# CHESTERFIELD COLLEGE

## Report and Financial Statements

## For the year ended 31 July 2018

# Chesterfield College

## Contents

# Chesterfield College

## Reference and Administrative Details

**Corporation**
A full list of members is given on pages 17-19 of these financial statements.

Clerk to the Corporation is Mrs Sandra Stewart.

**Senior management team**

| | |
|---|---|
| Julie Richards | Principal and CEO; Accounting Officer |
| Rod Morris | Deputy Principal; Finance and Corporate Services *(Appointed 22/11/2017)* |
| Chris Todd | Interim Deputy Principal; Learning, Skills & Innovation *(Appointed 01/04/2018, Resigned 09/11/2018)* |
| Anna Jackson | Vice Principal; Learning, Skills & Innovation *(Appointed 29/10/2018)* |
| Mark Bennington | Vice Principal; Commercial Services & Enterprise |
| Stuart Allen | Vice Principal; Student Futures *(Appointed 12/03/2018)* |
| Gill Parkes | Deputy Principal *(Resigned 01/03/2018)* |
| Anthony Gribben-Lisle | Interim Vice Principal; Business Excellence *(Resigned 31/07/2018)* |

**Principal and Registered Office**
Infirmary Road, Chesterfield

**Professional advisors**

| | |
|---|---|
| External auditors | Mazars LLP, Nottingham |
| Internal auditors | BDO LLP, Nottingham |
| Solicitors | Eversheds Sutherland LLP, Nottingham *(until 14/06/2018)* |
| | Freeths LLP, Nottingham *(appointed 14/06/2018)* |
| 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 2018.

**Legal status**

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

**Mission**

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

<u>Our Mission</u>
Inspiring Futures, Changing Lives.

<u>Our Vision</u>
To be recognised locally and nationally as an outstanding college by the students, employers and communities we serve.

**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 pages 17-19. 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 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)

**Implementation of Strategic Plan**

The College has reviewed its Strategic Plan and has now developed a plan which, at its core, has commitments for 2018/19 and future years within each of our '5 Ps'; these are People, Performance, Position, Prosperity and Progress, and each area is considered in further detail below. Students and customers will be at the heart of what the College does and the '5 Ps' will ensure that they develop skills, achieve excellence and inspire success.

1. **People**

   1.1 To develop and implement a relevant and dynamic Workforce Development Plan, equipping all staff with outstanding skills and knowledge.

1.2 To develop a 'one college' culture, promoting mutual respect and high aspirations for all, through effective leadership, support and communication.

1.3 To develop and implement a framework for measuring and improving customer service excellence that delivers outstanding services to students and stakeholders, and has a positive impact on the outcomes we achieve.

**2. Performance**

2.1 To develop high quality, relevant work experience opportunities to equip our students with the skills demanded by employers.

2.2 To develop a teaching and learning infrastructure for maths and English which allows students to develop their skills and enables them to meet national standards.

2.3 To recognise the outstanding performance of our students and staff and celebrate achievement.

**3. Position**

3.1 To develop strategic partnerships with our employers and wider community to become the 'first choice provider' for learning and skills.

3.2 To create employer advisory boards in each sector area that engage all our stakeholders in the development of our curriculum offer and the design of new programmes.

3.3 To develop clear strategies to ensure that our offer is shaped by local priorities, employers and our stakeholders, and secures our education business by responding to the objectives of new and emerging government policy.

**4. Prosperity**

4.1 To achieve a strong and stable financial position, generating sufficient cash to re-invest in our organisation's infrastructure so that we can provide an outstanding student experience.

4.2 To invest in curriculum design, flexible and high quality on-line learning resources and innovative ways to deliver to all our students.

4.3 To develop our strategy for income diversification and commercial growth.

**5. Progress**

5.1 To maximise every individual's potential by raising ambitions through clear, challenging individualised planning for learning for every student.

5.2 To work with every member of teaching staff to ensure that teaching and learning provides the stretching, challenging higher level knowledge and skills that our students will need in order to achieve their best.

5.3 To develop and implement strategies to ensure a positive progression for every student.

The Senior Management team have prepared a table of Performance Indicators which will ensure that we monitor and measure our progress against each of these strategic aims on a monthly, quarterly and annual basis.

The Group will also:

- Ensure budgetary control and the 'Good' financial health status for the Group is achieved through robust management of income, pay and non-pay costs.
- Ensure outstanding customer service is provided to all internal and external stakeholders.
- Bring innovation to the delivery of excellence, driving change and impacting positively on staff and students through investment in people, training, resources and infrastructure.
- Deliver an outstanding learning experience to all students enabling them to progress to employment or higher levels of study.

- Position the College to be fully prepared for the impact of the Sainsbury Reforms.
- Develop and implement a group strategy to grow and develop our offer to meet local and national customer demand, with a focus on:
    - Apprenticeships (including subsidiary Training Services 2000 Limited);
    - Higher Skills;
    - Commercial income;
    - The Learning Unlimited ATA; and
    - Recruit Unlimited business support services.
- Implement a new cycle of activity and improved processes for business planning and performance.
- Continue to improve the efficiency, quality and proactive delivery of our business systems and reporting platform.
- Improve the positive impact of ICT on the delivery of teaching, learning and assessment and the overall effectiveness of the organisation.
- Develop a strategic approach to the maintenance, management and utilisation of the estate which maximises use of key assets and prepares the organisation for new methodologies for teaching and learning.

The College's specific objectives for 2017/18 and achievement of those objectives is addressed below and in the annual Key Performance Indicators.

**Financial Objectives**

The key financial objective is to safeguard long-term financial stability and security for the College, specifically to:

1. Achieve a grade of at least 'Good' financial health score.
2. Maintain the confidence of funders, suppliers, bankers and auditors.
3. Develop diversified income streams to ensure the long term financial viability of the College.
4. Monitor all activities of the College and take action, where necessary, to ensure financial viability and value for money.
5. Proactively manage the finances and resources of the College in response to changes in enrolments and funding.
6. Generate sufficient income to maintain and enhance the physical environment, including ongoing planned maintenance, replacement programmes and investment in the ICT infrastructure.
7. Devolve financial accountability to all teams within College and enhance financial reporting at budget centre, senior management and Corporation level.
8. Identify and exploit new income generating opportunities which support the strategic objectives of the College and reduce reliance on government funding.

The College has performed well against all of these targets.

**Curriculum Developments**

Over the last twelve months, the senior team has worked with the governing body to re-focus the role of governance and develop a new infrastructure which is bringing diversity, innovation and focus to the board. The new College Leadership Team is now in place and focussing on key developments to ensure the continuous improvement in teaching, learning and assessment and growth and diversification of our income to protect a sustainable future for the group.

The College was selected for Ofsted inspection in February 2018. Whilst apprenticeships, adults and provision for students with higher needs were graded good, aspects of 16-18 year old classroom based provision, where the progress of students was deemed as unsatisfactory, resulted in the overall grade for the college being assessed as requires improvement. Whilst students achieve, the College is now addressing their progress in relation to the achievement of higher grades through a robust improvement plan together with a successful bid securing improvement funding, working with an outstanding college in the West Midlands.

The College has a national reputation for developing strong relationships with employers, particularly in relation to work-based learning and apprenticeship provision. Relationships with employers were regarded as exemplary at the Ofsted inspection in February 2018. Ofsted also acknowledged that the personal development, behaviour and welfare of students was good across the group.

Key developments in 2017-18 include:

- Successful implementation of the apprenticeship reforms, maintaining our market share against a declining national picture.
- Review and re-focus of governance including the recruitment of a new Chair and Vice Chair of the governing body.
- Meaningful consultation and implementation of a new teaching, learning and assessment strategy including the introduction of The Chesterfield Way to re-define standards and expectations for staff and students across the group.
- Restructuring of the College senior leadership and management team and curriculum delivery to support a better learning experience for students and drive efficiencies in teaching costs.
- Strengthening of strategies to support retention, attendance and relationships with guardians, parents and other stakeholders.
- Re-definition of the self-evaluation and quality improvement process to ensure swift and appropriate improvements to teaching, learning and assessment.

**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 grading. The current rating of 'Good' is considered an acceptable outcome.

The College monitors performance through a range of performance indicators which are linked to the strategic objectives. The College has redefined its performance indicators for the 2018-19 financial year; however, a number of the key performance indicators which were monitored in 2017-18 are detailed on the following pages.

| Key Performance Area | Strategic Intent | Performance Measure | Target Value | Actual Value |
|---|---|---|---|---|
| Prosperity | Financially sound, equipped to flourish | Surplus (before LGPS actuarial adjustment) | 2.75% | 1.5% (3.7% after exceptional restructuring costs) |
| | | Pay to income ratio (education specific adjusted 9d) | <= 65.0% | 65.7% |
| | | Short- and long-term debt as a proportion of income | <= 20.0% | 14.9% |
| | | Current ratio | >= 1.5 | 1.7 |
| | | Minimum cash balance at any point during the year | >= £3,250k | £3,431k |
| | | Work-based contribution | >= 21.0% | 20.4% |
| | | Classroom contribution | >= 45.0% | 41.8% |
| | | ESFA financial health grade | Good | Good |
| Performance | Developing skills, achieving excellence, inspiring success | Achievement rates for classroom provision | >= 86.5% | 82.8% |
| | | Achievement rates for work-based provision | >= 75.0% | 70.2% |
| | | Achievement rates for maths and English provision | >= 80.0% | 74.9% |
| | | Achievement rates for HE provision | >= 82.0% | 83.8% |
| | | Overall attendance | >= 91.0% | 89.4% |

| Key Performance Area | Strategic Intent | Performance Measure | Target Value | Actual Value |
|---|---|---|---|---|
| Progress | Driving ambition, enabling progression, maximising potential | Value-added score for graded L3 provision | <= 6 | 7 |
| Position | Responsive, ambitious, educational business | Number of students enrolled | >= 10,500 | 9,730 |
| | | Number of employers supported | >= 2,000 | 1,849 |
| | | Proportion of employers who express satisfaction with College services | >= 95.0% | 97.0% (Ofsted Feb' 2018); 90.0% (FE Choices) |
| People | Customer excellence, talented people, outstanding services | Proportion of students who express satisfaction with College services | >= 95.0% | 91.0% (classroom); 95.0% (work-based); 96.0% (TS2000) |
| | | Staff completion of mandatory training | 100% | 100% |
| | | Staff turnover | <= 17.5% | 15.3% |

## FINANCIAL POSITION

### 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.

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Deficit before tax** | (1,406) | (1,130) |
| Adjust for non-operational items: | | |
| - Pension Reserve Costs | 1,831 | 1,415 |
| **Underlying operating surplus** | **425** | **285** |

The Group generated a deficit before other gains and losses in the year of £1,406,000 (2016-17 deficit of £1,130,000), with total comprehensive income of £2,833,000 (2016-17 - £3,289,000). The total comprehensive income in 2017-18 is stated after accounting for movement on actuarial gain in respect of pension schemes

The Group has accumulated reserves including revaluation reserve of £9,466,000 (2016-17 - £6,633,000), and cash and short term investment balances of £4,975,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 84% of the Group's total income.

The College has three trading subsidiary companies, Training Services 2000 Limited, Recruit Unlimited Limited and Chesterfield College Enterprises 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, a new subsidiary in the year, operates a restaurant. 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 £643,812 and Recruit Unlimited Limited generated a deficit of £4,479.

### 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 operating activities of £205,000 (2016-17: net cash inflow of £1,791) was due 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 cashflow. During the year this margin was comfortably exceeded.

### 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 £2,925,000 (2017: (£81,000)). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

**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 College vacated Tapton House during the 2017-18 summer term.

The group has £9,466,000 net assets (including £9,606,000 pension liability) and long-term debt of £4,085,000 with Barclays bank.

At 31st July 2018, the College employed 572 people (expressed at full time equivalents), of whom 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:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local and national employers
- Local authorities
- Local Enterprise Partnerships
- The local community
- Other FE and HE institutions
- Trade unions
- Professional bodies
- Bank and leasing companies

**FINANCIAL PERFORMANCE**

**Results**

The Group generated an underlying surplus before other gains and losses and adjustment for LGPS costs of £425,000. This was an improvement on the results in 2016-17 despite income having declined by 5.8% and having incurred restructuring costs of £651,000.

Capital expenditure incurred during 2017-18 amounted to £1,424,000 (2016-17: £1,180,000). Expenditure was incurred in relation to a number of projects and in particular £750,000 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 including the introduction of a secure access system to improve security arrangements. Further investment in the curriculum engineering equipment was partly funded by a grant from Sheffield City Region.

During the year the College disposed of its Waterloo Court property incurring a loss on disposal of £1,000 after selling costs. The College also terminated its lease of Tapton House which it has held since 1994, and holds a provision to fund a potential dilapidations claim.

The College carefully manages and monitors its financial performance and achieved a financial health score of 'Good' in 2016-17 (2015-16: Satisfactory) from the ESFA. It has received confirmation that this has been maintained in 2017-18 based on the financial plan submitted in July 2018 and the finance record will be submitted with the same result.

The College is satisfied with its internal cash balance which amounted to £4,975,000 at 31st July 2018, and continues to prudently utilise lease finance where it is appropriate to do so; total long- and short-term debt amounted to £4,372,000 at 31st July 2018. The College has complied with its banking covenants throughout the year.

The outlook for the financial position of the College is challenging. Income for 16-18 study programmes will reduce in 2018-19 by £1,850,000 and the impact of local demographic trends and freezing of funding continue to create pressure on margins. In order to mitigate this risk, the College has ambitious plans to grow and expand its commercial activities. During the financial year the College acquired a small local restaurant and has opened a second branch on campus. As well as introducing a strategy to grow and diversify income streams, the College has also taken steps to improve margins in its key areas of core delivery by adjusting its staff mix, creating physical capacity for some larger group sizes, increasing staff to apprentice ratios and reducing overheads.

### Going concern

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

## PRINCIPAL RISKS AND UNCERTAINTIES

### Risk management

The College has a robust system of risk management and has well embedded systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

A 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 Corporation also undertake periodic reviews of the highest scoring risks as assessed by the Risk Management Group and Audit Committee.

A risk management training programme is also delivered to managers to raise awareness of risk throughout the College and ensure the process is embedded in the business planning cycle.

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

1. Maximise resources – Failure to maintain financial stability and deliver value for money through effective and efficient use of resources.

2. Deliver excellence – Failure to achieve success rates and deliver excellent standards.

3. Provide outstanding services – Failure to achieve outstanding services across the College and with employers and other stakeholders.

4. Future proof education, employment and skills – Provision is not responsive to government priorities and changing stakeholders' needs.

5. Human Resources – The College fails to recruit, retain and develop a high quality workforce.

6. Partnerships – The College does not build strong and effective strategic partnerships including schools, universities and employer engagement.

7. Provide a vibrant and safe learning environment – Failure to provide facilities and resources that meet the educational and business needs of the College and its stakeholders.

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 2018-19 financial year.

**Government Funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2017-18, 84% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

**1. Future funding changes**

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

- Apprenticeship Reforms – The government has implemented significant changes which have and will continue to impact the funding and delivery of apprenticeships from May 2017.
- Expansion of Advanced Learning Loans for adults aged 19+ (previously aged 24+).
- Adult education budget reviews and potential devolution to local regions.

These risks are mitigated in a number of ways:

- Through the development of a revised apprenticeship strategy, engaging with employers and developing new standards.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies, LEP and other stakeholders.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- A focus on diversification of income streams to spread risk.

**2. Tuition fee policy**

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

This risk is mitigated in a number of ways:

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

3. **Maintain adequate funding of pension liabilities**

   The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with the Derbyshire County Council Local Authority.

4. **Failure to maintain the financial viability of the College**

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

   - Rigorous budget setting procedures and sensitivity analysis;
   - Regular in year budget monitoring and re-forecasting;
   - Robust financial controls; and
   - Exploring ongoing procurement efficiencies.

## OTHER INFORMATION

### 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 equality 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) Involving the learner – Students have participated in 'live' projects to promote a better understanding of disability within the College.

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 development of the 'Student Futures' team to support all students, but particularly those with learning difficulties and/or disabilities. There are a number of student support staff including progress coaches who can provide a variety of support for learning and pastoral support. 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 | 4.4 |

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

| | |
|---|---|
| Total cost of facility time | £17,015 |
| Total pay bill | £19,882,000 |
| Percentage of total bill spent on facility time | 0.1% |

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time | 44% |

**Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2017 to 31 July 2018, the College paid 86% (2016-17: 84%) 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 11th December 2018 and signed on its behalf by:

**Keith Dennis**
**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 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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.

| Member | Date of appointment | Current term of office | Date of resignation | Status of appointment | Committees served | Attendance in 2017-18 |
|---|---|---|---|---|---|---|
| Keith Dennis | 02.03.14 | 4 years | | Chair | Corporation | 9/9 |
| | | | | Chair | Standards & Performance | 7/7 |
| | | | | Independent Member | Search & Governance | 3/3 |
| | | | | Independent Member | Remuneration | 2/2 |
| Beej Kaczmarczyk | 20.03.14 | 4 years | | Vice Chair | Corporation | 6/9 |
| | | | | Chair | Finance & Corporate Services | 5/6 |
| Saskia Bedder | 01.09.18 | 1 year | | Student Governor | Corporation | N/A |
| Huw Bowen | 04.07.13 | 4 years | | Independent Member | Corporation | 6/9 |
| | | | | Independent Member | Audit Committee | 2/3 |
| Joy Battye | 06.12.17 | 4 years | | Independent Member | Corporation | 3/6 |
| | | | | Independent Member | Finance & Corporate Services | N/A |
| David Binks | 01.09.17 | 4 years | 26.04.18 | Staff Governor | Corporation | 3/4 |
| John Croot | 04.07.13 | 4 years | | Independent Member | Corporation | 4/9 |
| | | | | Independent Member | Finance & Corporate Services | 3/6 |
| | | | | Independent Member | Remuneration | 2/2 |

| Member | Date of appointment | Current term of office | Date of resignation | Status of appointment | Committees served | Attendance in 2017-18 |
|---|---|---|---|---|---|---|
| Ivan Fomin | 01.09.18 | 4 years | | Independent Member | Corporation | N/A |
| | | | | Independent Member | Finance & Corporate Services | N/A |
| Julia Hodder | 01.09.18 | 4 years | | Independent Member | Corporation | N/A |
| | | | | Independent Member | Standards & Performance | N/A |
| Trevor Hughes | 12.02.14 | 4 years | 14.12.18 | Independent Member | Corporation | 1/3 |
| | | | | Independent Member | Remuneration | 1/1 |
| | | | | Independent Member | Search & Governance | 1/1 |
| Geoff Leyland | 05.12.12 | 4 years | | Independent Member | Corporation | 6/9 |
| | | | | Chair | Standards & Performance | 4/7 |
| John McElvaney | 01.09.18 | 4 years | | Independent Member | Corporation | N/A |
| Richard Naylor | 01.09.18 | 4 years | | Staff Governor | Corporation | N/A |
| | | | | Staff Governor | Standards & Performance | N/A |
| Julie Richards | 01.03.17 | Principal / CEO | | Principal / CEO | Corporation | 9/9 |
| | | | | Member | Finance & Corporate Services | 6/6 |
| | | | | Member | Standards & Performance | 6/7 |
| | | | | Member | Search & Governance | 3/3 |
| Gunter Scheidt | 01.09.16 | 1 year | 22.08.18 | Student Governor | Corporation | 7/8 |
| | | | | Independent Member | Standards & Performance | 6/7 |
| Frank Smith (OBE) | 16.10.13 | 4 years | 26.04.18 | Chair | Corporation | 6/7 |
| | | | | Chair | Finance & Corporate Services | 3/4 |
| | | | | Independent Member | Remuneration | 2/2 |
| | | | | Chair | Search & Governance | 3/3 |
| Dominic Staniforth | 01.09.15 | 4 years | | Independent Member | Corporation | 6/9 |
| | | | | Independent Member | Audit Committee | 3/3 |
| Heather Staton | 01.02.12 | 4 years | 28.10.17 | Independent Member | Corporation | 1/2 |
| | | | | Independent Member | Finance & Corporate Services | 1/1 |

| Member | Date of appointment | Current term of office | Date of resignation | Status of appointment | Committees served | Attendance in 2017-18 |
|---|---|---|---|---|---|---|
| Jill Thomas | 13.09.17 | 4 years | 23.08.18 | Independent Member | Corporation | 3/9 |
| | | | | Independent Member | Finance & Corporate Services | 2/6 |
| Sam Ulyatt | 13.06.14 | 4 years | 14.12.17 | Independent Member | Corporation | 1/4 |
| | | | | Independent Member | Standards & Performance | 1/3 |
| John Webber | 16.10.13 | 4 years | 28.10.17 | Independent Member | Corporation | 1/1 |
| | | | | Chair | Audit Committee | N/A |
| | | | | Chair | Remuneration | N/A |
| | | | | Independent Member | Search & Governance | N/A |
| Allison Westray-Chapman | 01.09.18 | 4 years | | Independent Member | Corporation | N/A |
| Nicola Adams | 01.06.13 | 4 years | 13.06.18 | Co-opted Member | Audit Committee | 1/2 |
| Terry Betts | 26.06.17 | 4 years | 21.12.17 | Co-opted Member | Standards & Performance | 1/3 |
| Martyn Glossop | 26.06.17 | 4 years | | Co-opted Member | Standards & Performance | 5/7 |
| Tony Cawthorne | 01.09.17 | 4 years | | Co-opted Member | Standards & Performance | 6/7 |
| Geoff Taster | 01.09.18 | 4 years | | Co-opted Member | Finance & Corporate Services | N/A |
| Janet Beaumont | 01.10.18 | 4 years | | Co-opted Member - Chair | Remuneration | N/A |

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. 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 Search & Governance. 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 or from the Clerk to the Corporation at the College's registered address:

Chesterfield College
Infirmary Road
Chesterfield
S41 7NG

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

All members are able to take independent professional advice in furtherance of their duties at the 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 members in a timely manner, prior to Board meetings. Briefings are provided on a termly basis.

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

There is a clear division of responsibility in that the roles of the 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 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 usually exceeding four years.

**Corporation performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2018. The Corporation has assessed its financial oversight of the College as good. Its effective scrutiny has contributed to the College maintaining the ESFA assessment of good financial health. The self-assessment of learning has identified that whilst apprenticeship provision, adult work-based programmes, commercial provision and provision for high needs learners are good, 16-19 study programmes and adult classroom-based programmes require improvement. Consequently, the Corporation has self-assessed overall as requires improvement on the Ofsted scale.

**Remuneration Committee**

Throughout the year ending 31st July 2018 the College's Remuneration Committee comprised three 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 31st July 2018 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. The system of internal control has been in place in Chesterfield College for the year ended 31st July 2018 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2018 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 Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- 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. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College.

*Review of effectiveness*

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

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and

- 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 meeting on 11th December 2018, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31st July 2018.

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 11th December 2018 and signed on its behalf by:**

V. Richards

Keith Dennis
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.

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.

| | |
|---|---|
| J. Richards | |
| Julie Richards | Keith Dennis |
| Accounting Officer | Chair of Governors |
| 11th December 2018 | 11th December 2018 |

# 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 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; and
- 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 are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 are not put at risk.

Approved by order of the members of the Corporation on 11th December 2018 and signed on its behalf by:

Keith Dennis

Chair of governors

# Chesterfield College

## Independent Auditor's Report to the Corporation of Chesterfield College

### Opinion

We have audited the financial statements of Chesterfield College ("the College") and its subsidiaries (the 'Group') for the year ended 31 July 2018 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 Sheets, 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".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 and of the Group's and the College's deficit of income over expenditure for the year then ended;
- 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.

### 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 is 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
- 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; and
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 24, 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 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. This description forms part of our auditor's report.

**Use of the audit report**

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date: 11/12/18

# 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 2017 to 31 July 2018 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 2017 to 31 July 2018 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.

Signed: Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: 11/12/18

# Chesterfield College

## Consolidated Statements of Comprehensive Income and Expenditure

| | Notes | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|---|
| | | Group £'000 | College £'000 | Group £'000 | College £'000 |
| **INCOME** | | | | | |
| Funding body grants | 2 | 24,439 | 22,742 | 26,515 | 24,780 |
| Tuition fees and education contracts | 3 | 3,096 | 2,844 | 3,001 | 2,731 |
| Other income | 4 | 1,706 | 1,419 | 1,520 | 1,525 |
| Investment income | 5 | 14 | 14 | 24 | 24 |
| Donations and Endowments | 6 | - | - | - | 257 |
| **Total income** | | **29,255** | **27,019** | **31,060** | **29,317** |
| **EXPENDITURE** | | | | | |
| Staff costs | 7 | 20,387 | 19,411 | 21,060 | 20,074 |
| Fundamental restructuring costs | 7 | 651 | 651 | 389 | 389 |
| Other operating expenses | 8 | 7,980 | 7,556 | 9,060 | 8,357 |
| Depreciation | 11 | 1,143 | 1,077 | 1,210 | 1,149 |
| Goodwill amortisation | 12 | 35 | - | 35 | - |
| Interest and other finance costs | 9 | 475 | 475 | 436 | 436 |
| **Total expenditure** | | **30,671** | **29,170** | **32,190** | **30,405** |
| **Deficit before other gains and losses** | | **(1,416)** | **(2,151)** | **(1,130)** | **(1,088)** |
| Profit on disposal of assets | 11 | 10 | 10 | - | - |
| **Deficit before tax** | | **(1,406)** | **(2,141)** | **(1,130)** | **(1,088)** |
| Taxation | 10 | 10 | - | - | - |
| **Deficit for the year** | | **(1,396)** | **(2,141)** | **(1,130)** | **(1,088)** |
| Actuarial surplus in respect of pensions schemes | 23 | 4,229 | 4,229 | 4,419 | 4,419 |
| **Total Comprehensive Income for the year** | | **2,833** | **2,088** | **3,289** | **3,331** |

The Statement of Comprehensive Income is in respect of continuing activities.

The notes on pages 34-54 form part of these financial statements.

# Chesterfield College

## Consolidated and College Statement of Changes in Reserves

| | Income and expenditure account | Revaluation reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Group** | | | |
| **Balance at 1st August 2016** | (3,543) | 6,887 | 3,344 |
| Deficit from the income and expenditure account | (1,130) | - | (1,130) |
| Other comprehensive income | 4,419 | - | 4,419 |
| Transfers between revaluation and income and expenditure reserves | 173 | (173) | - |
| **Total comprehensive income for the year** | **3,462** | **(173)** | **3,289** |
| **Balance at 31st July 2017** | **(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) | - |
| **Total comprehensive income for the year** | **3,006** | **(173)** | **2,833** |
| **Balance at 31 July 2018** | **2,925** | **6,541** | **9,466** |
| **College** | | | |
| **Balance at 1st August 2016** | (3,343) | 6,887 | 3,544 |
| Deficit from the income and expenditure account | (1,088) | - | (1,088) |
| Other comprehensive income | 4,419 | - | 4,419 |
| Transfers between revaluation and income and expenditure reserves | 173 | (173) | - |
| **Total comprehensive income for the year** | **3,504** | **(173)** | **3,331** |
| **Balance at 31st July 2017** | **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) | - |
| **Total comprehensive income for the year** | **2,261** | **(173)** | **2,088** |
| **Balance at 31 July 2018** | **2,422** | **6,541** | **8,963** |

The notes on pages 34-54 form part of these financial statements.

# Chesterfield College

## Balance Sheets as at 31 July 2018

| | Notes | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|---|
| **Non current assets** | | | | | |
| Tangible fixed assets | 11 | 22,812 | 22,582 | 22,977 | 22,693 |
| Intangible fixed assets | 12 | 537 | - | 572 | - |
| Investments | 12 | - | 1,072 | - | 1,000 |
| | | **23,349** | **23,654** | **23,549** | **23,693** |
| **Debtors: amounts falling due after one year** | 13 | 2,142 | 2,142 | 2,242 | 2,242 |
| **Current assets** | | | | | |
| Stocks | | 21 | 21 | 20 | 20 |
| Trade and other receivables | 13 | 2,216 | 2,420 | 1,444 | 2,425 |
| Cash and cash equivalents | 18 | 4,975 | 3,342 | 6,193 | 4,969 |
| | | **7,212** | **5,783** | **7,657** | **7,414** |
| **Creditors – amounts falling due within one year** | 14 | (4,331) | (3,753) | (5,507) | (5,209) |
| **Net current assets** | | **2,881** | **2,030** | **2,150** | **2,205** |
| **Total assets less current liabilities** | | **28,372** | **27,826** | **27,941** | **28,140** |
| Creditors – amounts falling due after more than one year | 15 | (9,257) | (9,257) | (9,261) | (9,261) |
| **Provisions** | | | | | |
| Defined benefit obligations | 17 | (9,606) | (9,606) | (12,004) | (12,004) |
| Other provisions | 17 | (43) | - | (43) | - |
| **Total net assets** | | **9,466** | **8,963** | **6,633** | **6,875** |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure account | | 2,925 | 2,422 | (81) | 161 |
| Revaluation reserve | | 6,541 | 6,541 | 6,714 | 6,714 |
| **Total unrestricted reserves** | | **9,466** | **8,963** | **6,633** | **6,875** |

The financial statements on pages 30 to 54 were approved and authorised for issue by the Corporation on 11th December 2018 and were signed on its behalf on that date by:

K. Dennis

J. Richards

Keith Dennis
Chair

Julie Richards
Accounting Officer

# Chesterfield College

## Consolidated Statement of Cash Flows

| | Notes | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Deficit for the year | | (1,396) | (1,130) |
| **Adjustment for non-cash items** | | | |
| Depreciation | 11 | 1,143 | 1,210 |
| Goodwill amortisation | 12 | 35 | 35 |
| (Increase)/decrease in stocks | | (1) | - |
| (Increase)/decrease in debtors due within one year | 13 | (772) | 400 |
| Decrease in debtors due after one year | 13 | 100 | 100 |
| (Decrease) in creditors due within one year | 14 | (1,265) | (88) |
| Increase/(decrease) in creditors due after one year | 15 | 13 | (175) |
| Pensions costs less contributions payable | 23 | 1,831 | 1,415 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 5 | (14) | (24) |
| Interest payable | 9 | 131 | 63 |
| Taxation paid | | - | (10) |
| (Profit) on sale of fixed assets | | (10) | (5) |
| **Net cash flow from operating activities** | | **(205)** | **1,791** |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of fixed assets | | 456 | 5 |
| Investment income | 5 | 14 | 24 |
| Payments made to acquire fixed assets | 11 | (1,424) | (1,180) |
| **Net cash flow from investing activities** | | **(954)** | **(1,151)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | 9 | (109) | (63) |
| Interest element of finance lease rental payments | 9 | (22) | - |
| New unsecured loans | | - | 4,300 |
| New finance leases | | 340 | - |
| Repayments of amounts borrowed | 16 | (215) | (4,300) |
| Capital element of finance lease rental payments | | (53) | - |
| **Net cash flow from financing activities** | | **(59)** | **(63)** |
| **(Decrease) / increase in cash and cash equivalents in the year** | | **(1,218)** | **577** |
| | | | |
| Cash and cash equivalents at beginning of the year | | 6,193 | 5,616 |
| Cash and cash equivalents at end of the year | | 4,975 | 6,193 |

The notes on pages 34-54 form part of these financial statements.

# Chesterfield College

## Notes to the Accounts

### 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 2017 to 2018 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 and Chesterfield College Enterprises 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. The College and the student union are managed on a unified basis. All financial statements are made up to 31 July 2018.

**Going concern**

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

The College currently has £4,085,000 of loans outstanding with bankers on terms negotiated in 2017. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

**Recognition of income**

*Revenue grant funding*

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

The recurrent grant from 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.

The College's subsidiaries operate their own pension schemes. All are NEST stakeholder pension schemes with the exception of Training Services 2000 Limited which operates a Scottish Widows defined contribution scheme.

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

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

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

**Stocks**

Stocks 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 23, 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 2018. 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 | |
|---|---|---|---|---|
| | **2018** | **2018** | **2017** | **2017** |
| | **Group** | **College** | **Group** | **College** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Recurrent grants** | | | | |
| Education and Skills Funding Agency - adult | 2,060 | 2,060 | 1,970 | 1,970 |
| Education and Skills Funding Agency – 16 -18 | 14,424 | 14,398 | 15,473 | 15,412 |
| Education and Skills Funding Agency – apprenticeships | 7,278 | 5,673 | 8,439 | 6,815 |
| Higher Education Funding Council | 484 | 418 | 457 | 407 |
| **Specific grants** | | | | |
| Releases of government capital grants | 193 | 193 | 176 | 176 |
| **Total** | **24,439** | **22,742** | **26,515** | **24,780** |

## 3 Tuition fees and education contracts

| | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | **2018** | **2018** | **2017** | **2017** |
| | **Group** | **College** | **Group** | **College** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Adult education fees | 505 | 505 | 617 | 489 |
| Apprenticeship fees and contracts | 162 | 131 | 82 | 82 |
| Fees for FE loan supported courses | 643 | 576 | 606 | 606 |
| Fees for HE loan supported courses | 1,736 | 1,582 | 1,633 | 1,498 |
| **Total tuition fees** | 3,046 | 2,794 | 2,938 | 2,675 |
| Education contracts | 50 | 50 | 63 | 56 |
| **Total** | **3,096** | **2,844** | **3,001** | **2,731** |

## 4 Other income

| | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2018 | 2018 | 2017 | 2017 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Catering and residences | 495 | 495 | 518 | 518 |
| Other income generating activities | 197 | 121 | 80 | 80 |
| Miscellaneous income | 1,014 | 803 | 922 | 927 |
| **Total** | **1,706** | **1,419** | **1,520** | **1,525** |

## 5 Investment income

| **Group and College** | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Other interest receivable | 14 | 24 |
| **Total** | **14** | **24** |

## 6 Donations

| | Year end 31 July | Year ended 31 July |
|---|---|---|
| **College only** | 2018 | 2017 |
| | £'000 | £'000 |
| Gift Aid | - | 257 |
| **Total** | **-** | **257** |

A donation of £697,352 was announced on 11th December 2018 and will be included in the 2019 financial statements. This relates to a gift aid transfer by Training Services 2000 Limited.

## 7 Staff costs – Group and College

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

| | 2018 | 2018 | 2017 | 2017 |
|---|---|---|---|---|
| | Group | College | Group | College |
| | No. | No. | No. | No. |
| Teaching staff | 275 | 225 | 286 | 260 |
| Non-teaching staff | 354 | 333 | 383 | 337 |
| | **629** | **558** | **669** | **597** |

**Staff costs for the above persons**

| | 2018 Group £'000 | 2018 College £'000 | 2017 Group £'000 | 2017 College £'000 |
|---|---|---|---|---|
| Wages and salaries | 15,139 | 14,279 | 16,215 | 15,349 |
| Social security costs | 1,357 | 1,282 | 1,349 | 1,274 |
| Other pension costs | 3,386 | 3,364 | 3,080 | 3,080 |
| **Payroll sub total** | **19,882** | **18,925** | **20,644** | **19,703** |
| Contracted out staffing services | 505 | 486 | 416 | 371 |
| | **20,387** | **19,411** | **21,060** | **20,074** |
| Restructuring costs – Contractual | 651 | 651 | 389 | 389 |
| – Non contractual | - | - | - | - |
| **Total Staff costs** | **21,038** | **20,062** | **21,449** | **20,463** |

**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**

| | 2018 No. | 2017 No. |
|---|---|---|
| The number of key management personnel including the Accounting Officer was: | 7 | 9 |

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 is listed below. This represents headcount and annualised emoluments of all key management personnel who served during the year.

| | Senior Postholders | | Other Staff | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | No. | No. | No. | No. |
| £60,001 to £70,000 p.a. | - | 1 | - | - |
| £70,001 to £80,000 p.a. | 1 | 1 | - | - |
| £80,001 to £90,000 p.a. | 2 | 3 | - | - |
| £90,001 to £100,000 p.a. | 2 | 2 | - | - |
| £100,001 to £110,000 p.a. | - | - | - | - |
| £110,001 to £120,000 p.a. | 1 | - | - | - |
| £120,001 to £130,000 p.a. | - | - | - | - |
| £130,001 to £140,000 p.a. | - | - | - | - |
| £140,001 to £150,000 p.a. | 1 | 2 | - | - |
| | **7** | **9** | **-** | **-** |

Key management personnel compensation is made up as follows:

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Salaries - gross of salary sacrifice and waived emoluments | 540 | 481 |
| Benefits in kind | 2 | 5 |
| Employer's National Insurance Contributions | 69 | 54 |
| | **611** | **540** |
| Pension contributions | 49 | 57 |
| **Total key management personnel compensation** | **660** | **597** |

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 payable to the Accounting Officer (who is also the highest paid officer) of:

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Salaries | 145 | 140 |
| Benefits in kind | 2 | 5 |
| | 147 | 145 |
| Pension contributions | 19 | 21 |

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

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Compensation paid to the former post-holder – contractual | 50 | 14 |
| Estimated value of other benefits, including provisions for pension benefits | - | 8 |

The severance payment was 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

| | 2018 Group | 2018 College | 2017 Group | 2017 College |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Teaching costs | 2,413 | 2,263 | 1,659 | 1,612 |
| Non-teaching costs | 3,963 | 3,982 | 5,220 | 4,884 |
| Premises costs | 1,604 | 1,311 | 2,181 | 1,861 |
| **Total** | **7,980** | **7,556** | **9,060** | **8,357** |

| **Other operating expenses include:** | **2018** | **2017** |
|---|---|---|
| | **£'000** | **£'000** |
| Auditor's remuneration: | | |
| Financial statements audit | 30 | 29 |
| Internal audit | 12 | 13 |
| Other services provided by the financial statements auditor | 11 | 9 |
| Hire of assets under operating leases | 280 | 270 |

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

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| On bank loans, overdrafts and other loans: | 109 | 63 |
| On finance leases | 22 | - |
| Net interest on defined pension liability (note 23) | 344 | 373 |
| **Total** | **475** | **436** |

## 10 Taxation – Group only

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| United Kingdom corporation tax at 20 per cent | (10) | - |
| Provision for deferred corporation tax in the accounts of the subsidiary company | - | - |
| **Total** | **(10)** | **-** |

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 |
| **Cost or valuation** | | | | |
| At 1 August 2017 | 27,455 | 10,773 | 201 | 38,429 |
| Additions | 273 | 1,047 | 104 | 1,424 |
| Disposals | (512) | - | - | (512) |
| **At 31 July 2018** | **27,216** | **11,820** | **305** | **39,341** |
| **Depreciation** | | | | |
| At 1 August 2017 | 5,898 | 9,554 | - | 15,452 |
| Charge for the year | 633 | 510 | - | 1,143 |
| Elimination in respect of disposals | (66) | - | - | (66) |
| **At 31 July 2018** | **6,465** | **10,064** | **-** | **16,529** |
| **Net book value at 31 July 2018** | **20,751** | **1,756** | **305** | **22,812** |
| Net book value at 31 July 2017 | 21,557 | 1,219 | 201 | 22,977 |

The disposal noted above relates to the sale of the College's Logistics Training Centre, Waterloo Court.

**Tangible fixed assets (College only)**

| | Freehold Land and Buildings | Equipment | Assets in the course of construction | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | |
| At 1 August 2017 | 27,312 | 10,122 | 201 | 37,635 |
| Additions | 273 | 1,035 | 104 | 1,412 |
| Disposals | (512) | - | - | (512) |
| **At 31 July 2018** | **27,073** | **11,157** | **305** | **38,535** |
| **Depreciation** | | | | |
| At 1 August 2017 | 5,819 | 9,123 | - | 14,942 |
| Charge for the year | 622 | 455 | - | 1,077 |
| Elimination in respect of disposals | (66) | - | - | (66) |
| **At 31 July 2018** | **6,375** | **9,578** | **-** | **15,953** |
| **Net book value at 31 July 2018** | **20,698** | **1,579** | **305** | **22,582** |
| Net book value at 31 July 2017 | 21,493 | 999 | 201 | 22,693 |

**12(a) Non-current investments**

| | College 2018 £'000 | College 2017 £'000 |
|---|---|---|
| Investments in subsidiary companies | 1,072 | 1,000 |
| **Total** | **1,072** | **1,000** |

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 training provider.

The College owns 100% of the issued £1 capital shares of Recruit Unlimited Limited. The principal activity of the Company is that of a recruitment business.

The College owns 100% of the issued £1 capital shares of Chesterfield College Enterprises Limited. The principal activity of the Company is that of a food retail business. The Company was incorporated on 19th March 2018 and on 6th April 2018 it acquired the Lilypad Café.

### 12(b) Goodwill - College only

| | Goodwill £'000 |
|---|---|
| **Cost or valuation** | |
| At 1 August 2017 | 1,000 |
| At 31 July 2018 | 1,000 |
| **Amortisation** | |
| At 1 August 2017 | 428 |
| Charge for the year | 35 |
| At 31 July 2018 | 463 |
| **Net book value at 31 July 2018** | **537** |
| Net book value at 31 July 2017 | 572 |

### 13 Trade and other receivables

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| Amounts falling due after one year: | | | | |
| Prepayment | 2,142 | 2,142 | 2,242 | 2,242 |

Prepayment relates to a 25 year lease premium in relation to Queens Park Leisure Centre.

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year: | | | | |
| Trade receivables | 419 | 306 | 316 | 297 |
| Amounts owed by group undertakings: | | | | |
| Subsidiary undertakings | - | 712 | - | 1,159 |
| Prepayments and accrued income | 966 | 716 | 684 | 626 |
| Amounts owed by the ESFA | 831 | 686 | 444 | 343 |
| **Total amounts falling due within one year** | **2,216** | **2,420** | **1,444** | **2,425** |
| **Total debtors** | **4,358** | **4,562** | **3,686** | **4,667** |

## 14 Creditors: amounts falling due within one year

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| Bank loans and overdrafts | 215 | 215 | 215 | 215 |
| Obligations under finance leases | 89 | 89 | - | - |
| Trade payables | 591 | 521 | 1,133 | 1,102 |
| Corporation tax | 1 | - | - | - |
| Other taxation and social security | 466 | 342 | 298 | 165 |
| Accruals and deferred income | 1,636 | 1,442 | 1,757 | 1,756 |
| Holiday pay accrual | 30 | 30 | 180 | 173 |
| Deferred income - Government Capital Grants | 221 | 221 | 184 | 184 |
| Deferred income - Government Revenue Grants | 48 | 48 | 89 | 89 |
| Amounts owed to the ESFA | 662 | 528 | 868 | 828 |
| Other creditors | 372 | 317 | 783 | 697 |
| **Total** | **4,331** | **3,753** | **5,507** | **5,209** |

## 15 Creditors: amounts falling due after one year

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| Bank loans | 3,870 | 3,870 | 4,085 | 4,085 |
| Obligations under finance leases | 198 | 198 | - | - |
| Deferred income - Government Capital Grants | 5,189 | 5,189 | 5,176 | 5,176 |
| **Total** | **9,257** | **9,257** | **9,261** | **9,261** |

## 16 Maturity of debt

### (a) Bank loans and overdrafts

The bank loan is repayable as follows:

| | Group & College 2018 £'000 | Group & College 2017 £'000 |
|---|---|---|
| In one year or less | 215 | 215 |
| Between one and two years | 215 | 215 |
| Between two and five years | 645 | 645 |
| In five years or more | 3,010 | 3,225 |
| **Total** | **4,085** | **4,300** |

A bank loan at 2.100 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.

### (b) Finance leases

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

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| In one year or less | 89 | 89 | - | - |
| Between two and five years | 198 | 198 | - | - |
| In five years or more | - | - | - | - |
| **Total** | **287** | **287** | **-** | **-** |

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

## 17 Provisions (Group)

| | Defined benefit obligations £'000 | Deferred Tax £'000 | Total £'000 |
|---|---|---|---|
| At 1 August 2017 | 12,004 | 43 | 12,047 |
| (Credits) in the period | (2,398) | - | (2,398) |
| **At 31 July 2018** | **9,606** | **43** | **9,649** |

**Provisions (College)**

| | Defined benefit obligations | Deferred Tax | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 August 2017 | 12,004 | - | 12,004 |
| (Credits) in the period | (2,398) | - | (2,398) |
| **At 31 July 2018** | **9,606** | **-** | **9,606** |

## 18 Cash and cash equivalents (Group)

| | At 1 August 2017 | Cash flows | At 31 July 2018 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 6,193 | (1,218) | 4,975 |
| **Total** | **6,193** | **(1,218)** | **4,975** |

## 19 Capital and other commitments

| | Group and College | |
|---|---|---|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Commitments contracted for at 31 July | - | 202 |

## 20 Lease obligations

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

| | Group 2018 £'000 | College 2018 £'000 | Group 2017 £'000 | College 2017 £'000 |
|---|---|---|---|---|
| **Future minimum lease payments due** | | | | |
| **Land and buildings** | | | | |
| Not later than one year | 199 | 61 | 256 | 118 |
| Later than one year and not later than five years | 772 | 218 | 620 | 66 |
| Later than five years | 276 | 22 | 427 | 35 |
| | **1,247** | **301** | **1,303** | **219** |

## 21 Contingencies

The College is holding within deferred capital grants a liability relating to the acquisition of a property in 2011, with a net book value of £220,959 (2016-17: £226,192). During the year this property was sold. In the absence of any written confirmation to the contrary, the College deems it likely that the agencies involved may seek to recover these funds and so has retained the balance as a liability.

## 22 Events after the reporting period

A gift aid distribution from Training Services 2000 Ltd to the College of £697,352 was announced on 11th December 2018 and will be included in the 2019 financial statements.

## 23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Derbyshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Derbyshire County Council. 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 31 March 2012 and of the LGPS 31 March 2016.

| **Total pension cost for the year** | | **2018 £000** | | **2017 £000** |
|---|---|---|---|---|
| Teachers' Pension Scheme: contributions paid | | 865 | | 976 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,099 | | 954 | |
| FRS 102 (28) charge | 1,487 | | 1,042 | |
| Other (including top-up and early retirement) | - | | 108 | |
| Charge to the Statement of Comprehensive Income | | 2,586 | | 2,104 |
| **Total Pension Cost for Year within staff costs** | | **3,451** | | **3,080** |

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Pension contributions of £65,000 relating to the restructure have been recognised within restructuring costs in note 7.

### 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 and other educational establishments, including colleges. 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 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- An employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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 £865,000 (2017: £976,000)

**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 2018 were £1,508,000, of which employer's contributions totalled £1,099,000 and employees' contributions totalled £409,000. The agreed contribution rates for future years are 12.9% for employers and range from 5.5% to 11.4% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

| | At 31 July 2018 | At 31 July 2017 |
|---|---|---|
| Rate of increase in salaries | 2.9% | 3.0% |
| Future pensions increases | 2.4% | 2.5% |
| Discount rate for scheme liabilities | 2.8% | 2.7% |
| Inflation assumption (CPI) | 2.4% | 2.4% |
| Commutation of pensions to lump sums | 50.0% | 50.0% |

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

| | At 31 July 2018 | At 31 July 2017 |
|---|---|---|
| | Years | years |
| *Retiring today* | | |
| Males | 21.9 | 21.9 |
| Females | 24.4 | 24.4 |
| *Retiring in 20 years* | | |
| 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 2018 | Fair Value at 31 July 2017 |
|---|---|---|
| | £'000 | £'000 |
| Equity instruments | 26,478 | 24,445 |
| Debt instruments | 7,509 | 6,830 |
| Property | 2,766 | 2,516 |
| Cash | 2,766 | 2,158 |
| **Total fair value of plan assets** | **39,519** | **35,949** |

**The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:**

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of plan assets | 39,519 | 35,949 |
| Present value of plan liabilities | (49,125) | (47,953) |
| **Net pensions liability (Note 17)** | **(9,606)** | **(12,004)** |

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

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts included in staff costs** | | |
| Current service cost | 2,446 | 1,971 |
| Past service cost | 140 | 25 |
| **Total** | **2,586** | **1,996** |

**Amounts included in interest payable**

| | | |
|---|---|---|
| Net interest cost | 344 | 373 |
| | **344** | **373** |

**Amount recognised in Other Comprehensive Income**

| | | |
|---|---|---|
| Return on pension plan assets | 1,896 | 1,930 |
| Experience losses arising on defined benefit obligations | - | 4,269 |
| Changes in assumptions underlying the present value of plan liabilities | 2,333 | (1,780) |
| **Amount recognised in Other Comprehensive Income** | **4,229** | **4,419** |

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

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Net defined benefit liability in scheme at 1 August | (12,004) | (15,008) |
| Movement in year: | | |
| Current service cost | (2,446) | (1,971) |
| Employer contributions | 1,099 | 954 |
| Past service cost | (140) | (25) |
| Net interest on the defined liability | (344) | (373) |
| Actuarial gain | 4,229 | 4,419 |
| **Net defined benefit liability at 31 July** | **(9,606)** | **(12,004)** |

**Asset and Liability Reconciliation**

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Changes in the present value of defined benefit obligations** | | |
| **Defined benefit obligations at start of period** | 47,953 | 47,677 |
| Current service cost | 2,446 | 1,971 |
| Interest cost | 1,323 | 1,163 |
| Contributions by Scheme participants | 409 | 378 |
| Experience gains and losses on defined benefit obligations | - | (4,269) |
| Changes in financial assumptions | (2,333) | 1,780 |
| Estimated benefits paid | (813) | (772) |
| Past Service cost | 140 | 25 |
| **Defined benefit obligations at end of period** | **49,125** | **47,953** |

**Changes in fair value of plan assets**

| | | |
|---|---|---|
| **Fair value of plan assets at start of period** | 35,949 | 32,669 |
| Interest on plan assets | 979 | 790 |
| Return on plan assets | 1,896 | 1,930 |
| Employer contributions | 1,099 | 954 |
| Contributions by Scheme participants | 409 | 378 |
| Estimated benefits paid | (813) | (772) |
| **Fair value of plan assets at end of period** | **39,519** | **35,949** |

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

## 24 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 £1,608; 1 member (2017: £1,492; 2 members). 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 (2017: £6,250).

## 25 Amounts disbursed as agent

### Learner support funds

| | **2018** | **2017** |
|---|---|---|
| | **£'000** | **£'000** |
| Funding body grants - Hardship Support | 605 | 686 |
| Fundy body grants - Childcare | - | 57 |
| | 605 | 743 |
| Disbursed to students | (157) | (327) |
| Administration costs | (34) | (31) |
| Amount consolidated in financial statements | (450) | (481) |
| Balance unspent as at 31 July, included in creditors | (36) | (96) |

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.

Amounts consolidated in the financial statements relate to costs such as bus passes which are incurred by the College on behalf of students and funded by the bursary.