fundamental restructuring costs	7	172	170	651	651
Other operating expenses	8	7,651	6,634	7,980	7,556
Depreciation	11	1,308	1,216	1,143	1,077
Amortisation	12	40	-	35	-
Interest and other finance costs	9	501	501	475	475
<b>Total expenditure</b>		<b>29,810</b>	<b>27,412</b>	<b>30,671</b>	<b>29,170</b>
<b>Deficit before other gains and losses</b>		<b>(1,491)</b>	<b>(1,349)</b>	<b>(1,416)</b>	<b>(2,151)</b>
Gain on disposal of assets	11	10	10	10	10
<b>Deficit before tax</b>		<b>(1,481)</b>	<b>(1,339)</b>	<b>(1,406)</b>	<b>(2,141)</b>
Taxation	10	42	-	10	-
<b>Deficit for the year</b>		<b>(1,439)</b>	<b>(1,339)</b>	<b>(1,396)</b>	<b>(2,141)</b>
Actuarial loss in respect of pensions schemes	21	(8,152)	(8,152)	4,229	4,229
<b>Total Comprehensive Income for the year</b>		<b>(9,591)</b>	<b>(9,491)</b>	<b>2,833</b>	<b>2,088</b>
<b>Represented by:</b>					
<b>Unrestricted comprehensive income</b>		<b>(9,591)</b>	<b>(9,491)</b>	<b>2,833</b>	<b>2,088</b>
		<b>(9,591)</b>	<b>(9,491)</b>	<b>2,833</b>	<b>2,088</b>

The statement of comprehensive income is in respect of continuing activities.

# Chesterfield College

## Consolidated and College Statement of Changes in Reserve


	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Group</b>			
<b>Balance at 1<sup>st</sup> August 2017</b>	(81)	6,714	6,633
Deficit from the income and expenditure account	(1,396)	-	(1,396)
Other comprehensive income	4,229	-	4,229
Transfers between revaluation and income and expenditure reserves	173	(173)	-
	3,006	(173)	2,833
<b>Balance at 31<sup>st</sup> July 2018</b>	2,925	6,541	9,466
Deficit from the income and expenditure account	(1,439)	-	(1,439)
Other comprehensive income	(8,152)	-	(8,152)
Transfers between revaluation and income and expenditure reserves	173	(173)	-
<b>Total comprehensive income for the year</b>	(9,418)	(173)	(9,591)
<b>Balance at 31<sup>st</sup> July 2019</b>	(6,493)	6,368	(125)
<b>College</b>			
<b>Balance at 1<sup>st</sup> August 2017</b>	161	6,714	6,875
Deficit from the income and expenditure account	(2,141)	-	(2,141)
Other comprehensive income	4,229	-	4,229
Transfers between revaluation and income and expenditure reserves	173	(173)	-
	2,261	(173)	2,088
<b>Balance at 31<sup>st</sup> July 2018</b>	2,422	6,541	8,963
Deficit from the income and expenditure account	(1,339)	-	(1,339)
Other comprehensive income	(8,152)	-	(8,152)
Transfers between revaluation and income and expenditure reserves	173	(173)	-
<b>Total comprehensive income for the year</b>	(9,318)	(173)	(9,491)
<b>Balance at 31<sup>st</sup> July 2019</b>	(6,896)	6,368	(528)


# Chesterfield College

Balance sheets as at 31 July 2019

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Non-current assets</b>					
Tangible Fixed assets	11	23,162	22,986	22,812	22,582
Intangible fixed assets	12	533	-	537	-
Investments	13	-	1,000	-	1,072
		<u>23,695</u>	<u>23,986</u>	<u>23,349</u>	<u>23,654</u>
<b>Debtors: amounts falling due after one year</b>	14	<b>2,042</b>	<b>2,042</b>	<b>2,142</b>	<b>2,142</b>
<b>Current assets</b>					
Stocks		89	75	21	21
Trade and other receivables	14	3,965	4,104	2,216	2,420
Cash and cash equivalents	19	2,640	1,463	4,975	3,342
		<u>6,694</u>	<u>5,642</u>	<u>7,212</u>	<u>5,783</u>
<b>Creditors – amounts falling due within one year</b>	15	<b>(7,297)</b>	<b>(6,939)</b>	<b>(4,331)</b>	<b>(3,753)</b>
<b>Net current assets</b>		<u><b>(603)</b></u>	<u><b>(1,297)</b></u>	<u><b>2,881</b></u>	<u><b>2,030</b></u>
<b>Total assets less current liabilities</b>		<b>25,134</b>	<b>24,731</b>	<b>28,372</b>	<b>27,826</b>
<b>Creditors – amounts falling due after more than one year</b>	16	<b>(5,651)</b>	<b>(5,651)</b>	<b>(9,257)</b>	<b>(9,257)</b>
<b>Provisions</b>					
Defined benefit obligations	18	(19,608)	(19,608)	(9,606)	(9,606)
Other provisions	18	-	-	(43)	-
<b>Total net assets</b>		<u><b>(125)</b></u>	<u><b>(528)</b></u>	<u><b>9,466</b></u>	<u><b>8,963</b></u>
<b>Unrestricted Reserves</b>					
Income and expenditure account		(6,493)	(6,896)	2,925	2,422
Revaluation reserve		6,368	6,368	6,541	6,541
<b>Total unrestricted reserves</b>		<u><b>(125)</b></u>	<u><b>(528)</b></u>	<u><b>9,466</b></u>	<u><b>8,963</b></u>

The financial statements on pages 29 to 56 were approved and authorised for issue by the Corporation 19<sup>th</sup> December 2019 and were signed on its behalf on that date by:

  
Beej Kaczmarczyk  
Acting Chair

  
Julie Richards  
Accounting Officer

# Chesterfield College

## Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(1,439)	(1,396)
<b>Adjustment for non-cash items</b>			
Depreciation		1,308	1,143
Amortisation		40	35
Increase in stocks		(68)	(1)
Increase in debtors due within one year		(1,749)	(772)
Decrease in debtors due after one year		100	100
Decrease in creditors due within one year		(1,027)	(1,265)
(Decrease)/increase in creditors due after one year		(205)	13
(Decrease)/increase in provisions		(43)	-
Pensions costs less contributions payable		1,850	1,831
<b>Adjustment for investing or financing activities</b>			
Investment income		(14)	(14)
Interest payable		211	131
Loss on sale of fixed assets		(10)	(10)
<b>Net cash flow from operating activities</b>		<u>(1,046)</u>	<u>(205)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		10	456
Investment income		14	14
Payments made to acquire fixed assets		(1,605)	(1,424)
		<u>(1,581)</u>	<u>(954)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(118)	(109)
Interest element of finance lease rental payments		(93)	(22)
New finance leases		927	340
Repayments of amounts borrowed		(215)	(215)
Capital element of finance lease rental payments		(209)	(53)
		<u>292</u>	<u>(59)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(2,335)</u>	<u>(1,218)</u>
Cash and cash equivalents at beginning of the year	19	4,975	6,193
Cash and cash equivalents at end of the year	19	2,640	4,975



# Chesterfield College

## Notes to the Financial Statements

### 1. 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.

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

#### Basis of accounting

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

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Training Services 2000 Limited, Recruit Unlimited Limited, Chesterfield College Enterprises Limited and Learning Unlimited ATA 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. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

#### Going concern

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

The Group has net liabilities of £125,000 (2017-18: £9,466,000 net assets), however this includes the LGPS pension provision of £19,608,000 (2017-18: £9,606,000), without this provision, net assets would stand at £19,483,000 (2017-18: £19,072,000).

The College currently has £3,870,000 of loans outstanding with bankers on terms negotiated in 2017. At 31 July 2019, the College was in breach of one of the lending covenants associated with its bank borrowings. Accordingly, in line with the requirements of accounting standards, the College has reclassified this debt as repayable on demand. Subsequent to the year end, Barclays Bank has formally waived the right to take action under this breach.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

## **Recognition of income**

### ***Revenue grant funding***

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

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

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

### ***Fee income***

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

### ***Investment income***

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

### ***Agency arrangements***

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

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

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

#### ***Teachers' Pension Scheme (TPS)***

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

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

#### ***Derbyshire Local Government Pension Scheme (LGPS)***

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

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

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

### **Short term Employment benefits**

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

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

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

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 life to the College of 50 years.

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

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, 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 July. They are not depreciated until they are brought into use.

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

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

#### ***Equipment***

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- |                                    |         |
|------------------------------------|---------|
| • motor vehicles                   | 4 years |
| • computer equipment               | 5 years |
| • furniture, fixtures and fittings | 5 years |

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

#### **Intangible assets and goodwill**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Income and Expenditure Account over its estimated economic life.

#### **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.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. 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.

#### **Inventories**

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

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

### **Foreign currency translation**

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

### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

## **Provisions and contingent liabilities**

Provisions are recognised when

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

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

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

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

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

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

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

### ***Other key sources of estimation uncertainty***

- ***Tangible fixed assets***

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2019. 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.

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – adult	2,461	2,180	2,060	2,060
Education and Skills Funding Agency – 16 -18	13,030	13,030	14,424	14,398
Education and Skills Funding Agency – apprenticeships	7,215	5,373	7,278	5,673
Office for students	465	445	484	418
<b>Specific grants</b>				
Releases of government capital grants	216	216	193	193
Other specific grants	194	194	-	-
<b>Total</b>	<b>23,581</b>	<b>21,438</b>	<b>24,439</b>	<b>22,742</b>
3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	509	355	505	505
Apprenticeship contracts	148	110	162	131
Fees for FE loan supported courses	509	509	643	576
Fees for HE loan supported courses	1,291	1,291	1,736	1,582
<b>Total tuition fees</b>	<b>2,457</b>	<b>2,265</b>	<b>3,046</b>	<b>2,794</b>
Education contracts	-	-	50	50
<b>Total</b>	<b>2,457</b>	<b>2,265</b>	<b>3,096</b>	<b>2,844</b>



4 Other income	Year ended 31 July		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Catering and residences	778	512	495	495
Other income generating activities	45	45	197	197
Other grant income	229	229	-	-
Miscellaneous income	1,215	863	1,014	803
<b>Total</b>	<b>2,267</b>	<b>1,649</b>	<b>1,706</b>	<b>1,419</b>

5 Investment income	Year ended 31 July		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Other interest receivable	14	14	14	14
Net return on pension scheme (note 21)	-	-	-	-
<b>Total</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>

6 Donations – College only	Year ended 31 July	Year ended 31 July
	2019 £'000	2018 £'000
Unrestricted donations from subsidiary companies	697	-
<b>Total</b>	<b>697</b>	<b>-</b>

## 7 Staff costs – Group and College

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

	2019 Group No.	2019 College No.	2018 Group No.	2018 College No.
Teaching staff	281	259	275	225
Non-teaching staff	341	264	354	333
	<b>622</b>	<b>524</b>	<b>629</b>	<b>558</b>
<b>Staff costs for the above persons</b>				
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Wages and salaries	15,171	14,102	15,139	14,279
Social security costs	1,223	1,106	1,357	1,282
Other pension costs	3,417	3,366	3,386	3,364
<b>Payroll sub total</b>	<b>19,811</b>	<b>18,574</b>	<b>19,882</b>	<b>18,925</b>
Contracted out staffing services	327	317	505	486
	<b>20,138</b>	<b>18,891</b>	<b>20,387</b>	<b>19,411</b>
Restructuring costs – Contractual	172	170	651	651
– Non contractual	-	-	-	-
<b>Total Staff costs</b>	<b>20,310</b>	<b>19,061</b>	<b>21,038</b>	<b>20,062</b>

The restructuring costs were approved by the Principal under delegated authority from the Corporation.

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team, as detailed on page 3. Staff costs include compensation paid to key management personnel for loss of office.

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>7</u>

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

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£70,001 to £75,000 p.a.	1	1	1	-
£85,001 to £90,000 p.a.	2	2	-	-
£90,001 to £95,000 p.a.	1	2	-	-
£100,001 to £105,000 p.a.	1	-	-	-
£110,001 to £115,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	1	1	-	-
	<u>6</u>	<u>7</u>	<u>1</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salary – gross of salary sacrifice & waived emoluments	420	540
Social security contributions	60	69
Benefits in kind	2	2
Pension contributions	45	49
Total key management personnel compensation	<u>527</u>	<u>660</u>

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

The above compensation includes amounts paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	146	145
Other including benefits in kind	2	2
Pension contributions	19	19
	<u>167</u>	<u>166</u>

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

#### **Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	5.55	5.72
Principal and CEO's total remuneration as a multiple of the median of all staff	5.68	5.8

The above have been calculated by dividing the median annualised salary of all staff employed by the Group during the year (excluding agency workers and the Principal), by the annual salary of the Principal for the year.

#### **Compensation for loss of office paid to former key management personnel**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid to the former post-holder – contractual	51	50

The severance payments were approved by the College's Remuneration Committee.

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

**8 Other operating expenses**

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teaching costs	3,066	2,819	2,413	2,263
Non-teaching costs	2,791	2,359	3,963	3,982
Premises costs	1,794	1,456	1,604	1,311
<b>Total</b>	<b><u>7,651</u></b>	<b><u>6,634</u></b>	<b><u>7,980</u></b>	<b><u>7,556</u></b>

**Other operating expenses include:**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	33	42
Internal audit**	16	12
Other services provided by the financial statements auditor	11	12
Hire of assets under operating leases	<u>252</u>	<u>280</u>

\* includes £28,000 in respect of the College

\*\* includes £16,000 in respect of the College

**9 Interest and other finance costs – Group and College**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	118	109
	<u>118</u>	<u>109</u>
On finance leases	92	22
Net interest on defined pension liability (note 19)	291	344
<b>Total</b>	<b><u>501</u></b>	<b><u>475</u></b>

**10 Taxation – Group only**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 19 per cent	-	(10)
Provision for deferred corporation tax in the accounts of the subsidiary company	(42)	-
<b>Total</b>	<b><u>(42)</u></b>	<b><u>(10)</u></b>

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.

# 11 Tangible fixed assets (Group)

	Freehold Land and Buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	27,216	11,820	305	39,341
Additions	517	939	202	1,658
Disposals	-	(5,283)	-	(5,283)
Cost transfer	90	215	(305)	-
<b>At 31 July 2019</b>	<b>27,823</b>	<b>7,691</b>	<b>202</b>	<b>35,716</b>
<b>Depreciation</b>				
At 1 August 2018	6,465	10,064	-	16,529
Charge for the year	644	664	-	1,308
Elimination in respect of disposals	-	(5,283)	-	(5,283)
<b>At 31 July 2019</b>	<b>7,109</b>	<b>5,445</b>	<b>-</b>	<b>12,554</b>
<b>Net book value at 31 July 2019</b>	<b>20,714</b>	<b>2,246</b>	<b>202</b>	<b>23,162</b>
<b>Net book value at 31 July 2018</b>	<b>20,751</b>	<b>1,756</b>	<b>305</b>	<b>22,812</b>

**11 Tangible fixed assets (College only)**

	Freehold Land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000		£'000
<b>Cost or valuation</b>				
At 1 August 2018	27,073	11,157	305	38,535
Additions	517	901	202	1,620
Cost transfer	90	215	(305)	-
Disposals	-	(5,120)	-	(5,120)
<b>At 31 July 2019</b>	<b>27,680</b>	<b>7,153</b>	<b>202</b>	<b>35,035</b>
<b>Depreciation</b>				
At 1 August 2018	6,375	9,578	-	15,953
Charge for the year	644	572	-	1,216
Elimination in respect of disposals	-	(5,120)	-	(5,120)
<b>At 31 July 2019</b>	<b>7,019</b>	<b>5,030</b>	<b>-</b>	<b>12,049</b>
<b>Net book value at 31 July 2019</b>	<b>20,661</b>	<b>2,123</b>	<b>202</b>	<b>22,986</b>
<b>Net book value at 31 July 2018</b>	<b>20,698</b>	<b>1,579</b>	<b>305</b>	<b>22,582</b>

The net book value of equipment includes an amount of £1,018,000 (2017/18 – £318,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £141,000 (2017/18 – £22,000).

**12 Intangible fixed assets (Group)**

	Goodwill £'000
<b>Cost or valuation</b>	
At 1 August 2018	1,000
Additions	36
<b>At 31 July 2019</b>	<b>1,036</b>
<b>Depreciation</b>	
At 1 August 2018	463
Charge for the year	40
<b>At 31 July 2019</b>	<b>503</b>
<b>Carrying amount at 31 July 2019</b>	<b>533</b>
<b>Carrying amount at 31 July 2018</b>	<b>537</b>

### 13 Non-current investments

	College 2019 £'000	College 2018 £'000
Investments in subsidiary companies	1,000	1,072
<b>Total</b>	<b>1,000</b>	<b>1,072</b>

The College owns 100% of the issued ordinary £1 shares of Training Services 2000 Limited, a company incorporated in England and Wales. The principal business activity of the company is that of a training provider.

The College owns 100% of the issued ordinary £1 shares of Recruit Unlimited Limited, a company incorporated in England and Wales. The principal business activity of the company is that of a recruitment business.

The College owns 100% of the issued ordinary £1 shares of Learning Unlimited ATA Limited, a company incorporated in England and Wales. The principal business activity of the company is that of an apprenticeship training agency.

The College owns 100% of the issued ordinary £1 shares of Chesterfield College Enterprises Limited, a company incorporated in England and Wales. The principal business activity of the company is that of running licensed restaurants.

### 14 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due after one year:				
Prepayments	2,042	2,042	2,142	2,142
Amounts falling due within one year:				
Trade receivables	632	298	419	306
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,429	-	712
Prepayments and accrued income	1,080	853	966	716
Amounts owed by the ESFA	2,253	1,524	831	686
<b>Total</b>	<b>3,965</b>	<b>4,104</b>	<b>2,216</b>	<b>2,420</b>



**15 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	3,870	3,870	215	215
Obligations under finance leases	338	338	89	89
Trade payables	595	515	591	521
Corporation tax	-	-	1	-
Other taxation and social security	539	342	466	342
Accruals and deferred income	933	902	1,636	1,442
Holiday pay accrual	27	27	30	30
Deferred income - government capital grants	210	210	221	221
Deferred income - government revenue grants	1	1	48	48
Amounts owed to the ESFA	546	506	662	528
Other creditors	238	228	372	317
<b>Total</b>	<b>7,297</b>	<b>6,939</b>	<b>4,331</b>	<b>3,753</b>

At 31 July 2019, the college was in breach of one of the lending covenants associated with its bank borrowings. Accordingly, in line with the requirements of accounting standards, the College has reclassified this debt as repayable on demand. Subsequent to the year end Barclays Bank has formally waived the right to take any action under this breach.

**16 Creditors: amounts falling due after one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans	-	-	3,870	3,870
Obligations under finance leases	667	667	198	198
Deferred income - government capital grants	4,984	4,984	5,189	5,189
<b>Total</b>	<b>5,651</b>	<b>5,651</b>	<b>9,257</b>	<b>9,257</b>

## 17 Maturity of debt

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
In one year or less	3,870	3,870	215	215
Between one and two years	-	-	215	215
Between two and five years	-	-	645	645
In five years or more	-	-	3,010	3,010
<b>Total</b>	<b>3,870</b>	<b>3,870</b>	<b>4,085</b>	<b>4,085</b>

A bank loan at 2.10 per cent over base rate repayable by instalments falling due between 25 July 2018 and 24 July 2037 totalling £4,300,000, is secured on a portion of the freehold land and buildings of the College.

At 31 July 2019, the college was in breach of one of the lending covenants associated with its bank borrowings. Accordingly, in line with the requirements of accounting standards, the College has reclassified this debt as repayable on demand. Subsequent to the year end Barclays Bank has formally waived the right to take any action under this breach.

Taking the waiver into account, bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
In one year or less	215	215	215	215
Between one and two years	215	215	215	215
Between two and five years	645	645	645	645
In five years or more	2,795	2,795	3,010	3,010
<b>Total</b>	<b>3,870</b>	<b>3,870</b>	<b>4,085</b>	<b>4,085</b>

### (b) Finance leases

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

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
In one year or less	338	338	89	89
Between two and five years	667	667	198	198
In five years or more	-	-	-	-
<b>Total</b>	<b>1,005</b>	<b>1,005</b>	<b>287</b>	<b>287</b>

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

## 18 Provisions (Group and College)

	Defined benefit obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2018	9,606	43	9,649
(Debits)/credits in the period	10,002	(43)	9,959
<b>At 31 July 2019</b>	<b>19,608</b>	<b>-</b>	<b>19,608</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 21.

## 19 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,975	(2,335)	-	2,640
Overdrafts	-	-	-	-
<b>Total</b>	<b>4,975</b>	<b>(2,335)</b>	<b>-</b>	<b>2,640</b>

## 20 Lease obligations

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

	Group and College	
	2019	2018
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	245	199
Later than one year and not later than five years	865	772
Later than five years	138	276
	<u>1,248</u>	<u>1,247</u>
<b>Other</b>		
Not later than one year	7	-
Later than one year and not later than five years	1	-
Later than five years	-	-
	<u>8</u>	<u>-</u>
<b>Total lease payments due</b>	<b>1,256</b>	<b>1,247</b>

## 21 Defined benefit obligations

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

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

Total pension cost for the year	2018-9 £'000	2017-8 £'000
Teachers' Pension Scheme: contributions paid	771	865
Local Government Pension Scheme:		
Contributions paid	994	1,099
FRS 102 (28) charge	1,559	1,487
Charge to the Statement of Comprehensive Income	2,553	2,586
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b>3,324</b>	<b>3,451</b>

### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme 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.

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

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

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

The pension costs paid to TPS in the year amounted to £771,000 (2018: £865,000)

#### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Derbyshire County Council Local Authority. The total contributions made for the year ended 31 July 2019 were £1,416,000, of which employer's contributions totalled £994,000 and employees' contributions totalled £422,000. The agreed contribution rates for future years are 12.9% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
Rate of increase in salaries	2.9%	2.9%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums	50%	50%

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

	<b>At 31 July 2019 Years</b>	<b>At 31 July 2018 years</b>
<i>Retiring today</i>		
Males	21.9	21.9
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	23.9	23.9
Females	26.5	26.5

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

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equity instruments	26,377	26,478
Bonds	9,785	7,509
Property	3,404	2,766
Cash	2,978	2,766
<b>Total fair value of plan assets</b>	<b>42,544</b>	<b>39,519</b>

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

	2019	2018
	£'000	£'000
Fair value of plan assets	42,544	39,519
Present value of plan liabilities	(62,152)	(49,125)
<b>Net pensions liability</b>	<b>(19,608)</b>	<b>(9,606)</b>

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

	2019	2018
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	2,326	2,446
Past service cost	227	140
<b>Total</b>	<b>2,553</b>	<b>2,586</b>
<b>Amounts included in investment income</b>		
Net interest income	291	344
	<b>291</b>	<b>344</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	1,364	1,896
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(9,516)	2,333
<b>Amount recognised in Other Comprehensive Income</b>	<b>(8,152)</b>	<b>4,229</b>

# **Movement in net defined benefit liability during year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(9,606)	(12,004)
Movement in year:		
Current service cost	(2,326)	(2,446)
Employer contributions	994	1,099
Past service cost	(227)	(140)
Net interest on the defined	(291)	(344)
Actuarial gain or loss	(8,152)	4,229
<b>Net defined benefit liability at 31 July</b>	<b>(19,608)</b>	<b>(9,606)</b>

# **Asset and Liability Reconciliation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	49,125	47,953
Current service cost	2,326	2,446
Interest cost	1,404	1,323
Contributions by Scheme participants	422	409
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	9,516	(2,333)
Estimated benefits paid	(868)	(813)
Past Service cost	227	140
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>62,152</b>	<b>49,125</b>

# **Changes in fair value of plan assets**

Fair value of plan assets at start of period	39,519	35,949
Interest on plan assets	1,113	979
Return on plan assets	1,364	1,896
Employer contributions	994	1,099
Contributions by Scheme participants	422	409
Estimated benefits paid	(868)	(813)
<b>Fair value of plan assets at end of period</b>	<b>42,544</b>	<b>39,519</b>

These accounts show a past service cost of £227,000 in respect of the McCloud judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision equates to 1.2% of the total scheme liability as at 31 March 2019.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs.

## **22 Related party transactions**

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the members during the year was £2,030; 4 members (2018: £1,608; 1 member). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending meetings and charity events in their official capacity.

No member has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

## **23 Amounts disbursed as agent**

### **Learner support funds**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
16-18 bursary grants	521	526
Other funding body grants	57	79
Interest earned	-	-
	<hr/> 578	<hr/> 605
Disbursed to students	(312)	(157)
Administration costs	(26)	(34)
Amounts consolidated in the financial statements	-	(450)
	<hr/> 240	<hr/> (36)
Balance unspent as at 31 July, included in creditors	<hr/> 240	<hr/> (36)

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