Chelmsford College

Members' consolidated report and financial statements

Year ended 31 July 2014

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Members' report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2014. These statements also include the results of the College's wholly owned subsidiary businesses, Dovedale Nursery CIC and Chelmsford Training Services Limited (formerly called Daronhall Limited) ("the College Group").

Legal Status

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

Public Benefit

Chelmsford College is an exempt charity under Part 3 of the Charities act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as the principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12.

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

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

- Delivery of a broadly based education and training provision for young people, adults, groups and employers
- Developing wider skills to equip learners to be successful in life and work
- Support economic growth and development in the City and wider region
- Continuously improving access to learning opportunities
- Quality teaching learning and assessment

Mission

The College's mission, as approved by its members, is:

"Chelmsford College: unlocking potential"

The Values of the College

The College has five values that we endeavour to achieve, these are:

- Excellence in teaching, learning and assessment
- Innovation in how we work and develop
- Ambition - for all in the college community to be the best we can be
- Respect and support for every individual
- Fairness and equity in all our undertakings
- Outward looking in our development

Operating and Financial Review *(continued)*

Implementation of a Strategic Plan

The College's direction is principally determined, and annually reviewed, through the 3 Year Development Plan and the College Improvement Plan.

Our Strategic Plan 2013/14- 2014/15 sets out the following strategic goals:

- To become an outstanding college
- To provide greater access to learning
- To inspire and motivate members of staff
- To prioritise partnership working
- To be financially sound to enable the delivery of the college's strategic objectives

The College's priorities for 2013/14, as outlined in the Strategic Plan and College Improvement Plan were to:

- Ensure high quality teaching, learning and assessment for all learners
- Meet the ever changing/ evolving demands of learners
- Meet the ever changing/ evolving needs of employers, thereby supporting economic growth and development in the county
- Grow learner numbers
- Ensure efficient and effective ways of working across the organisation
- Support and prioritise progression to higher levels of education and training to meet the needs and aspirations of individuals and businesses

During 2013/14 the College received an Ofsted inspection and this resulted in a reduction in our grade from 'Good' to 'Requires Improvement'. This was a disappointing outcome and the College's new Principal, Andy Sparks, has implemented a post inspection improvement plan to improve the quality of teaching learning and assessment.

Performance Indicators

During the last year the College Group achieved:

- The in-year positive trend in retention has been sustained and improvements in retention rates have been achieved across all categories.
- Achievement rates have declined for students of all ages studying for long qualifications and for students aged 16-18 years old studying for long qualifications. However, overall the achievement rates remain high, at above 90%.
- Success rates have increased, although only marginally in the areas where achievement rates have declined. Furthermore, success rates are now above the most recent national average for all students, of all ages studying for both long and short qualifications and students aged 19+ studying for long qualifications.
- Apprenticeship success rates have declined from 79% 2012/13 to 70% 2013/14, the national average is 72%. Timely success rates have increased from 56% 2012/13 to 64% 2013/14 against the national average of 56%. This positive improvement is due timely success rates to the organisational arrangements for functional skills.
- English and mathematics learner distribution has evolved significantly this year with a 53% increase in GCSEs mirroring a 52% decline in volumes of learners studying Functional Skills. Outcomes have declined to broadly in-line with the sector for GCSE, but significantly below for Functional Skills. The delivery of English was graded as Good in the May 2014 Ofsted Inspection.

Operating and Financial Review *(continued)*

Accreditation to the Committed to Equality (C2E) standard has been achieved for the third year, demonstrating a continued high level of commitment and development of equality related actions and processes. The College also remains accredited to the Investors in People (IIP) standard at the highest level. Following a strategic review, the College has decided not to renew its IIP accreditation when next due in March 2015, and will develop alternative means to monitor and evaluate the quality of its management and involvement of staff practices. The College continues to be an accredited 'Living Wage Employer'.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

The College had 2,257 funded 16-18 students against a target of 2,391. In 2013/14 the College delivered activity which generated all of the funding allocation.

Student Achievements

The overall College success rate excluding functional skills for 2013/14 was 87% (82% in 2012/13). The comparison including functional skills was 2013/14 83.7% (77.9% 2012/13).

Curriculum Developments

The curriculum planning process has at its heart:

- Government priorities
- The need to adapt delivery to match the funding regime
- Quality of provision – underperforming areas will continue to be monitored and supported to improve performance
- The growing role of apprenticeships in both economic development in Essex and as part of an overall regional strategy
- The opportunity to expand provision in areas which have benefited from estates development
- Identifying opportunities for effective partnership working to develop new/enhanced provision

In respect of this, the College will continue to:

- Develop a comprehensive apprenticeship offer (through Chelmsford Training Services and in partnership with other providers)
- Develop learning programmes which both conform to EFA rules but which also ensure a learning experience which will enable learners to succeed and progress
- Develop provision which accords with local, regional and national economic development priorities
- Remove provision that fails to meet quality thresholds or is financially unviable
- Promote efficiency in all operational matters
- Promote partnership working especially in the 14-19 arena and in apprenticeship development.
- Provide the CPD to enable managers and staff to deliver consistently against College targets

During 2013/14 we took the difficult decision to remove the A Level Programme from our Curriculum offer because competition with sixth form institutions did not make this a viable programme for the College. We have replaced this provision with

- A broadening of the BTEC level 3 curriculum offer to include new options (e.g. Health Studies)
- An expected increase in enrolments on the current BTEC offer where there is a close relationship between the 'A' Level offer and specific BTEC qualifications (e.g. Media & IT)
- An increase in other non BTEC level 3 enrolments.

Operating and Financial Review *(continued)*

Financial Objectives

The Corporation has set financial objectives which aim to ensure that the College remains financially sound in order to:

- protect itself from adverse changes in enrolments and funding.
- generate sufficient income to fulfil its core purpose of teaching, learning and assessment across a broad base of activities
- maintain cash flows to service debt arising from investment in the property estate over recent years.

To achieve these objectives the College will:

- improve its financial flexibility and reduce its reliance on direct Government department funding.
- reduce costs by continually reviewing resource utilisation and implementing sound but socially responsible purchasing practices
- maintain the confidence of funding bodies, suppliers, bankers and auditors. Payment terms will be met whenever possible.
- ensure all staff are aware of the financial environment in which it operates and that they are clear, through the delivery of relevant training, as to their part in improving financial performance

FINANCIAL POSITION

Financial Results

The College returned a deficit for the year ending 31 July 2014 of £0.9m. This was due to the under achievement of funding contracts for Apprenticeships, not meeting commercial income targets at the Lee Stafford Academy and additional utility costs not budgeted.

The investment in 2012/13 to enable increased capacity at Dovedale Nursery has resulted in an increased turnover from £0.4m in 2012/13 to £0.5m in 2013/14, a 30% improvement. This has increased the gift aid passed over to the College by £15,308.

The College Group has accumulated reserves of £5.7m, before adjusting for the pension reserve, including cash balances of £1.0m. The College accumulated reserves and cash balances have been used to improve accommodation. The balance of payments in respect of construction and other capital spending has been met by the drawdown of loan finance totalling £8.55m.

Tangible fixed asset additions during the year amounted to £2.5m. This expenditure has focussed on improving both the physical learning environment and the community spaces of the College across all campuses in line with the approved redevelopment plan. The College continues to remain significantly reliant on Government Funding Bodies for its principal source of income.

Financial Recovery

The Corporation has approved a 'break even' budget for 2014/15, however a full review of operations is underway and a financial recovery plan will be presented to Corporation in February 2015.

Post Balance Sheet Events

With effect from 1st August 2014 the College created a joint venture company, Essex Shared Services Limited, with South Essex College to provide financial back office services to both Colleges at reduced cost. Finance staff from both Colleges was transferred under TUPE regulations on 1st August 2014.

Operating and Financial Review *(continued)*

Cash Flows and Liquidity

A net increase over the year of £0.2m brought the total cash balance to £1.0m (2012/13, £0.8 million).

Treasury Policy and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a treasury management policy in place.

Short term borrowing for temporary revenue purposes will be required during 2015. All borrowing requires the authorisation of the Corporation and must comply with the requirements of the Financial Memorandum.

Creditor payment policy

The College agrees the terms and conditions under which business transactions are conducted with its suppliers. The College endeavours to comply with those terms, provided they are satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The College does not follow any code or standard on payment practice, but in 2013/14 achieved an average payment of creditors within 29 days of invoice receipt (2012/13, 31 days).

Taxation

It is considered that the activities of Chelmsford College do not fall to be charged to corporation tax. Due to agreed tax losses brought forward, it is not anticipated that corporation tax will fall to be paid by Chelmsford Training Services Limited, whilst the affairs of Dovedale Nursery CIC are not anticipated to attract any liability to tax as a result of Gift Aid payments to the College.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives, which include:

- ***Financial***
  The College Group has £10.3m of net assets, after allowing for a £4.9m pension liability, and cash balances of £1.0m.

- ***People***
  The College Group employs 303 people of which 212 are teaching or learner support staff.

- ***Buildings***
  The College Group has access to sufficient space for the delivery of education and training courses and buildings have continued to be upgraded in line with the property strategy.

- **Reputation**
  The College has a good reputation and is the primary provider of post 16 vocational education within the area giving it a stable customer based (despite declining performance data and a Grade 3 Ofsted result)

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to undertake work to develop, improve and embed systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation.

A Risk Management Committee undertakes a comprehensive review of the risks to which the College is exposed in achieving its Strategic Plan. It identifies systems and procedures which should mitigate the potential impact of risks on the College. The necessary internal controls that are identified are implemented and monitored. An annual appraisal reviews effectiveness and progress against risk mitigation actions. In addition to its review procedures, the Risk Management Committee considers any risks which may arise as a result of any new area of potential impact on, or 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 principal risk factors that may affect the College are summarised below. Not all are within the College's control. Other factors besides those listed below may also adversely affect the College, including risks pertaining to the development of teaching, quality, security, health & safety - all of which are considered and managed through the processes previously outlined.

1. Financial Recovery

The College is significantly reliant on continued government funding. 86% of the College's revenue was directly funded, and this level of requirement is expected to continue. There are no assurances that government policy or practice will remain the same, and announcements continue to be made to indicate that public funding will be at reduced levels over the coming years.

However, it is planned that this risk will be mitigated in a number of ways:

- Funding is to be derived through a mix of direct and indirect contractual arrangements.
- Considerable focus and investment will be placed on maintaining and managing key relationships with the various funding bodies.
- The College is focussed on those priority sectors which will continue to benefit from public funding, and seeks to develop opportunities to maximise growth in those sectors, whether through internal development or through acquisition of additional business.
- The College will seek to exploit where possible its assets to enhance other income generating activities and commercial activities
- The College will review all delivery mechanisms to ensure the correct structure is in place to deliver surpluses in the future

2. Quality Improvement

If standards of teaching learning and assessment are not consistently delivered at the levels of good or outstanding the College will be unable to reach its goal of 'good' at the next Ofsted inspection expected during the next academic year.

This risk is mitigated by:

- Continual monitoring of the College Improvement Plan
- Completed actions required from the Annual Self Assessment process
- Continual lesson observations.

Operating and Financial Review *(continued)*

3. Safeguarding

If the College fails to ensure that only authorised personnel are on site, it is at risk of serious problems, possibly resulting in significant physical/mental harm to students and/or staff. In addition, if the vetting and barring scheme is not implemented correctly, then learners may be placed at risk and the College could face prosecution.

The College mitigates these risks by:

- Adhering to the College's safeguarding procedures ensuring that all necessary checks are undertaken and recorded appropriately and staff are training in procedures.
- Robustly challenging any person on College premises not wearing lanyards

4. Management information and IT Systems

If serious breaches of IT security occur the College is at risk of significant monetary loss or being subject to legal proceedings.

All College business critical data is backed up. Full backups of all services occur weekly and incrementally daily. Data is stored off site in fire proof conditions and a Business Continuity Plan is in operation.

STAKEHOLDER RELATIONSHIPS

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

- Students and, where applicable, their parents/guardians;
- Funding Councils;
- Staff;
- Local employers;
- Trade and Industry representative bodies;
- Local Authorities;
- Government Offices;
- South East LEP;
- The local community;
- Other FE institutions and Training Providers;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College website, specific meetings and other appropriate forms of communication.

Staff and student involvement

The key communication tool for staff and students is the College Intranet, and we are continually delivering enhancements to the Intranet, in particular the development of discussion forums, and further improvements to the remote access that is available to staff and students. The Intranet is customised for each student, showing the courses on which they are enrolled, timetables, schemes of work, learning resources and other general information.

The College encourages staff and student involvement through membership of formal committees and online forums and polls. The Students' Union arranges for student representation on the main Board of the Corporation and on other relevant committees. The Student Support Co-ordinator, supported by the Student Liaison Officer, ensures the learner involvement strategy is implemented.

Operating and Financial Review *(continued)*

The College recognises trade unions for both teaching and business support staff. In 2009/10 the College established a Staff Council to assist further with consultation and to encourage additional staff involvement. The arrangements for the Staff Council have continued to develop and from 2014 the Principal has attended Staff Council meetings.

Student support services are published on the Intranet and in the College handbook. Information about these services is discussed at interview and induction.

Information about College policies, including the Complaints and Disciplinary policies, is available on the Intranet and is covered at induction.

Equal opportunities

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

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

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

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005:

- The College provides information, advice and arranges support where necessary for students with disabilities.

- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

- The admissions policy for all students enables appeals against a decision not to offer a place to be dealt with through the appeals policy.

- The College continues to invest in the employment of specialist staff to support students with learning difficulties and/or disabilities, including learning support assistants and other specialist staff who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

Operating and Financial Review *(continued)*

Safeguarding and Child Protection

The College places significant importance on safeguarding children and vulnerable adults and meets fully the statutory requirements for safeguarding and child protection. Specifically, the College has:

- Implemented the requirements of the new Disclosure and Barring Service in accordance with the introduction of the Protection of Freedoms Act 2012.
- Implemented relevant good practice guidance contained in the Department for Education statutory guidance document: 'Keeping Children Safe in Education, April 2014'.
- Revised training and refresher training standards for all staff, governors and others. All staff have received safeguarding training with an on going programme in place to ensure all staff, including new starters, receive periodic update training.
- Maintained a Safeguarding Committee to ensure high standards of safeguarding are achieved and further improved upon.
- Established additional arrangements to enable improved inter-agency and provider communication and cooperation.
- Ensured that key managers receive local authority training as 'designated persons' for child protection purposes, which is regularly updated in accordance with statutory guidance.
- Established an 'At Risk Group' to support students, including those identified as being particularly vulnerable.

The College ensures that all relevant individuals undertake appropriate Disclosure and Barring Service (DBS) checks before commencing work. This includes a check of the DBS 'barred lists' where appropriate. Well established arrangements exist to ensure that concerns about individuals who may pose a threat to children or vulnerable adults are reported to the DBS.

The College maintains a 'Single Central Record' of all vetting and barring checks for all individuals undertaking Regulated Activity.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 12 December 2014 and signed on its behalf by:

J Maclean

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J Maclean

Chair

Operating and Financial Review *(continued)*

Professional advisers

Financial statements auditor:	KPMG LLP, 6 Lower Brook Street, Ipswich, IP4 1AP
Internal auditor:	MacIntyre Hudson, Chartered Accountants, Boundary House, 4 County Place, Chelmsford, Essex, CM2 0RE
Bankers:	Lloyds TSB Plc 77-81 High Street, Chelmsford, Essex, CM1 1DU
Solicitors:	Birketts LLP, Brierley Place, New London Road, Chelmsford, Essex, CM2 0AP

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code") but not the financial annex; and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012.

Statement of Corporate Governance and Internal Control (continued)
THE CORPORATION

Members

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment or re-appointment	Expiry of current term	Term of office	Date of resignation or retirement	Status of appointment	Committees served	Attend-ance
A Baxter	Mar-11	Mar-15	4 years		Independent Governor	1	100%
P Bridge	Mar-14	Mar-18	4 years		Independent Governor	1	60%
C Elgram	Oct -11	Oct-15	4 years	July 2014	Staff	3	75%
H Clarke	Sept - 12	Sept - 16	4 years		Staff	2,3	100%
G Evans	Dec-12	Dec-16	4 years		Independent Governor	1,4,5	100%
R Joy	Jul-11	Jul-15	4 years		Co-opted	3	n/a
M Lager	Mar-14	Mar-18	4 years		Independent Governor	1	100%
D Law	Sep-01	ex-officio	ex-officio	August 2014	Principal	1,2,5	100%
J Maclean	Sep-11	Sep-15	4 years		Independent Governor	1,2*,4,5*	100%
E Oddie	Jul-13	Jul-17	4 years		Independent Governor	1*,4*,5	100%
W Pigram	Dec-12	Dec-16	4 years		Independent Governor	2,3,4	80%
M Garston	Mar-13	Mar-17	4 years	Dec 2013	Independent Governor	3	0%
J Swan	Dec-12	Dec-16	4 years		Independent Governor	3*	80%
S O'Brien	Jul-13	Jul-14	1 year		Student	2	20%
E Wood	Mar-10	Mar-14	4 years		Independent Governor	2,3,4,5	100%
D Madden	Jul-12	Jul-16	4 years		Independent Governor	2	40%
B Vohmann	Mar-14	Mar-18	4 years		Co-opted	2	100%
S Noble	Mar-14	Mar-18	4 years		Independent Governor	2	67%
S Hughes	Mar-14	Mar-18	4		Independent Governor	3	67%

Corporation Committees

1. Personnel, Finance & General Purposes
2. Quality
3. Audit
4. Remuneration
5. Search & Governance

* Denotes the chair of that committee.

Corporation attendance was 82% against a target of 75%.

John Fowl acts as the Clerk to the Corporation.

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

Transparency arrangements

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 at least termly.

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the full Corporation.

These committees are:

1. Personnel, Finance & General Purposes
2. Quality & Learners
3. Audit
4. Remuneration
5. Search & Governance
6. Special

The Remuneration Committee meets annually. The Personnel, Finance & General Purposes Committee, Quality & Learners Committee, Audit Committee, and the Search & Governance Committee meet at least termly. The Special Committee is convened as necessary.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Chelmsford College
Moulsham Street
Chelmsford
Essex CM2 0JQ

Furthermore, the approved Minutes of all meetings, other than confidential items, are placed on the College Website for a rolling 12 month period.

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

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

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 and Governance committee comprising of five members which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

Throughout the year ending 31 July 2014, the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2014 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to seven members of the Corporation (who exclude the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets once a term, and provides a forum for reporting by the College's internal and financial statement 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 LSC and its successor bodies, as they affect the College's business.

The College's internal auditors monitor 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

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.

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

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. During the year the Risk Management Committee met regularly to review the Risk Register. Departmental SARs (Self Assessment Reviews) are extended to monitor risks to the achievement of improvement and action plans. The Corporation is of the view that there is a formal on going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and financial statements. 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, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with requirements of the SFA's (adopted from the LSC) formulated Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation 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
- Comments and reports made by the College's financial statements and regularity auditors in their management letters and other reports.

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

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

The Principal and 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 Principal and Senior Management Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2014.

Based on the advice of the Audit Committee and the Principal, 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*".

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

GOING CONCERN

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

Approved by order of the members of the Corporation on 12 December 2014 and signed on its behalf by:

J Maclean

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J Maclean
Chair

....
A Sparks
Principal

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the 2013/14 Accounts Direction issued jointly by the Skills Funding Agency and the EFA 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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The integrity of the College website is the responsibility of the governing body 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds by the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 12 December 2014 and signed on its behalf by:

J Maclean
....

J Maclean
Chair

Independent auditor's report to the Corporation of Chelmsford College

We have audited the Group and College financial statements ("the financial statements") of Chelmsford College for the year ended 31 July 2014 set out on pages 22 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Chelmsford College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group's deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Independent auditor's report to the Corporation of Chelmsford College (continued)

Opinion on other matters prescribed by the Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

S Beavis

Stephanie Beavis
For and on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
6 Lower Brook Street

Ipswich

IP4 1AP

17 December 2014

Independent regularity report to the Corporation of Chelmsford College ('the Corporation') and the Chief Executive of Skills Funding

Independent Auditor's Report on Regularity to the Corporation of ABC College and the Chief Executive of Skills Funding

This report is produced in accordance with the terms of our engagement letter dated 31st January 2013 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Responsibilities of the Corporation of Chelmsford College

The Corporation of Chelmsford College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Chelmsford College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 31st January 2013. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Independent regularity report to the Corporation of Chelmsford College ('the Corporation') and the Chief Executive of Skills Funding (continued)

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

S Beavis

Stephanie Beavis
For and on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
6 Lower Brook Street

Ipswich

IP4 1AP

17 December 2014

Consolidated income and expenditure account

for the year ended 31 July 2014

	Note	2014	2013
	Note	**£'000**	£'000
Income			
Funding Council grants	2	**12,962**	13,446
Tuition fees and education contracts	3	**918**	824
Research grants and contracts	4	**-**	34
Other income		**1,180**	1,229
Investment income	5	**3**	5
Total income		**15,063**	15,538
Expenditure			
Total Staff costs	6	**9,908**	10,072
Other operating expenses	8	**4,394**	4,063
Depreciation	12	**1,301**	1,277
Interest payable	9	**352**	331
Total expenditure		**15,955**	15,743
Deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax		**(892)**	(205)
(Loss)/profit on disposal of assets		**(2)**	117
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		**(894)**	(88)
Taxation	10	**(3)**	-
Deficit on continuing operations after depreciation of assets at valuation, disposals of assets and tax		**(897)**	(88)

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

The notes on pages 26 to 49 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2014

	Note	**2014** **£'000**	2013 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	*11*	**(897)**	(88)
Actuarial gain/(loss) in respect of pension scheme	*22*	**(301)**	1,248
Total recognised (losses)/gains since the last period		**(1,198)**	1,160

	2014 **£'000**	2013 £'000
Reconciliation		
Opening reserves	**8,316**	7,156
Total recognised (losses)/gains for the year	**(1,198)**	1,160
Closing reserves	**7,118**	8,316

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2014

	Note	**2014** **£'000**	2013 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	*11*	**(897)**	(88)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*20*	**130**	206
Historical cost (deficit)/ surplus for the year		**(767)**	118

Balance sheets
at 31 July 2014

	Note	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Fixed assets					
Tangible assets	*12*	**24,256**	**20,386**	23,060	19,174
Investments	*13*	**-**	**36**	-	36
		24,256	**20,422**	23,060	19,210
Current assets					
Stock		**31**	**4**	39	4
Debtors	*14*	**373**	**4,757**	478	4,058
Cash at bank and in hand		**1,011**	**843**	752	582
		1,415	**5,604**	1,269	4,644
Creditors: amounts falling due within one year	*15*	**(2,921)**	**(2,775)**	(2,701)	(2,324)
Net current (liabilities)/assets		**(1,506)**	**2,829**	(1,432)	2,320
Total assets less current liabilities		**22,750**	**23,251**	21,628	21,530
Creditors: amounts falling due after more than one year	*16*	**(7,435)**	**(7,435)**	(6,657)	(6,657)
Provisions for liabilities and charges	*33*	**(3)**	**-**	-	-
Net assets excluding pension asset liability		**15,312**	**15,816**	14,971	14,873
Net pension liability	*22*	**(4,954)**	**(4,954)**	(4,471)	(4,471)
Net assets including pension liability		**10,358**	**10,862**	10,500	10,402
Deferred capital grants	*18*	**3,240**	**2,807**	2,184	1,726
Reserves					
Income and expenditure account excluding pension reserve	*20*	**5,709**	**6,646**	6,294	6,654
Pension reserve	*22*	**(4,954)**	**(4,954)**	(4,471)	(4,471)
Income and expenditure account including pension reserve		**755**	**1,692**	1,823	2,183
Revaluation reserve	*19*	**6,363**	**6,363**	6,493	6,493
Total Funds		**10,358**	**10,862**	10,500	10,402

The financial statements on pages 22 to 49 were approved by the Corporation on 12 December 2014 and were signed on its behalf by:

J Maclean

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J Maclean
Chair

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A Sparks
Principal

Consolidated cash flow statement
for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Cash flow from operating activities	23	**639**	1,074
Returns on investments and servicing of finance	25	**3**	5
Capital expenditure and financial investment	25	**(1,328)**	(4,221)
Cash outflow before use of liquid resources and financing		**(686)**	(3,142)
Financing	25	**945**	2,525
Increase/(decrease) in cash in the period	24	**259**	(617)

Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase/(decrease) in cash in the period	**260**	(617)
Cash inflow from liquid resources	**-**	-
Change in net debt resulting from cash flows	**(945)**	(2,525)
Movement in net debt in period	**(685)**	(3,142)
Net (debt)/funds at 1 August	**(6,273)**	(3,131)
Net debt at 31 July	**(6,958)**	(6,273)

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2013/14 Accounts Direction.

Basis of accounting

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

Going concern

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

There is £8.55m of facility all of which has been utilised and drawn down being secured by a fixed and floating charge on College assets and is operating within existing covenants.

The forecast for 2014/15 indicates a breakeven position with a small surplus for 2015/16. There is a short term cash shortfall in the Spring Term covered by an overdraft facility of required.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. The College's cashflow projections indicate a shortfall in available cash in the early part of 2015. This is expected to be covered by a short term change in the overdraft facilities which is currently under negotiation and may involve the granting of security over certain of the College's assets.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2014.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner

Notes *(continued)*

responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Other discrete funding body income received during the year is taken to income as expenditure is incurred, in line with the specific terms and conditions attached to each fund.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the LSC and its successor agencies (see note 32).

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

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

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

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

Agency Arrangements

The College acts as an agent in the collection and payment of learner support funds. Related income received from the main funding bodies and subsequent disbursements to students and other further education colleges are excluded from the income and expenditure account and are shown separately in note 32, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.
Contributions to the TPS scheme are charged to the income and expenditure account 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 quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets
and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.
Further details of the pension schemes are given in note 22.

Notes *(continued)*

1 Statement of accounting policies

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are depreciated over the shorter of 50 years or the term of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £1,000 (Computer & IT equipment £300) per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is fully depreciated. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	4 years
Computer equipment	-	4 years
Plant & equipment	-	10 years

Notes *(continued)*

1 Statement of accounting policies

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

Leased assets

The College has no finance leases. Rental costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Foreign currency translation

There were no foreign currency transactions in the year.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. Subsidiary companies are registered together with the College as a VAT group.

Liquid resources

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

Provisions

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

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes *(continued)*

2 Funding Council grants

	2014	2013
	£'000	£'000
Main Funding Body Recurrent grant	**10,898**	11,504
Main Funding Body Non Recurrent grant	**1,969**	1,888
Releases of deferred capital grants:		
Buildings (note 18)	**54**	20
Equipment (note 18)	**41**	34
	12,962	13,446

3 Tuition fees and education contracts

	2014	2013
	£'000	£'000
Tuition fees	**662**	688
Education contracts	**256**	136
	918	824

4 Research grants and contracts

	2014	2013
	£'000	£'000
European Commission	**-**	34
	-	34

5 Investment income

	2014	2013
	£'000	£'000
Bank interest receivable	**3**	5

Notes *(continued)*

6 Staff numbers and costs

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

	2014 Number	2013 Number
Teaching staff	**143**	153
Non teaching staff	**72**	67
Learner support staff	**69**	70
Premises	**19**	20
	303	310

Staff costs for the above persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	**8,120**	8,196
Social security costs	**554**	609
Other pension costs	**840**	845
FRS 17 adjustments	**95**	103
Payroll sub-total	**9,609**	9,753
Contracted out staffing services	**225**	289
	9,834	10,042
Restructuring costs	**74**	30
	9,908	10,072

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

	2014 Number of senior post-holders	**2014 Number of other staff**	2013 Number of senior post-holders	2013 Number of other staff
£60,001 to £70,000 p.a.	**-**	**2**	-	-
£70,001 to £80,000 p.a.	**1**	**1**	1	-
£80,001 to £90,000 p.a.	**-**	**-**	-	-
£90,001 to £100,000 p.a.	**1**	**-**	2	-
£100,001 to £110,000 p.a.	**-**	**-**	-	-
£110,001 to £120,000 p.a.	**-**	**-**	-	-
£120,001 to £130,000 p.a.	**-**	**-**	-	-
£130,001 to £140,000 p.a.	**1**	**-**	1	-

Notes *(continued)*

7 Emoluments of senior post holders and members

	2014 Number	2013 Number
The number of senior post-holders including the Principal was	**3**	4

Senior post-holders' emoluments are made up as follows:

	2014 £'000	2013 £'000
Salaries	**291**	376
Bonuses	**15**	20
Benefits in kind	**2**	2
Pension contributions	**41**	51
	349	449

The benefits in kind relate to BUPA medical insurance provided by the College.

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

	2014 £'000	2013 £'000
Salary	**131**	131
Bonus	**7**	7
Pension contribution	**19**	19
	157	157

The pension contributions for the Principal and senior post-holders are employer's contributions to the Teachers' Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

No compensation for loss of office has been paid to former senior post-holders or higher paid employees.

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17.

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

Overseas activities

No emoluments were paid in respect of overseas activities.

Notes *(continued)*

8 Other operating expenses

	2014	2013
	£'000	£'000
Teaching costs	**1,635**	1,456
Non teaching costs	**1,756**	1,826
Premises costs	**1,003**	781
	4,394	4,063
Other operating expenses include:		
Land and buildings - operating lease costs	**-**	28
Other equipment – operating lease costs	**34**	32
Auditor's remuneration:		
Financial statements audit *	**34**	31
Internal audit **	**21**	20
Other services from external audit	**-**	-
Other services from internal audit	**-**	-

** includes £4,920 in respect of Chelmsford Training Services Limited and Dovedale Nursery CIC (2012/13 £4,920)*
*** includes £nil in respect of Chelmsford Training Services Limited and Dovedale Nursery CIC (2012/13 £nil)*

9 Interest payable

	2014	2013
	£'000	£'000
On bank loans and overdrafts	**265**	229
Pension finance costs (note 22)	**87**	102
	352	331

10 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

11 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2014	2013
	£'000	£'000
College's (deficit)/surplus for the year	**(530)**	129
Deficit generated by subsidiary undertakings	**(367)**	(217)
	(897)	(88)

Notes *(continued)*

12 Tangible fixed assets (Group)

	Assets under construction	Freehold land & buildings	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2013	804	24,872	5,980	31,656
Additions	879	657	971	2,507
Transfers	(804)	804	-	-
Disposals	-	(7)	(56)	(63)
At 31 July 2014	**879**	**26,326**	**6,895**	**34,100**
Depreciation				
At 1 August 2013	-	5,041	3,555	8,596
Charge for year	-	522	779	1,301
Eliminated in respect of disposals	-	-	(53)	(53)
At 31 July 2014	**-**	**5,563**	**4,281**	**9,844**
Net book value				
At 31 July 2014	**879**	**20,763**	**2,614**	**24,256**
At 31 July 2013	804	19,831	2,425	23,060

Notes *(continued)*

12 Tangible fixed assets (College only)

	Assets under construction	Freehold land & buildings	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2013	795	21,186	5,452	27,433
Additions	879	455	925	2,259
Transfers	(795)	795	-	-
Disposals	-	-	(56)	(56)
At 31 July 2014	**879**	**22,436**	**6,321**	**29,636**
Depreciation				
At 1 August 2013	-	4,882	3,377	8,259
Charge for year	-	381	663	1,044
Eliminated in respect of disposals	-	-	(53)	(53)
At 31 July 2014	**-**	**5,263**	**3,987**	**9,250**
Net book value **At 31 July 2014**	**879**	**17,173**	**2,334**	**20,386**
At 31 July 2013	795	16,304	2,075	19,174

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Essex County Council Property Services Department, acting as a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Included within freehold land and buildings is land valued at £1,400,000 which is not depreciated.

Land and buildings with a net book value of £6,363,000 *(2013: £6,493,000)* have been partly financed from exchequer funds, through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

Notes *(continued)*

13 Investments

	College 2014 £'000	College 2013 £'000
Investments in subsidiary companies	**36**	36
	36	36

The College owns 100% of the issued £1 ordinary shares of Chelmsford Training Services Limited and 100% of the issued £1 ordinary shares of Dovedale Nursery CIC. Both companies are incorporated in England and Wales. The principal business activity of Chelmsford Training Services Limited is the provision of training. The principal business activity of Dovedale Nursery CIC is to provide pre-school nursery facilities.

14 Debtors: Amounts falling due within one year

	Group 2014 £'000	**College 2014 £'000**	Group 2013 £'000	College 2013 £'000
Trade debtors	**66**	**43**	94	81
Amounts owed by subsidiary undertakings	**-**	**4,486**	-	3,737
Amounts owed by main funding bodies	**76**	**-**	33	-
Prepayments and accrued income	**231**	**228**	266	240
Other Debtors	**-**	**-**	85	-
	373	**4,757**	478	4,058

15 Creditors: Amounts falling due within one year

	Group 2014 £'000	**College 2014 £'000**	Group 2013 £'000	College 2013 £'000
Bank Loans	**534**	**534**	368	368
Payments received on account	**12**	**4**	7	5
Trade creditors	**345**	**319**	386	289
Other taxation and social security	**165**	**142**	181	157
Accruals and deferred income	**1,200**	**1,120**	1,655	1,443
Other accruals	**-**	**-**	39	-
Amounts owed to main funding bodies	**665**	**656**	65	62
	2,921	**2,775**	2,701	2,324

Notes *(continued)*

16 Creditors: Amounts falling due after one year

	Group 2014 £'000	**College 2014 £'000**	Group 2013 £'000	College 2013 £'000
Bank Loans	**7,435**	**7,435**	6,657	6,657
	7,435	**7,435**	6,657	6,657

17 Borrowings:

Bank loans

	Group 2014 £'000	**College 2014 £'000**	Group 2013 £'000	College 2013 £'000
In one year or less	**534**	**534**	368	368
Between one and two years	**548**	**548**	381	381
Between two and five years	**2,383**	**2,383**	2,015	2,015
In five years or more	**4,504**	**4,504**	4,261	4,261
	7,969	**7,969**	7,025	7,025

Unsecured bank loans drawn down totalling £8.55m are repayable by instalments falling due by 31 March 2027 and carry a combination of fixed and variable rates of interest. Repayments made in the year totalled £405,000 reducing borrowings to £7.97m.

Loan £'000	**Final repayment date**	College
4,500	30 March 2027	3.7450%
1,500	*31 March 2027	3.0550%
1,200	*30 June 2028	2.4800%
1,350	*31 October 2033	2.4730%
8,550		

* The bank notifies the College annually if it is willing to extend the loan facility for a further 12 months and the margin that will then apply for that 12 month extended period. Date and interest rate shown apply for 2013/14.

** Interest rate shown applies to the period to 31 July 2014 (and is notified annually)

Notes *(continued)*

18 Deferred capital grants (Group)

	Principal Funding Body £'000	Other grants £'000	Total £'000
At 1 August 2013			
Land and buildings	1,663	342	2,005
Equipment	179	-	179
Cash Received:			
Land and buildings	814	-	814
Equipment	357	-	357
Released to income and expenditure account:			
Land and buildings	(54)	(20)	(74)
Equipment	(41)	-	(41)
	2,918	**322**	**3,240**
At 31 July 2014			
Land and buildings	**2,423**	**322**	**2,745**
Equipment	**495**	**-**	**495**
	2,918	**322**	**3,240**

Notes *(continued)*

18 Deferred capital grants (College only)

	Principal Funding Body £'000	Other grants £'000	Total £'000
At 1 August 2013			
Land and buildings	1,547	-	1,547
Equipment	179	-	179
Cash Received:			
Land and buildings	814	-	814
Equipment	357	-	357
Released to income and expenditure account:			
Land and buildings	(49)	-	(49)
Equipment	(41)	-	(41)
	2,807	**-**	**2,807**
At 31 July 2014			
Land and buildings	**2,312**	**-**	**2,312**
Equipment	**495**	**-**	**495**
	2,807	**-**	**2,807**

19 Revaluation reserve

	Group £'000	College £'000
At 1 August 2013	6,493	6,493
Transfer to income and expenditure account	(130)	(130)
At 31 July 2014	**6,363**	**6,363**

Notes *(continued)*

20 Movement on General Reserves

	Group £'000	College £'000
At 1 August 2013	1,823	2,183
Deficit on continuing operations after depreciation of assets at valuation and tax	(897)	(320)
Transfer from revaluation reserve to income and expenditure account	130	130
Actuarial gain in respect of pension scheme	(301)	(301)
At 31 July 2014	**755**	**1,692**

Balance represented by

	£'000	£'000
Pension reserve	(4,954)	(4,954)
Income and expenditure account excluding pension reserve	5,709	6,646
At 31 July 2014	**755**	**1,692**

21 Non- cash transactions

Property strategy costs	**2014 £'000**	2013 £'000
Accelerated Depreciation	-	-
Release of capital grants related to the accelerated depreciation charges	-	-
	-	-

The College's approved rebuilding programme has led to the demolition and rebuilding of some of the existing buildings at the Moulsham Street campus and a new building at the Princes Road campus, with a completion date of September 2013. As a result it was determined that the remaining net book value of the affected buildings should be eliminated over the period to 2012, a shorter useful economic life than was previously estimated, generating an annual accelerated depreciation charge of £200,000 (*2012 only).* The release of capital grants associated with the affected buildings was also accelerated.

Notes *(continued)*

22 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Total pension cost for the year		**31 July 2014**		31 July 2013
	£000	**£000**	£000	£000
Teachers Pension Scheme: contributions paid		**416**		451
Local Government Pension Scheme:				
Contributions paid	**419**		401	
FRS 17 charge	**95**		103	
Charge to the Income and Expenditure Account (staff costs)		**514**		504
Enhanced pension charge to Income and Expenditure Account (staff costs)		**5**		-
Total Pension Cost		**935**		955

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;

Notes *(continued)*

22 Pensions and similar obligations

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

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

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

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

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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £420,000 (2013: £451,000).

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2014 was £562,000 of which employer's contributions totalled £415,000 and employees' contributions totalled £147,000. The agreed contribution rates for future years are 12.4% for employers and range from 5.5% to 7.5% for employees.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

	31 July 2014	31 July 2013
Inflation (CPI)	**2.6%**	2.5%
Rate of increase in salaries	**4.4%**	4.3%
Rate of increase in pensions	**2.6%**	2.5%
Discount rate for liabilities	**4.2%**	4.6%

Notes *(continued)*

22 Pensions and similar obligations

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 2014 Years	At 31 July 2013 Years
Retiring today		
Males	**22.7**	22.7
Females	**25.1**	25.3
Retiring in 20 years		
Males	**24.9**	24.2
Females	**27.4**	26.9

22 Pensions and similar obligations *(continued)*

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

	Long term rate of return expected at 31 July 2014	**Value at 31 July 2014 £'000**	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	**6.5%**	**7,421**	6.5%	7,103
Government bonds	**3.4%**	**712**	3.4%	861
Bonds	**4.0%**	**1,234**	4.3%	861
Property	**5.5%**	**1,333**	5.5%	1,184
Cash	**3.2%**	**328**	0.5%	323
Alternative assets	**4.0%**	**442**	4.3%	430
Total market value of assets	**5.7%**	**11,470**	5.7%	10,762

Analysis of net deficit

	2014 £'000	2013 £'000
College's estimated asset share	**11,470**	10,762
Present value of scheme liabilities*	**(16,424)**	(15,233)
Deficit in the scheme	**(4,954)**	(4,471)
* value of unfunded liabilities included above	**(52)**	(56)

Notes *(continued)*

22 Pensions and similar obligations *(continued)*

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Employer Service cost (net of employee contributions)	**(503)**	(504)
Curtailments and settlements	**(7)**	-
Total operating credit/(charge)	**(510)**	(504)

Analysis of pension finance costs

	2014 £'000	2013 £'000
Expected return on pension scheme assets	**618**	463
Interest on pension scheme liabilities	**(705)**	(565)
Pension finance costs	**(87)**	(102)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2014 £'000	2013 £'000
Actuarial (losses)/gains on pension scheme assets	**(64)**	1,283
Actuarial (losses) on pension scheme liabilities	**(237)**	(35)
Actuarial (loss)/gain recognised in STRGL	**(301)**	1,248

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	**(4,471)**	(5,514)
Movement in year:		
Current service charge	**(503)**	(504)
Employer contributions	**415**	401
Net interest on assets	**(87)**	(102)
Actuarial (loss)/gain	**(301)**	1,248
Settlements and curtailments	**(7)**	-
Deficit in scheme at end of year	**(4,954)**	(4,471)

Notes *(continued)*

22 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2014	2013
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	**15,233**	14,328
Service cost	**503**	504
Interest cost	**705**	565
Employee contributions	**147**	147
Experience gains and losses on scheme liabilities	**-**	-
Actuarial (gain)/loss	**237**	35
Benefits paid	**(408)**	(346)
Past Service gain	**-**	-
Curtailments and settlements	**7**	-
Liabilities at end of period	**16,424**	15,233
Reconciliation of Assets		
Assets at start of period	**10,762**	8,814
Expected return on assets	**618**	463
Actuarial (loss)/gain	**(64)**	1,283
Employer contributions	**415**	401
Employee contributions	**147**	147
Benefits paid	**(408)**	(346)
Assets at end of period	**11,470**	10,762

The estimated value of employer contributions for the year ended 31st July 2015 is £418,000.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £109,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains or losses

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets:					
Amount	**(64)**	1,283	(462)	(461)	739
% of scheme assets	**(0.6%)**	11.9%	(5.2%)	(5.4%)	9.0%
Total amounts recognised in statement of total recognised gains and losses					
Amount	**(301)**	1,248	(1,542)	(403)	96
% of scheme liabilities	**(1.8%)**	8.2%	(10.8%)	(3.3%)	0.8%

Notes *(continued)*

23 Reconciliation of consolidated operating surplus to net cash inflows from operating activities

	2014 £'000	2013 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	**(897)**	(88)
(Profit) / Loss on elimination of fixed assets	**2**	(117)
Depreciation (note 12)	**1,301**	1,277
Deferred capital grants released to income	**(115)**	(74)
Interest receivable (note 5)	**(3)**	(5)
Pension cost less contributions payable (note 22)	**182**	205
(Increase)/decrease in stocks	**8**	(22)
(Increase)/decrease in debtors	**105**	71
(Decrease)/increase in creditors	**56**	(173)
Net cash inflow from operating activities	**639**	1,074

24 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	Other Changes £'000	**At 31 July 2014 £'000**
Cash at bank and in hand	752	945	(686)	**1,011**
Debt due within 1 year	(368)	-	(166)	**(534)**
Debt due after 1 year	(6,657)	-	(778)	**(7,435)**
	(6,273)	945	(1630)	**(6,958)**

25 Analysis of cash flows for headings netted in the cash flow statement

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	**3**	5
Net cash inflow from returns on investments and servicing of finance	**3**	5
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(2,499)**	(5,593)
Receipt from sale of short term investment	**-**	381
Deferred capital grants received	**1,171**	991
Net cash outflow for capital expenditure and financial investment	**(1,328)**	(4,221)

Notes *(continued)*

Financing		
Debt due beyond a year:		
New unsecured loans repayable by 2026	**1,350**	2,700
Repayment of borrowed amounts	**(406)**	(175)
Capital element of finance lease rental payments	**-**	-
Net cash outflow from financing	**944**	2,525

26 Post balance sheet events

There were no post balance sheet events that affect these financial statements.

27 Financial Commitments

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

	2014	2013
	£'000	£'000
Land and buildings		
Expiring within one year	**-**	-
Expiring within two and five years inclusive	**-**	-
	-	-
Other		
Expiring within one year	**-**	-
Expiring within two and five years inclusive	**47**	34
	47	34

28 Capital Commitments

	2014	2013
	£'000	£'000
Commitments contracted for at 31 July	**1,086**	1,780
Authorised but not contracted at 31 July	**-**	-

29 Contingent liabilities

The College had no contingent liabilities as at 31 July 2014.

Notes *(continued)*

30 Related Party Transactions

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

Transactions with the main funding bodies are detailed in notes 2, 14, 15 and 18.

31 Cash flow relating to exceptional items

The operating cash outflows do not include any exceptional items.

32 Amounts disbursed as Agent

Learner support funds

	2014 £'000	2013 £'000
Funding body grants	**481**	412
Interest earned		-
	481	412
Disbursed to students	**(335)**	(325)
Administration Costs	**(19)**	(21)
Balance unspent at 31 July	**127**	66

Funding body grants are available solely for students; the College acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.

33 Provisions for liabilities

	Deferred taxation £000	**Total £000**
At beginning of year	-	-
Charge/credit to the profit and loss for the year	3	3
At end of year	3	3

Notes *(continued)*

The elements of deferred taxation are as follows:

	2014	2013
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	**-**	-
Other timing differences	**3**	-
Deferred tax liability	3	-