

CHESTERFIELD COLLEGE

**Report and Financial Statements
for the year ended 31 July 2017**

Key Management Personnel, Corporation and Professional Advisers

Key management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2016/17:

Julie Richards	Principal and CEO; Accounting Officer <i>(Appointed 01/01/17 as Interim Principal & CEO and formally appointed on 01/03/2017 – previously Deputy Principal)</i>
Gill Parkes	Deputy Principal <i>(Appointed 01/03/2017 as Interim Deputy Principal and formally appointed on 01/06/2017 – previously Assistant Principal; Classroom Based Learning)</i>
Mark Bennington	Vice Principal; Apprenticeships and Commercial Services <i>(Appointed 01/03/2017)</i>
Rod Morris	Interim Vice Principal; Finance and Corporate Resources <i>(Appointed 13/03/2017, Appointed Deputy Principal; Finance and Corporate Resources 22/11/2017)</i>
Anthony Gribben-Lisle	Interim Vice Principal; Business Excellence <i>(Appointed 01/05/2017 fixed term until 31/03/2018)</i>
Stuart Cutforth	Principal and CEO; Accounting Officer <i>(Resigned 28/02/2017)</i>
David Simmonds	Assistant Principal and Clerk to the Corporation <i>(Resigned 04/09/2016)</i>
Jo Clifford	Vice Principal; Finance and Corporate Resources <i>(Resigned 22/04/2017)</i>
Richard Deane	Assistant Principal; Strategic Growth and Innovation <i>(Resigned 16/09/2016)</i>

Corporation

A full list of members is given on pages 14-15 of these financial statements.

Mrs Mags McDadd acted as Clerk to the Corporation from 05/09/2016 to 25/05/2017.

Mrs Sandra Stewart took over as acting Clerk to the Corporation from 25/05/2017 and was formally appointed as Clerk to the Corporation/Company Secretary on 09/09/2017.

Professional Advisers

Financial statements auditor and reporting accountant:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Internal auditors:

BDO LLP
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

Bankers:

Barclays Bank PLC
One Snowhill
Snowhill
Queensway
Birmingham
B3 2WN

Solicitors:

Eversheds Sutherland LLP
Water Court
116 – 118 Canal Street
Nottingham
NG1 7HF

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Report of the Corporation

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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:

Our Mission

Inspiring Futures, Changing Lives.

Our Vision

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

Public Benefit

Chesterfield College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 14-15.

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

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

- High-quality teaching 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 2017/18 within each of our 5 performance areas; '5Ps'. These are People, Performance, Position, Prosperity and Progress; each of these areas is considered in further detail below. Students and customers will be at the heart of what we do and the '5Ps' 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.

Report of the Corporation (*continued*)

- 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.

Report of the Corporation (*continued*)

- 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;
 - 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 pro-active 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 2016/17 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 new 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 and replacement programmes.
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.

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 2017/18 financial year; however, a number of the key performance indicators which were monitored in 2016/17 are detailed on the following page.

Report of the Corporation (continued)

Key Performance Area	Description	Strategic Objective	Performance Measure	Target Value	Actual Value
Deliver excellence	Enhance opportunities for success and increase the life chances of our students	Achieve consistently high levels of student retention	Overall retention rates for classroom based provision	93.5%	93.2%
			Attendance rates	90.0%	90.1%
Provide outstanding services	Promote effective and enjoyable learning through high quality teaching and support for students	Continually improve the standards of teaching, learning and assessment	Number of directorate areas, through themed review, judged good or outstanding for overall effectiveness of provision	12/14	9/10*
		Continually improve student satisfaction	*No. of directorate areas reduced due to restructure		
		Continually improve employer satisfaction	Percentage of students satisfied	93%	94%
		Continually improve self-assessment grades	Percentage of Higher Education students satisfied (as measured by the annual HEFCE satisfaction survey)	80%	79%
		Continually improve self-assessment grades	Percentage of employers satisfied	97%	100%
Future proof education, employment and skills	Provide a flexible curriculum offer which is responsive to the skills needs of our students and businesses	Meet recruitment and funding targets as agreed with external funding agencies	College's self-assessment grade for safeguarding	Effective	Effective
			Number of students studying at the college	11,000	10,793
			Number of 16-18 year classroom based students studying at the college	3,142	3,005
			Number of apprentices studying at the college	5,500	4,870
		Increase commercial income by developing long lasting and mutually beneficial relationships with the business community	Number of higher education students studying at the college (including Higher Apprentices)	736	738
			Income from Advanced Learning Loans	£420,000	£624,217
			Commercial income derived from businesses working with the college	£800,000	£862,493

Report of the Corporation (continued)

Key Performance Area	Description	Strategic Objective	Performance Measure	Target Value	Actual Value
Maximise resources	Maintain our financial stability and deliver value for money through effective and efficient use of resources	Achieve at least budget surplus in each academic year	Budget achieved	£290k	£285k
		Maintain cash solvency	Cash solvency maintained	Solvent	Solvent
		Achieve Financial Health grade 'Good'	College reserves strengthened - income reserves (excl pension reserves)	£12.8m	£11.8m
			All Financial Performance Indicators met or exceeded	All FPIs Met	All achieved other than profit target just £5k adverse to budget
			Growth of income stream diversification	10%	8.9%
		Maximise room utilisation	Room utilisation across the college based on space utilisation	40%	35.4%
		Ensure teaching staff are fully utilised	Percentage of teaching staff utilised	95%	99.6%
			Staff expenditure as a proportion of income	68%	68%
			Curriculum contribution rates	45%	41%
			Work-based contribution rates	12%	6.9%
Provide a vibrant and safe learning environment	Continue to provide a safe and inclusive learning environment which is supported by technology	Maintain high levels of health and safety	Reduction in reportable accidents (of which no more than 5 are RIDDOR reportable)	10% reduction	10% increase 1 RIDDOR
			Number of risk assessments completed for every practical curriculum area (%)	85%	100%
		Provide a safe and welcoming learning environment with high levels of student support	Completion of Safeguarding Training	100%	98%
		Provide access to an online course space for every student	Percentage of students with access to an online course space with structured online resources to support learning	85%	89%

Report of the Corporation (*continued*)

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.

	2017 £'000	Restated 2016 £'000
Deficit before tax	(1,130)	(1,229)
Adjust for non-operational items:		
- Pension Reserve Costs	1,415	1,163
Underlying operating surplus / (loss)	285	(66)

The Group generated a deficit before other gains and losses in the year of £1,130,000 (2015-16 deficit of £1,331,000), with total comprehensive income of £3,289,000 (2015-16 - (£4,001,000)). The total comprehensive income in 2016/17 is stated after accounting for movement on actuarial gain in respect of pension schemes

The Group has accumulated reserves including revaluation reserve of £6,633,000 (2015-16 - £3,344,000), and cash and short term investment balances of £6,193,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £1,180,000. This was split between land and buildings expenditure of £766,000 and equipment purchased of £414,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 85% of the Group's total income.

The College has two trading subsidiary companies, Training Services 2000 Limited and Recruit Unlimited 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. 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 £269,375 and Recruit Unlimited Limited generated a deficit of £19,801.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

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

Cash Flows and Liquidity

At £1,791,000 2016/17 (2015-16 £701,000), net cash flow from operating activities was strong.

Report of the Corporation (*continued*)

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 Policy

The College recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve excluding pension reserve stands at £11,923,000 (2015-16: £11,465,000); including pension reserve is (£81,000) (2015-16: (£3,543,000)). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College's financial health grade is 'Good'. During the year, a revolving credit facility previously reported as a short-term liability was converted to a fixed term loan.

Student Numbers

In 2016/17, the College delivered activity that has produced £26,515,000 in funding body main allocation funding (2015-16 – £25,355,000). The College had approximately 11,000 students participating in learning, the majority of which were funded.

Student Achievements

Students at Chesterfield College continue to achieve high achievement rates, most of which are above the national benchmarks for the sector. In 2016/17, the achievement rate for all students was 85%; an increase of 2% against the prior year.

The achievement rate for the 16-18 age range is 84.8%, which is 3.6% above the prior year. Adult achievement is 86.1%, which is 2.9% lower than the prior year but equal to the national benchmark.

The College's overall achievement rate for Apprenticeships is 70.5% for 2016/17, which is 1.6% above the national benchmark. The overall achievement rate for Training Services 2000 Limited is 86.0% for 2016/17, which is 17.1% above the national benchmark and continues to perform very highly.

Curriculum Developments

The College has a national reputation for innovation, particularly in relation to employer engagement, work-based learning, and apprenticeship provision.

The College was selected for Ofsted inspection in October 2013. The overall effectiveness, outcomes for learners, quality of teaching, learning and assessment and effectiveness of leadership and management were all assessed as 'Good'.

The balance and mix of provision has changed over recent years to meet the demands of students and employers across the region. Traditional class based provision has declined due to demographics and funding constraints however apprenticeship demand has significantly increased.

Recent curriculum re-organisation, informed by policy, has resulted in the re-design of the curriculum infrastructure to reflect the Sainsbury Educational Reforms. The appointment of the Director of Career Planning and Progression further strengthens destination led outcomes for students. The College has also successfully achieved a double 'Confidence' outcome from The Quality Assurance Agency for Higher Education (QAA) which is as important as an 'Outstanding' Ofsted grade and

Report of the Corporation (*continued*)

provides the group with many new opportunities for growth and development of its higher education portfolio.

Developments in 2016/17 include:

- Full implementation of the Apprenticeship Reforms
- Re-organisation of Learning Unlimited into sector based delivery
- Review of the Higher Skills Strategy to inform growth
- Introduction of the Work Experience Strategy and implementation across the group
- Re-design of the tutorial programme to strengthen destination led outcomes
- Strengthening retention strategies to support improvements in student performance and outcomes
- Re-design of the college management infrastructure to improve communication and inclusivity
- Improved communication strategies
- Revised Performance Development Review (PDR) and workforce development planning, including the introduction of a Management Development Programme

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2016 to 31 July 2017, the College paid 84% (2015-16: 84%) of its invoices within 30 days. The College strictly adheres to 30 day payment terms with exceptions occurring due to invoice disputes. The College incurred no interest charges in respect of late payment for this period.

Events After the End of the Reporting Period

There are no significant post balance sheet events to report.

Future Prospects

The College aims to continue to increase contributions by introducing a number of efficiency schemes across the College. The College would like to reduce dependency on the Education and Skills Funding Agency (ESFA) and is seeking further opportunities, particularly where it performs well such as Higher Skills, and commercial provision based upon employer demand.

The College has been involved in both the Sheffield City Region (SCR) and Derbyshire and Nottinghamshire (D2N2) Area Based Reviews and has demonstrated robust curriculum and financial plans, which show strong performance as a college within both regions for the foreseeable future.

The College predominantly works in the Sheffield City Region, Derbyshire and Nottinghamshire areas; however, with the growth and development of its apprenticeship provision, the College through Learning Unlimited has a significant national presence across the UK with centres fully operational in Chesterfield, Derby, Nottingham, Birmingham and Manchester.

The College has introduced a new Strategic Plan which is built around the concept of '5Ps': People, Performance, Position, Prosperity and Progress. The purpose of the plan is to encapsulate strategic objectives, future growth and development, key performance indicators and risk management all within the concept of the '5Ps'. This also includes the manner in which all staff undertake performance reviews, target setting and the overall management of performance across the group.

With the successful recruitment of a new Clerk to the Corporation/Company Secretary working inclusively with the Principal and Chair, governance has been strengthened including a review of the character of the Board, introduction of new dynamic reporting mechanisms and Link Governor roles.

Report of the Corporation (*continued*)

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, Tapton House HE Centre and leased premises at Derby, Nottingham, Manchester and Birmingham. Waterloo Court Logistics & Conference Centre was sold in October 2017.

Financial

The Group has £6,633,000 of net assets (including £12,004,000 pension liability) and long-term debt of £4,300,000 with Barclays Bank.

People

At 31 July, the College employed 597 people (expressed as full time equivalents), of whom 241 are teaching or work based tutors.

Reputation

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.

PRINCIPAL RISKS AND UNCERTAINTIES

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 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.

Report of the Corporation (*continued*)

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 be monitored throughout the 2017-18 financial year.

Government Funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 85% 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 the 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 falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students; 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

Report of the Corporation (*continued*)

education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

STAKEHOLDER RELATIONSHIPS

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

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

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

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 Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Statement 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 continues to provide an Equality and 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.

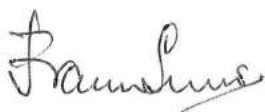
Report of the Corporation (*continued*)

- 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 students 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.

Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



**Frank Smith OBE
Chair of Corporation**

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 in so far as it is applicable to the further education sector.

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

In the opinion of the members, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 25 June 2015.

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

Statement of Corporate Governance and Internal Control (*continued*)

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 initial appointment	Current term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Frank Smith (OBE)	16.10.13	4 years (Extended 1 year)		Chair	Corporation	7/7
				Chair	F & GP	8/8
				Independent Member	Remuneration	2/2
				Chair	Search & Governance	3/3
Beej Kaczmarcyk	20.03.14	4 years		Independent Member	Corporation	7/7
				Independent Member	F & GP	6/8
Geoff Leyland	05.12.12	4 years		Independent Member	Corporation	7/7
				Independent Member	F & GP	7/8
				Independent Member	Standards	3/4
Gunter Scheidt	Sept 2016	1 year		Student Member	Corporation	7/7
				Independent Member	Standards	4/4
John Croot	04.07.13	4 years		Independent Member	Corporation	6/7
				F & GP Committee	F & GP	6/8
				Independent Member	Remuneration	2/2
Trevor Hughes	12.02.14	4 years		Independent Member	Corporation	6/7
				Independent Member	Remuneration	2/2
				Independent Member	Search & Governance	3/3
John Webber	16.10.13	4 years	Oct 17	Independent Member	Corporation	6/7
				Chair	Audit	3/3
				Chair	Remuneration	2/2
				Independent Member	Search & Governance	3/3
Keith Dennis	20.03.14	4 years		Independent Member	Corporation	5/7
				Chair of Standards	Standards	4/4
Dominic Staniforth	01.09.15	4 years		Independent Member	Corporation	5/7
				Independent Member	Audit	3/3
Huw Bowen	04.07.13	4 years		Independent Member	Corporation	4/7

Statement of Corporate Governance and Internal Control *(continued)*

Member	Date of initial appointment	Current term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Sam Ulyatt	13.06.14	4 years		Independent Member	Corporation	4/7
				Independent Member	Standards	2/4
Heather Staton	01.02.12	4 years	Sept 2017	Independent Member	Corporation	3/7
				Independent Member	F & GP	7/8
Neil Cluxton	Oct 2015	4 years	June 2017	Staff Member	Corporation	5/6
				Staff Member	Audit	2/3
Julie Richards	1 Mar 2017	Principal/CEO		Principal/CEO	Corporation	4/4
				Member	F & GP	4/4
				Member	Standards	2/2
				Member	Search & Governance	1/1
Stuart Cutforth	Nov 2014	Principal/CEO	Feb 2017	Principal/CEO	Corporation	3/3
			Feb 2017	Member	F & GP	3/3
			Feb 2017	Member	Standards	2/2
			Feb 2017	Member	Search & Governance	1/1
Nicola Adams	June 2013	4 years		Co-opted Member	Audit	3/3
Terry Betts	June 2017	4 years		Co-opted Member	Standards	1/1
Martyn Glossop	June 2017	4 years		Co-opted Member	Standards	1/4
Tony Cawthorne	Sept 2017	4 years		Co-opted Member	Standards	N/A
David Binks	Sept 2017	4 years		Staff Member	Standards	N/A
Jill Thomas	Sept 2017	4 years		Independent Member	Corporation	N/A
					F & GP	N/A
Mags McDadd acted as Clerk to the Corporation from 05/09/2016 to 25/05/2017. Sandra Stewart took over as acting Clerk to the Corporation from 25/05/2017 and was formally appointed as Clerk to the Corporation/Company Secretary on 09/09/2017.						

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 and General Purposes, Remuneration, Audit, Standards and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website:

www.chesterfield.ac.uk or from the Clerk to the Corporation at:

Chesterfield College
Infirmary Road
Chesterfield
Derbyshire
S41 7NG

Statement of Corporate Governance and Internal Control (*continued*)

The Clerk to the Corporation maintains a register of financial and personal interests of the members and receives signed declarations of eligibility from all 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 which does not usually exceed four years.

Corporation Performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2017 and graded itself as 'Good' on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised a minimum of 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 senior post holders.

Details of remuneration for the year ended 31 July 2017 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 Committee is in the process of reviewing its terms of reference.

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.

Statement of Corporate Governance and Internal Control (*continued*)

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 the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between Chesterfield College and the funding bodies. The Principal 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 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the 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.

Chesterfield College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency's Post-16 Audit Code of Practice 2016-2017.

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

Statement of Corporate Governance and Internal Control (*continued*)

Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 (for colleges subject to funding audit) in their management letters and other reports.

The Principal has been advised on the implications of the result of the 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 14th December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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

Going concern

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Frank Smith OBE

Chair of Corporation



Julie Richards

Accounting Officer

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 Financial Memorandum. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

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

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



Frank Smith OBE

Chair of Corporation

14th December 2017



Julie Richards

Accounting Officer

14th December 2017

Statement of Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Report of the Corporation which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Frank Smith OBE

Chair of Corporation

Independent Auditor's Report to the Corporation of Chesterfield College

Opinion

We have audited the financial statements of Chesterfield College ("the College") for the Year ended 31 July 2017 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and the related notes, 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 College's affairs as at 31 July 2017 and of the College's and Group'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 has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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

Independent Auditor's Report to the Corporation of Chesterfield College (continued)

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 Members of the Corporation set out on page 20, the Corporation are 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 are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation 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.

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 24 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.

Independent Auditor's Report to the Corporation of Chesterfield College
(continued)

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.

Mazars LLP

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

Date: *14/12/17*

Reporting Accountant's Assurance Report on Regularity

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

In accordance with the terms of our engagement letter dated 20 September 2017 and further to the requirements of the financial memorandum 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 2016 to 31 July 2017 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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.

Reporting Accountant's Assurance Report on Regularity (*continued*)


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 financial memorandum with the SFA/ funding agreement with the EFA.
- 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 2016 to 31 July 2017 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

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: 14/12/17

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Restated Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	26,515	24,780	25,355	23,608
Tuition fees and education contracts	3	3,001	2,731	3,055	2,754
Other income	4	1,520	1,525	2,282	2,279
Investment income	5	24	24	34	34
Donations and Endowments	6	-	257	-	190
Total income		31,060	29,317	30,726	28,865
EXPENDITURE					
Staff costs	7	21,060	20,074	21,299	20,259
Fundamental restructuring costs	7	389	389	218	218
Other operating expenses	8	9,060	8,357	8,697	7,765
Depreciation	11	1,210	1,149	1,297	1,233
Goodwill amortisation	13	35	-	35	-
Interest and other finance costs	9	436	436	511	511
Total expenditure		32,190	30,405	32,057	29,986
Deficit before other gains and losses		(1,130)	(1,088)	(1,331)	(1,121)
Profit on disposal of fixed assets		-	-	102	102
Deficit before tax		(1,130)	(1,088)	(1,229)	(1,019)
Taxation	10	-	-	10	-
Deficit for the year		(1,130)	(1,088)	(1,219)	(1,019)
Actuarial surplus / (loss) in respect of pensions	24	4,419	4,419	(2,782)	(2,782)
Total Comprehensive Income for the year		3,289	3,331	(4,001)	(3,801)

The total deficit for the year and Total Comprehensive Income for the year is attributable to the Group.

The notes on pages 30-50 form part of these financial statements.

Consolidated and College Statements of Changes in Reserves

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2015	318	7,124	7,442
Prior year adjustment	(97)	-	(97)
Restated balance at 1st August 2015	221	7,124	7,345
Deficit from the income and expenditure account (as previously stated)	(1,020)	-	(1,020)
Prior year adjustment	(199)	-	(199)
Other comprehensive income	(2,782)	-	(2,782)
Transfers between revaluation and income and expenditure reserves	237	(237)	-
	(3,764)	(237)	(4,001)
Restated balance at 31st July 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	-	3,289
Balance at 31 July 2017	(81)	6,714	6,633
College			
Balance at 1st August 2015	296	7,124	7,420
Prior year adjustment	(75)	-	(75)
Restated balance at 1st August 2015	221	7,124	7,345
Deficit from the income and expenditure account (as previously stated)	(929)	-	(929)
Prior year adjustment	(90)	-	(90)
Other comprehensive income	(2,782)	-	(2,782)
Transfers between revaluation and income and expenditure reserves	237	(237)	-
	(3,564)	(237)	(3,801)
Balance at 31st July 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	-	3,331
Balance at 31 July 2017	161	6,714	6,875

The notes on pages 30-50 form part of these financial statements.

Balance Sheets as at 31 July

	Notes	Restated			
		Group	College	Group	College
		2017	2017	2016	2016
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible Fixed assets	11	22,977	22,693	23,007	22,724
Intangible Fixed Assets	13	572	-	607	-
Investments	12	-	1,000	-	1,000
		23,549	23,693	23,614	23,724
Debtors: amounts falling due after one year					
	14	2,242	2,242	2,342	2,342
Current assets					
Stocks		20	20	20	20
Trade and other receivables	14	1,444	2,425	1,844	2,226
Cash and cash equivalents	19	6,193	4,969	5,616	4,914
		7,657	7,414	7,480	7,160
Less: Creditors – amounts falling due within one year	15	(5,507)	(5,209)	(9,690)	(9,323)
Net current assets / (liabilities)		2,150	2,205	(2,210)	(2,163)
Total assets less current liabilities		27,941	28,140	23,746	23,903
Creditors – amounts falling due after more than one year	16	(9,261)	(9,261)	(5,351)	(5,351)
Provisions					
Defined benefit obligations	24	(12,004)	(12,004)	(15,008)	(15,008)
Other provisions	18	(43)	-	(43)	-
Total net assets		6,633	6,875	3,344	3,544
Unrestricted Reserves					
Income and expenditure account		(81)	161	(3,543)	(3,343)
Revaluation reserve		6,714	6,714	6,887	6,887
Total unrestricted reserves		6,633	6,875	3,344	3,544

The financial statements on pages 26-50 were approved and authorised for issue by the Corporation on 14th December 2017 and were signed on its behalf on that date by:



Frank Smith OBE

Chair



Julie Richards

Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2017 £'000	Restated 2016 £'000
Cash flow from operating activities			
Deficit for the year		(1,130)	(1,219)
Adjustment for non-cash items			
Depreciation	11	1,210	1,297
Goodwill amortisation	13	35	35
Increase in stocks		-	(5)
Decrease in debtors	14	400	1,451
Decrease / (Increase) in debtors due after one year	14	100	(2,342)
(Decrease) / Increase in creditors due within one year	15	(88)	586
(Decrease) / increase in creditors due after one year	16	(175)	(218)
Pensions costs less contributions payable	24	1,415	1,163
Taxation	10	-	(10)
Adjustment for investing or financing activities			
Investment income	5	(24)	(34)
Interest payable	9	63	99
Taxation paid	10	(10)	-
Profit on sale of fixed assets		(5)	(102)
Net cash flow from operating activities		<u>1,791</u>	<u>701</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		5	162
Investment income		24	34
Withdrawal of deposits		-	-
Advanced lease payment		-	(2,500)
Payments made to acquire fixed assets		(1,180)	(938)
Net cash flow from investing activities		<u>(1,151)</u>	<u>(3,242)</u>
Cash flows from financing activities			
Interest paid		(63)	(99)
New unsecured loans		4,300	2,500
Conversion of revolving credit facility		(4,300)	-
Net cash flow from financing activities		<u>(63)</u>	<u>2,401</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>577</u>	<u>(140)</u>
Cash and cash equivalents at beginning of the year	19	5,616	5,756
Cash and cash equivalents at end of the year	19	6,193	5,616

The notes on pages 30-50 form part of these financial statements.

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 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, TS2000 Limited and Recruit Unlimited Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has £4.3m 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 at least 12 months from the date of approval of these financial statements, 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.

Notes to the Accounts (*continued*)

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

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

Capital grant funding

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

Notes to the Accounts (*continued*)

Actuarial gains and losses are recognised immediately in other comprehensive income.

The two subsidiaries, Training Services 2000 Ltd and Recruit Unlimited Limited, operate their own pension schemes. The Training Services 2000 Ltd scheme is a Scottish Widows defined contribution pension scheme and Recruit Unlimited Limited operates a NEST stakeholder pension 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.

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 5 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.

Notes to the Accounts (*continued*)

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.

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Notes to the Accounts (*continued*)

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.

Notes to the Accounts (*continued*)

• Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	1,970	1,970	1,999	1,999
Education and Skills Funding Agency - 16-18	15,473	15,412	14,595	14,595
Education and Skills Funding Agency - Apprenticeships	8,439	6,815	8,142	6,445
Higher Education Funding Council	457	407	416	366
Specific grant				
Releases of government capital grants	176	176	167	167
ESF non recurrent grant	-	-	36	36
Total	26,515	24,780	25,355	23,608

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	617	489	1,170	869
Apprenticeship fees and contracts	82	82	72	72
Fees for FE loan supported courses	606	606	327	327
Fees for HE loan supported courses	1,633	1,498	1,383	1,383
Total tuition fees	2,938	2,675	2,952	2,651
Education contracts	63	56	103	103
Total	3,001	2,731	3,055	2,754

Notes to the Accounts *(continued)*

4 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	518	518	461	461
Other income generating activities	80	80	73	73
Non-government capital grants	-	-	43	43
Miscellaneous income	922	927	1,705	1,702
Total	1,520	1,525	2,282	2,279

5 Investment income

Group and College	2017	2016
	£'000	£'000
Other interest receivable	24	34
Total	24	34

6 Donations – College only

	2017	2016
	£'000	£'000
Gift Aid	257	190
Total	257	190

This relates to a Gift Aid transfer by Training Services 2000 Limited.

Notes to the Accounts (*continued*)

7 Staff costs – Group and College

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

	2017 Group No.	2017 College No.	2016 Group No.	2016 College No.
Teaching staff	286	260	326	299
Non-teaching staff	383	337	367	332
	669	597	693	631
Staff costs for the above persons				
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Wages and salaries	16,215	15,349	17,094	16,182
Social security costs	1,349	1,274	1,211	1,137
Other pension costs	3,080	3,080	2,692	2,692
Payroll sub total	20,644	19,703	20,997	20,011
Contracted out staffing services	416	371	302	248
	21,060	20,074	21,299	20,259
Fundamental restructuring costs – contractual	389	389	218	218
Total Staff costs	21,449	20,463	21,517	20,477

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal and CEO, Deputy Principal, Vice Principal – Apprenticeships and Commercial Services, Deputy Principal – Finance and Corporate Resources, and Interim Vice Principal – Business Excellence. 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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	9	6

Notes to the Accounts (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges is listed below. This represents headcount and annualised emoluments of all key management personnel who served during the year.

	Senior Postholders		Other Key Management Personnel	
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	1	-	-	2
£70,001 to £80,000 p.a.	1	1	-	-
£80,001 to £90,000 p.a.	3	-	-	-
£90,001 to £100,000 p.a.	2	-	-	-
£110,001 to £120,000 p.a.	-	1	-	-
£140,001 to £150,000 p.a.	2	1	-	-
	<u>9</u>	<u>3</u>	<u>-</u>	<u>2</u>

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	481	512
Benefits in kind	5	5
Employer's National Insurance Contributions	54	59
	<u>540</u>	<u>576</u>
Pension contributions	57	77
	<u>597</u>	<u>653</u>
Total key management personnel compensation		

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Current	Former	
	2017	2017	2016
	£'000	£'000	£'000
Salaries	58	82	140
Benefits in kind	2	3	3
	<u>60</u>	<u>85</u>	<u>143</u>
Pension contributions	8	13	23

Compensation for loss of office paid to former key management personnel

	2017	2016
	£'000	£'000
Compensation paid to the former post-holder – contractual	14	-
Estimated value of other benefits, including provisions for pension benefit	8	-

The severance payment was approved by the College's Remuneration Committee.

Notes to the Accounts (*continued*)

8 Other operating expenses

			Restated	
	2017 Group	2017 College	2016 Group	2016 College
	£'000	£'000	£'000	£'000
Teaching costs	1,659	1,612	2,102	1,984
Non-teaching costs	5,220	4,884	4,646	4,125
Premises costs	2,181	1,861	1,949	1,656
Total	9,060	8,357	8,697	7,765

Other operating expenses include:

	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit	29	33
Internal audit	13	16
Other services provided by the financial statements auditor	9	6
Hire of assets under operating leases	270	6

9 Interest and other finance costs – Group and College

	Group 2017 £'000	Group 2016 £'000
On bank loans, overdrafts and other loans	63	99
Net interest on defined pension liability (note 24)	373	412
Total	436	511

10 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom Corporation Tax at 20%	-	-
Effect of tax rate change on opening balance	-	(5)
Provision for deferred Corporation Tax in the accounts of the subsidiary company	-	(5)
Total	-	(10)

The members do not believe that the College was liable for any Corporation Tax arising out of its activities during the year. The tax charge above relates to its trading subsidiary companies.

Notes to the Accounts (continued)

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 2016	26,689	10,466	121	37,276
Additions	766	334	80	1,180
Disposals	-	(27)	-	(27)
At 31 July 2017	27,455	10,773	201	38,429
Depreciation				
At 1 August 2016	5,297	8,972	-	14,269
Charge for the year	601	609	-	1,210
Elimination in respect of disposals	-	(27)	-	(27)
At 31 July 2017	5,898	9,554	-	15,452
Net book value at 31 July 2017	21,557	1,219	201	22,977
Net book value at 31 July 2016	21,392	1,494	121	23,007

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 2016	26,546	9,850	121	36,517
Additions	766	272	80	1,118
At 31 July 2017	27,312	10,122	201	37,635
Depreciation				
At 1 August 2016	5,230	8,563	-	13,793
Charge for the year	589	560	-	1,149
At 31 July 2017	5,819	9,123	-	14,942
Net book value at 31 July 2017	21,493	999	201	22,693
Net book value at 31 July 2016	21,316	1,287	121	22,724

Notes to the Accounts (*continued*)

12 Investments

	College 2017 £'000	College 2016 £'000
Investments in subsidiary companies	1,000	1,000
Total	1,000	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 a training provider.

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

13 Goodwill – College only

	Goodwill £'000
Cost or valuation	
At 1 August 2016	1,000
At 31 July 2017	1,000
Amortisation	
At 1 August 2016	393
Charge for the year	35
At 31 July 2017	428
Net book value at 31 July 2017	572
Net book value at 31 July 2016	607

Notes to the Accounts (*continued*)

14 Trade and other receivables

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due after one year:				
Prepayment	2,242	2,242	2,342	2,342
Prepayment relates to a 25 year lease premium in relation to the Queens Park Leisure Centre.				
Amounts falling due within one year:				
Trade receivables	316	297	667	578
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,159	-	657
Prepayments and accrued income	684	626	656	594
Amounts owed by the ESFA	444	343	521	397
Total amounts falling due within one year	1,444	2,425	1,844	2,226
Total debtors	3,686	4,667	4,186	4,568

15 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
			Restated	
Bank loans and overdrafts (note 17)	215	215	4,300	4,300
Trade payables	1,133	1,102	1,243	1,196
Corporation Tax	-	-	10	-
Other taxation and social security	298	165	697	535
Accruals and deferred income	1,757	1,756	968	875
Holiday pay accrual	180	173	418	418
Deferred income - government capital grants	184	184	184	184
Deferred income - deferred revenue grants	89	89	-	-
Amounts owed to the ESFA	868	828	1,001	966
Other creditors	783	697	869	849
Total	5,507	5,209	9,690	9,323

Notes to the Accounts (*continued*)

16 Creditors: amounts falling due after one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	4,085	4,085	-	-
Deferred income - government capital grants	5,176	5,176	5,351	5,351
Total	9,261	9,261	5,351	5,351

17 Maturity of debt

The bank loan is repayable as follows:

	Group & College	Group & College
	2017	2016
	£'000	£'000
In one year or less	215	4,300
Between one and two years	215	-
Between two and five years	645	-
In five years or more	3,225	-
Total	4,300	4,300

A revolving credit facility totalling £4,300,000 was converted to a bank loan at 2.100 per cent over base rate repayable by instalments falling due between 25 July 2017 and 24 July 2037; this is secured on a portion of the freehold land and buildings of the College.

18 Provisions

	Deferred Tax	Total
	£'000	£'000
At 1 August 2016	43	43
Credits in the period	-	-
At 31 July 2017	43	43

19 Cash and cash equivalents – Group only

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,616	577	-	6,193
Total	5,616	577	-	6,193

Notes to the Accounts (*continued*)

20 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	202	121

21 Lease obligations

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

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Future minimum lease payments due				
Land and buildings				
Not later than one year	256	118	282	143
Later than one year and not later than five years	620	66	833	279
Later than five years	427	35	579	47
Total lease payments due	1,303	219	1,694	1,694

22 Contingencies

There are no known contingent liabilities at the time of completion of these accounts.

23 Events after the reporting period

There are no events after the reporting period.

Notes to the Accounts (*continued*)

24 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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Derbyshire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2017	2016
	£000	£000
Teachers' Pension Scheme: contributions paid	976	1,055
Local Government Pension Scheme:		
Contributions paid	954	897
FRS 102 (28) charge	1,042	751
Other (including top-up and early retirement)	108	-
Charge to the Statement of Comprehensive Income	<u>2,104</u>	<u>1,648</u>
Total Pension Cost for Year within staff costs	<u>3,080</u>	<u>2,703</u>

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.

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

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Notes to the Accounts (*continued*)

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%).
- Total scheme liabilities for service to the effective date of £191,500 million, and notional assets 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 2.0% in excess of earnings. The real rate of earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £976,000 (2016: £1,055,000).

FRS 102 (28)

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.

Notes to the Accounts (*continued*)

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 2017 were £1,332,000, of which employer's contributions totalled £954,000 and employees' contributions totalled £378,000. 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.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.0%	2.9%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Inflation assumption (CPI)	2.4%	1.9%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	21.9	22.0
Females	24.4	24.2
<i>Retiring in 20 years</i>		
Males	23.9	24.1
Females	26.5	26.6

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 2017 £'000	Fair Value at 31 July 2016 £'000
Equity instruments	24,445	22,542
Debt instruments	6,830	6,533
Property	2,516	1,960
Cash	2,158	1,634
Total fair value of plan assets	35,949	32,669

Notes to the Accounts (*continued*)

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

	2017	2016
	£'000	£'000
Fair value of plan assets	35,949	32,669
Present value of plan liabilities	(47,953)	(47,677)
Net pension liability	(12,004)	(15,008)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,971	1,649
Past service cost	25	20
Total	1,996	1,669

Amounts included in interest payable

Net interest cost	373	412
	373	412

Amount recognised in Other Comprehensive Income

Return on pension plan assets excluding amounts included in net interest	1,930	2,235
Experience losses arising on defined benefit obligations	4,269	461
Changes in assumptions underlying the present value of plan liabilities	(1,780)	(5,478)
Amount recognised in Other Comprehensive Income	4,419	(2,782)

Notes to the Accounts (*continued*)

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

	2017	2016
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(15,008)	(11,063)
Movement in year:		
Current service cost	(1,971)	(1,649)
Employer contributions	954	918
Past service cost	(25)	(20)
Net interest on the defined liability	(373)	(412)
Actuarial gain or loss	4,419	(2,782)
Net defined benefit liability at 31 July	(12,004)	(15,008)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	47,677	40,022
Current service cost	1,971	1,649
Interest cost	1,163	1,462
Contributions by Scheme participants	378	371
Experience gains and losses on defined benefit obligations	(4,269)	(461)
Changes in financial assumptions	1,780	5,478
Estimated benefits paid	(772)	(864)
Past Service cost	25	20
Defined benefit obligations at end of period	47,953	47,677

Changes in fair value of plan assets

	2017	2016
Fair value of plan assets at start of period	32,669	28,959
Interest on plan assets	790	1,050
Return on plan assets less interest on plan assets	1,930	2,235
Employer contributions	954	918
Contributions by Scheme participants	378	371
Estimated benefits paid	(772)	(864)
Fair value of plan assets at end of period	35,949	32,669

Notes to the Accounts (*continued*)

25 Related party transactions

Owing to the nature of the College's operations and the composition of the Corporation Board 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 Corporation Board 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 £1,492; 2 members (2016: £595; 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.

During the year, the Chair received £6,250 for consultancy work carried out in relation to the D2N2 Area Based Review.

26 Amounts disbursed as agent Learner support funds

	2017	2016
	£'000	£'000
Funding body grants – hardship support	686	702
Funding body grants – childcare	57	55
	<hr/> 743	<hr/> 757
Disbursed to students	(327)	(354)
Administration costs	(31)	(38)
Amount consolidated in financial statements	(481)	(499)
Balance unspent as at 31 July, included in creditors	<hr/> (96)	<hr/> (134)

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.

27 Prior period adjustment

Prior year comparatives have been restated to incorporate the impact of a VAT liability arising as a result of delayed VAT group registration. The change has resulted in profits at 31 July 2016 decreasing by £199,000 and prior year opening reserves decreasing by £97,000.

Summary of the prior year accounting impact:

	Group	College
Increase in creditors	£296,000	£165,000
Decrease in profits (15/16)	£199,000	£90,000
Decrease in reserves (15/16 opening)	£97,000	£75,000

