



# **SOUTH ESSEX COLLEGE**

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

*South Essex College  
Members' Consolidated report and financial statements  
Year ended 31<sup>st</sup> July 2017*

**Key management Personnel, Board of Governors and Professional advisers**

**Key management personnel**

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

Angela O'Donoghue Principal and CEO; Accounting officer  
Anthony McGarel Deputy Principal and Chief Executive  
Denise Brown Vice Principal Curriculum & Quality  
Steve Smith Vice Principal Corporate Resources

**Board of Governors**

A full list of Governors is given on page 17 of these financial statements.  
Mr R Millea acted as Clerk to the Corporation throughout the period.

**Professional advisers**

**Financial Statements auditor and reporting accountants:**

KPMG  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

**Internal Auditor:**

RSM LLP  
Abbotsgate House  
Hollow Road  
Bury St Edmunds  
Suffolk  
IP32 7FA

**Banker:**

Barclays  
PO Box 885  
Mortlock House  
Histon  
Cambridge  
CB24 9DE

**Solicitor:**

Irwin Mitchell  
Thomas Eggar House  
Priory Lane  
Chichester  
West Sussex  
PO19 1LF

## **CONTENTS**

	<b>Page number</b>
Members' Report	4
Statement of Corporate Governance and Internal Control	16
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	22
Statement of Responsibilities of the Members of the Corporation	23
Independent Auditor's Report to the Members of South Essex College	24
Reporting Accountant's Assurance Report on Regularity	26
Consolidated Statement of Comprehensive Income	28
Consolidated and College Statement of Changes in Reserves	29
Balance Sheets as at 31 July	30
Consolidated Statement of Cash Flows	31
Notes to the Accounts	32

## Members' Report

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017. These statements also include the result of the College's wholly owned subsidiary business, South Essex Commercial Ltd and 50% share of the equity of Essex Shared Services Ltd.

### Legal status

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

### Strategic Plan

South Essex College is the largest provider of technical and vocational education and training for 16-18 year olds, adults and Apprenticeship provision within Greater Essex. The plan outlines the strategic direction and ambitions from 2017-2020 and follows on from our previous Strategic Plan which ended in 2016.

### Mission

The mission statement was updated to '**Your life, our college, and your future**' and the core values were changed to align with the strategic plan and the new mission.

### Core Values

Partnership  
Respect  
Outstanding  
United  
Determined

### The college's strategic aims and objectives are:

#### 1. Deliver high quality, inclusive teaching, learning and assessment

- 1.1 Support the delivery of high quality, innovative and inspiring Teaching and Learning which is celebrated and promoted.
- 1.2 Deliver effective study programmes for 16-18 year old learners including English and Maths, Personal Development and Employability Skills.
- 1.3 Continually improve student performance.
- 1.4 Raise the aspirations and ambitions of all our students.
- 1.5 Provide bespoke, effective and timely support for all our students.

#### 2. Develop and grow a sustainable, viable, innovative and responsive College

- 2.1 Improve financial stability of the College by achieving a minimum 3% surplus by 2020.
- 2.2 Develop our Higher Education provision through continuous improvement of the student academic experience and student outcomes
- 2.3 Continually review College Services to produce ongoing efficiency savings while improving standards.

**3. Attract, develop and maintain a highly skilled, innovative flexible workforce**

- 3.1 Work in partnership with our staff to provide a supportive environment in which they can flourish and take pride.
- 3.2 Make use of digital technologies to establish integrated systems to reduce workload, and support curriculum delivery.
- 3.3 Improve the professional practice of our staff through structured professional development.

**4. Respect, Promote and Celebrate Diversity**

- 4.1 Actively challenge discrimination to foster a culture of social cohesion.
- 4.2 Foster relationships between individuals who share protected characteristics and those who do not.
- 4.3 Embed Diversity and British Values in our teaching, learning and training and foster tolerance and understanding.

**5. Develop our work with stakeholders to improve the economic prosperity of the South East**

- 5.1 Continue to maintain and develop partnerships with the Local Enterprise Partnership (LEP), the Employment and Skills Board (ESB), businesses and industry, Unitary Authorities and County Council.
- 5.2 Maintain effective relationships with appropriate funding and regulatory bodies.
- 5.3 Develop sustainable partnerships with employers to inform, support and develop our curriculum offer, and increase Apprenticeship opportunities.
- 5.4 Promote and develop sustainable partnership arrangements with a number of Higher Education Institutions.
- 5.5 Encourage our students and stakeholders to contribute to and inform College decision making.

**6. To provide high quality, fit for purpose, accommodation and resources**

- 6.1 Develop our Estate, to provide modern, high quality, state of the art facilities, resource and equipment.
- 6.2 Continue to develop the College IT infrastructure to take advantage of emerging new technologies.
- 6.3 Ensure a safe and secure environment for all.

**Public Benefit**

South Essex College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all

organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

## CURRICULUM REVIEW

The College was last inspected by Ofsted in May 2017 and the grades awarded were:

Overall Effectiveness	Good
Effectiveness of Leadership and Management	Good
Outcomes for learners	Good
Quality of teaching, learning and assessment	Good
16-19 study programmes	Good
Adult learning programmes	Requires improvement
Apprenticeships	Good
Personal development, behaviour and welfare	Good
Provision for learners with high needs	Good

The Curriculum Plan 2017-20 has been developed to build upon the Good Ofsted result and meet the College strategic aims and objectives.

**Our key drivers for the curriculum are:**

### ***To continually improve outcomes for students choosing to study at South Essex College***

The College made good progress towards achieving the ambitious targets agreed with the Board in December 2016. The targets were 'stretch' targets and as such not all targets were achieved but they served their purpose in that they drove the College to securing rapid improvement where it was needed. Particular progress was made with Entry and Level 1 provision and Level 2 provision also improved substantially. In many instances College achievements now reflect national averages.

### ***To better reflect the needs of industry by being totally industry led***

The College continues to build and develop its links with industry and local employers and has worked successfully with large numbers of partners and employers to provide a skills focussed apprenticeship provision. Information gathered from local employers is used to inform curriculum planning to ensure a curriculum that meets local and regional skills needs.

### ***To increase and expand our Higher Education offer in both degree programmes and Higher and Degree Apprenticeships.***

The College recognises that it cannot compete directly with Universities in the region with respect to research and will focus on delivery of taught degrees, which are technically and vocationally relevant to the local labour market. We offer local access to Higher and Degree qualifications which are predominantly vocational/technical degrees. In line with our Strategic Plan we will look to expand our

degree offer into Transport, Logistics and Supply Management, Accounting and Finance, Social Care, and Cyber Security and Networking.

***To address the need for Apprenticeship specialisation alongside growth to replace sub-contracted income***

We are well placed to capitalise on the new Levy implemented in May 2017 and work has already started to further develop our work with employers and their supply chains. In line with the Strategic Plan we will reduce sub-contracting of apprenticeship provision where there is a clear opportunity to displace some of the partner provision and deliver this ourselves, particularly in high volume sectors such as Retail, Customer Service, Business Administration, IT and Health and Social Care.

***Improve Teaching, Learning and Assessment for all students***

Teaching Learning and Assessment improved substantially across the College and was graded Good by Ofsted. More learners now complete and achieve their qualifications that at the time of the previous inspection.

**Curriculum achievements**

Curriculum performance is shown in the table below which was presented to the Curriculum & Quality Committee and supports the grade of 'Good' in the College Self Assessment Report (SAR).

**Academic Targets Achievement 2016/17**

	<b>Target set</b>	<b>Achievement 2016/17</b>
Overall	78%	78.1%
<b>16-18 Study Programmes Achievement</b>		
Level 1	81%	82.9%
Level 2	67%	81.6%
Level 3	86.4%	81.9%
<b>Functional Skills in Maths &amp; English Achievement</b>		
16-18	60%	45.7%
Adults	60%	63.6%
<b>16-18 Completion of Work Placements</b>	95%	TBC
<b>16-18 Value Added Score</b>	-2	5
<b>Adult Programme Achievement</b>	85.5%	86.0%
<b>GCSE maths Achievement</b>	81.8%	73.4%
<b>GCSE English Achievement</b>	82.1%	74.2%
<b>GCSE maths High Grade</b>		7.7%
<b>GCSE English High Grade</b>		26.1%
<b>A Level achievement</b>	95%	59.9%
<b>Apprenticeship success</b>	76%	70.3%
<b>Timely Success</b>	68%	61.4%

## FINANCIAL REVIEW

### Financial objectives

The College was issued with a financial notice of concern in February 2017 due to reporting inadequate financial health for the year ending 31<sup>st</sup> July 2016. The financial strategy agreed with Corporation for 2016/17 was:-

- To improve financial health to satisfactory
- To improve cash flow and current ratio
- To achieve the financial recovery plan identified savings

A series of performance indicators were agreed to monitor successful implementation financial recovery plan

Key performance Indicator	Measure/Target	Actual for 2016/17
Surplus as a % of Turnover	(1.8%)	1.5%
Surplus value	(£0.7m)	£0.6m
Dependency on ESFA income	79.14%	80.02%
Staff costs as a percentage of income	67.29%	62.44%
Minimum cash balance at year end	£1.5m	£3.7m
Financial health	Satisfactory	Satisfactory

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual finance record for the Education and Skills Funding Agency (ESFA). The financial health assessment for 2016/17 has been confirmed by the ESFA as Satisfactory.

### Financial results

The Group generated a deficit before other gains and losses in the year of £2,148,000 (2015/16 – deficit of £2,688,000 with total comprehensive income of £43,217,000, (2015/16 - £45,452,000).

The Group has accumulated reserves of £37,495,000 and cash and short term investment balances of £3,726,000. The Group wishes to continue to accumulate reserves and cash balances in order to reduce the need for short term funding in the period January – March each year.



Tangible fixed asset additions during the year amounted to £583,000 net of repayment to the College of work up costs on the new Basildon Campus repaid from the Basildon Trust Fund.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 80% of the Group's total income.

The College has one subsidiary company, South Essex Commercial Services Ltd. The principal activity of South Essex Commercial Services Limited is commercial catering income, college premises lettings and management of carparks. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, the deficit generated was £3,365.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

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

### **Cash flows and liquidity**

Net cash inflow from operating activities was £3,580,000 (2015/16 £5,790,000) a deterioration of £2,210,000. The College repaid debt of £2,688,000 and the net increase in cash and cash equivalents was £1,375,000 (2015/16 increase £1,315,000).

The College reviewed its debt financing and converted the £20m loan into a revolving credit facility (RCF) and also repaid the bank loan with Lloyds and rolled this up into the RCF. Bank loans at 31 July 2017 are £21,475,000.

### **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisations, and ensures that there are adequate reserves to support the College's core activities.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

The College had 5,299 16-18 Students against an EFA target of 6,093.

### **Curriculum developments**

The key drivers in the 2016-2020 Curriculum plan are:

- To continually improve outcomes for students choosing to study at South Essex College.
- To better reflect the needs of industry by being totally industry-led.
- To rationalise our curriculum offer across the College and focus on specialisation.
- To increase and expand our Higher Education offer in both degree programmes and Higher and Degree Apprenticeships.

- To plan for the Apprenticeship changes that will begin to be implemented in April 2017.
- To address the need for Apprenticeship specialisation alongside growth to replace sub-contracted income
- To provide education and training to upskill and retrain Adults through maximising adult loans and employers' Apprenticeship Levy.
- To grow our full cost provision to meet the identified need to increase high level professional skills in the workforce.
- Addressing our financial health to reach a 3% surplus in the next 3 years.

We will focus on our planned growth areas including Apprenticeships, Higher Level Skills and Degrees, and our key growth sectors.

#### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 9% per cent of its invoices within 30 days, however the agreed terms with most suppliers is month following date of invoice. The College did not incur any interest charges in respect of late payments for this period.

#### **Events after the end of the reporting period**

There are no events after the reporting period that require separate or specific disclosure in this report.

#### **Future prospects**

The revised curriculum plan for South Essex College has been developed to clearly articulate the college ambition to be the main provider of Industry-led vocational education and training for South Essex. Our plans are all based on Labour Market Intelligence and the voice of employers in the region and our growth plans are concentrated on the key growth sectors identified by the South East Local Enterprise Partnership, the Essex Employment and Skills Board, Thames Gateway Partnership and the Business Boards of the three main towns we serve: Southend, Basildon and Thurrock.

The Curriculum Strategy over the next 5 years is to specialise in areas of provision which meet the needs of our local and regional employers, particularly at levels 3, 4 and 5 and to expand into some key areas of identified growth including:

- Transport and logistics
- Construction & Construction Management
- Creative & Cultural Skills
- IT & Digital Skills
- Health & Social Care
- Adult Professional Qualifications

## **Area Review**

The Essex Area Review commenced on 7th November 2016 and the report was issued in August 2017.

The conclusion from the report was that South Essex College was to remain as a stand-alone College focusing on improving quality, developing its estate in Basildon and developing greater financial resilience.

In addition Greater Essex Colleges are to review the potential for shared services, through scaling up the current shared services arrangement between South Essex College and Chelmsford College to provide costs savings.

## **LGPS Pension security requirements**

The College will negotiate with Essex Pension Fund early in 2018 to agree deficit repayment plans and further discuss requirements for security. However, the College has secured its property against a revolving credit facility with Barclays Bank. .

## **RESOURCES:**

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

### **Financial**

The College has £37.5 million of net assets (2015/16: £36.9 million). This is after providing for £23.1 million pension liability (2015/16: £24.2 million). Deferred capital grants £17.2m have been moved to liabilities under FRS102. The College has long term bank debt of £21.5million (2015/16: £22.2 million).

### **People**

The College employed 700 people (expressed as full time equivalents), as at 31 July 2017, of which 299 are teaching staff. The remainder includes staff that support teaching and learning in Learning resource centres, student services, additional learning support and learning coaches as well as college overheads

### **Reputation**

The College has a good reputation locally and nationally and this was recognised by achieving Ofsted good status in May 2017. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

## **PRINCIPAL RISKS AND UNCERTAINTIES:**

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

The Senior Management Team reviews on a monthly bases the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions, which should mitigate

any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

A risk register is maintained at the College level which is reviewed at each meeting of the Audit & Risk Committee. 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 as follows:

#### **Apprenticeship Reform**

The introduction of the apprenticeship levy from May 2017 may impact on delays on securing apprentices from employers. Extensive employer engagement is required to ensure that employers utilise the College offering to spend their levy. In addition, the College needs to have an in-house apprenticeship programme to utilise its own levy. Funding for non-levy employers for the period January 2018 to March 2019 has not yet been issued by the ESFA at the time of writing this report.

#### **Cash flow**

The College will need to manage its cash during the period January 2018 – March 2018 as income significantly reduces during this period and a claw back will need to be repaid to the ESFA for 2016/17.

#### **Financial Health**

The College will need to manage its budget effectively during 2017/18 to ensure a budget surplus is delivered to improve financial health.

#### **Maths and English**

Failure to raise the importance of maths and English will lead to poor engagement of students and poor achievement. The College has implemented a maths and English strategy and attendance and punctuality will continue to be a focus for all senior managers.

### **STAKEHOLDER RELATIONSHIPS**

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

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

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

The College entered into a tripartite agreement with Basildon Council and the Homes and Communities Agency during 2015/16 to progress the disposal of the Basildon Campus to enable over 700 homes to be built over 5 years with the College relocating to Market Square in Basildon town centre. Basildon Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The Trust Account is managed by South Essex College and all transactions are agreed by resolution by all partners.

### **Equal opportunities and employment of disabled persons**

South Essex College is committed to the promotion of equality of opportunity for all learners, employees and all other users of the College.

Our ethos is to create and maintain the conditions whereby learners and staff are treated solely on the basis of their merits, abilities and potential, regardless of ethnic or national origin, disability, gender, age, religion or belief, sexual orientation, social class and background, or other distinction.

The College's Equality and Diversity Policy is published on the College's Internet site. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 are, as far as possible, identical to those for other employees. An Equality and Diversity plan is published each year and monitored by managers and governors.

The College actively promotes a culture of celebrating diversity and will take reasonable steps to prevent discrimination occurring. This includes promoting the significance of the Equality and Diversity Policy and what is expected of learners and staff while they study or work at the College.

### **Disability statement**

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2007/08, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.
- b) The College has an Additional Learning Support Team, who provide information, advice and arranges support where necessary for learners with disabilities.
- c) There is a list of specialist equipment which the College can make available for use by learners and staff and a range of assistive technology is widely available.
- d) The College has an Admissions policy for all learners. Appeals against a decision not to offer a place are dealt with under the policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support learners with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide a variety of support for access to learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling, welfare and support services are described on the College website. Learners can access relevant policies and procedures (including the Compliments & Complaints and Behaviour Policy and Procedure) via Moodle and My Day (Student Intranet).

## **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:

- a) Implemented statutory guidance contained within the revised Department for Education publication: 'Keeping Children Safe in Education September 2016' and ensured that staff are fully aware of their responsibilities in Part 1 through training and making the document available through the Intranet for everyone to read.
- b) Key staff are designated WRAP trainers and have home office registration approved.
- c) Ensured that all new staff receive training on safeguarding, child protection and PREVENT and that refresher training is carried out regularly for existing staff.
- d) Maintained a Safeguarding Committee, designated senior leadership team member and designated governor with responsibility for safeguarding.
- e) Audited its safeguarding practices through the 'Essex Schools & Colleges Safeguarding Audit' and maintained the outcome of "very high compliance".
- f) Ensured that key Staff are appropriately trained as Designated Child Protection Officers and their training is regular updated as 'designated persons' for child protection purposes, which is regularly updated in accordance with statutory guidance.
- g) Developed robust arrangements for the planning and approval of educational visits. We are planning the implementation of the use of EVOLVE, an online recording portal early 2017.
- h) Student Supervisors are established across all sites to support in the management of safeguarding and learner behaviour and welfare.
- i) Implemented a revised Recruitment and Retention Policy and Procedure incorporating safeguarding statutory guidance along with relevant employment legislation.
- j) The College maintains a 'Single Central Record' of all vetting and barring checks for all individuals undertaking Regulated Activity.

The College ensures that all relevant individuals undertake appropriate Disclosure and Barring Service (DBS) checks and these are vetted and risk assessed by the Head of HR prior to individuals commencing work. This includes an Enhanced DBS check including the 'barred lists' check where appropriate. Well established arrangements exist to manage any issues arising and ensure that concerns about individuals who may pose a threat to children or vulnerable adults are reported to the relevant authority.

The College complies fully with its statutory PREVENT duties under the Counter Terrorism and Security Act 2015. The PREVENT strategy aims to stop people from being drawn into terrorism, including violent and non-violent extremism, by working with individuals and communities to support and challenge views and activities that may be conducive to terrorism, or that seek to popularise views which extremism may seek to exploit. Central to the College's strategy is the promotion of fundamental British values, including democracy, the rule of law, individual liberty and mutual respect and tolerance of different faiths and beliefs.

The 2017 Ofsted Inspection concluded that the arrangements for safeguarding were effective, and staff understand well the part they play in safeguarding learners. Learners feel safe, and are kept safe, in college.

**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 4 December 2017 and signed on its behalf by:**



**David O'Halloran**  
**Chair**

## **Statement of Corporate Governance and Internal Control**

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 6<sup>th</sup> July 2015.

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



*South Essex College*  
*Members' Consolidated report and financial statements*  
*Year ended 31<sup>st</sup> July 2017*

**The Corporation**

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

Name	Date of appointments	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mr R Launder	First Appointed 01/01/2010 Reappointed 01/01/2014	4 years		Clause 3 of the Instrument	Chair: Corporation until 31/07/2015, Policy & Resources; Remuneration; Search & Governance	57%
Ms A O'Donoghue CBE	13-Aug-12			Principal and Chief Executive	Curriculum & Quality; Policy & Resources; Search & Governance	100%
Ms S Bridle	First Appointed 06/07/15 Reappointed 3.10.16	1 year and then 9 months	10/07/2017	Student (FE)	Curriculum & Quality	100%
Mr B Brooks	First Appointed 08/12/2014 Reappointed 8/12/16	2 years and then 1 year		Staff	Curriculum & Quality	71%
Ms O Buck	First Appointed 01/08/2012 Appointed 26/03/2013	4 years 4 years		External Member(Co-opted) Clause 3 of the Instrument	Policy & Resources	71%
Mr S Burrell	First Appointed 01/01/2014	4 years	08/02/2017	Clause 3 of the Instrument	Policy & Resources	50%
Mrs S Carr	First Appointed 01/04/2001 Reappointed 01/04/2003;01/04/2005; 01/04/2007;01/04/2011; 01/04/2015	2 years and then 4 years	31/12/2016	Clause 3 of the Instrument	Curriculum & Quality	33%
Mr L Fraser	First Appointed 10/7/17	1 year		Student (HE)	Curriculum & Quality	100%
Dr R Gray	First Appointed 01/03/1998 Reappointed 15/07/1999;15/07/2003; 15/07/2007;15/07/2011; 15/07/2015	2 years then 4 years		Clause 3 of the Instrument	Chair of Policy & Resources; Chair of Search & Governance; Remuneration	100%
Mr R Hughes	First Appointed 10/12/2012 Reappointed 28/2/17	2 years then from 14/3/17 till 4/12/17	08/12/2014	Staff	Audit & Risk	100%
Mr T Knight	First Appointed 01/08/2012 Reappointed 1/8/16	4 years		Clause 3 of the Instrument	Curriculum & Quality; Search & Governance; Remuneration	86%
Mr B Mansell	First Appointed 5/12/16	7 months	22/03/2017	Student (HE)	Curriculum & Quality	75%
Mr D O'Halloran	First appointed 15/07/1999 Reappointed 15/07/2003;15/07/2007; 15/07/2011; 15/07/2015	4 years		Clause 3 of the Instrument	Vice Chair: Corporation until 31/07/2015, Chair: Corporation wef 1/8/15, Chair of Curriculum & Quality;Remuneration;Policy & Resources	100%
Mr G Ocen	First Appointed 05/10/2015	4 years		Clause 3 of the Instrument	Audit & Risk	43%
Mr B Patterson	First Appointed 01/08/2012 Reappointed 1/8/16	4 years		Clause 3 of the Instrument	Chair: Audit & Risk; Search & Governance	71%
Ms L Rieffel	First Appointed 08/12/2014 Reappointed 8/12/16	2 years and then 1 year	14/03/2017	Staff	Audit & Risk	40%
Mr Paramjit Singh Narang	First Appointed 21/03/2011 Appointed 01/01/2014	4 years 4 years		External Member(Co-opted) Clause 3 of the Instrument	Audit & Risk	86%
Mr T Thompson	First Appointed 01/08/2012 Appointed 26/03/2013 Reappointed 26/3/17	4 years 4 years 4 years	26/03/2017	External Member (Co-optee) Clause 3 of the Instrument External Member (Co-optee)	Audit & Risk	33%
Ms M West	First appointed 01/01/2014	4 years		Clause 3 of the Instrument	Policy & Resources; Curriculum & Quality	71%
Mrs G Williams	First Appointed 01/08/2012 Reappointed 1/8/16	4 years		Clause 3 of the Instrument	Vice Chair: Corporation wef 1/8/15, Curriculum & Quality; Search & Governance; Chair: Remuneration	43%
Mr R Millea FCA is the Clerk to the Corporation						

The Clerk to the Governing body during this period was Robert Millea.

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 four times per year.

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

South Essex College  
Luker Road  
Southend  
Essex  
SS1 1NN

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

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

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

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

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

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

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

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

#### **Corporation performance**

Corporation performance has been assessed as 'Good'.

### **Remuneration Committee**

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 5 to the financial statements.

### **Audit & Risk Committee**

The Audit & Risk Committee comprises six members of the Corporation (excluding the Accounting Officer and Chair), plus up to three external members (currently two). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

### **Internal control**

#### *Scope of responsibility*

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies,

*South Essex College  
Members' Consolidated report and financial statements  
Year ended 31<sup>st</sup> July 2017*

aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Essex College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

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

*The risk and control framework*

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

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

South Essex College has procured an internal audit service, which operates in accordance with the requirements of the ESFA's post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Risk Committee. At minimum, annually, the Chair of the Audit & Risk Committee provides the governing body with a report on internal audit activity in the College. The report includes the Committee's 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. Her review of the effectiveness of the system of internal control is informed by:

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

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the

internal auditor and other sources of assurance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2017 meeting, the Audit & Risk Committee carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Leadership team and internal audit, and taking account of events since 31 July 2017.

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

#### **Going concern**

The financial health for South Essex College is improving with the ESFA confirming 'Satisfactory' financial health for the year ending 31 July 2017. However, there are still short term cash flow issues to be mitigated in the first few months of 2018. The College has for the past two years had an unsecured overdraft in place for this period from Barclays Bank, however this is not available to the College this year.

The College is required to pay back funding received but not utilized for apprenticeships and adult education budget (AEB) this will be reclaimed in February 2018. The College presented a number of options to mitigate this risk to the Policy & Resources Committee on 20<sup>th</sup> November 2017 and the Audit Committee on 22<sup>nd</sup> November 2017 which demonstrated that the College is a going concern and the Corporation is able to sign the Annual Report and Accounts.

**Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:**

**Signed**



**David O'Halloran**  
Chair

**Signed**



**Angela O'Donoghue**  
Accounting Officer

**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 our consideration we have had due regard to the requirements of the financial memorandum.

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

Signed



**Angela O'Donoghue**  
Accounting Officer  
4 December 2017

Signed



**David O'Halloran**  
Chair of Governors  
4 December 2017

## Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

David O'Halloran  
Chair

## **INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF SOUTH ESSEX COLLEGE**

### **Opinion**

We have audited the financial statements of South Essex College ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.



### **Corporation's responsibilities**

As explained more fully in their statement set out on page 23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Corporation, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

*SBeavis*  
**Stephanie Beavis**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Botanic House  
100 Hills Road  
Cambridge CB2 1AR  
United Kingdom

*14 December 2017*

**Reporting Accountant's Report on Regularity to the Corporation of South Essex College and the Secretary of State for Education acting through the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Essex College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

**Respective responsibilities of South Essex College and the reporting accountant**

The corporation of South Essex College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

*South Essex College  
Members' Consolidated report and financial statements  
Year ended 31<sup>st</sup> July 2017*

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*SBeavis*

**Stephanie Beavis**  
**For and on behalf of KPMG LLP, Reporting Accountant**  
Botanic House  
100 Hills Road  
Cambridge CB2 1AR  
United Kingdom

*14 December 2017*

*South Essex College*  
*Members' Consolidated report and financial statements*  
*Year ended 31<sup>st</sup> July 2017*

**South Essex College**  
**Consolidated and College Statements of Comprehensive Income**

	Notes	Year ended 31 July		Restated Year ended 31 July	
		2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	39,747	39,747	43,569	43,569
Tuition fees and education contracts	3	7,369	7,369	8,031	8,031
Other income	4	2,022	1,499	2,478	1,880
<b>Net Income</b>		<b>49,138</b>	<b>48,615</b>	<b>54,078</b>	<b>53,480</b>
<b>EXPENDITURE</b>					
Staff costs	5	26,988	26,762	27,482	27,266
Fundamental restructuring costs	5	325	325	257	256
Other operating expenses	6	18,923	18,620	23,633	23,256
Depreciation	9	3,873	3,872	4,031	4,031
Interest and other finance costs	7	1,177	1,177	1,363	1,363
<b>Total expenditure</b>		<b>51,286</b>	<b>50,756</b>	<b>56,766</b>	<b>56,172</b>
<b>Deficit before other gains and losses</b>		<b>(2,148)</b>	<b>(2,141)</b>	<b>(2,688)</b>	<b>(2,692)</b>
Loss on disposal of assets	9	-	-	(1)	(1)
Share of operating surplus/(deficit) in Essex Shared Services Limited		(41)	-	(29)	-
<b>Deficit before tax</b>		<b>(2,189)</b>	<b>(2,141)</b>	<b>(2,718)</b>	<b>(2,693)</b>
Taxation	8	-	-	-	-
<b>Deficit for the year</b>		<b>(2,189)</b>	<b>(2,141)</b>	<b>(2,718)</b>	<b>(2,693)</b>
Actuarial (loss)/gain in respect of pensions schemes	21	2,834	2,783	(5,715)	(5,571)
<b>Total Comprehensive Income/(expenditure) for the year</b>		<b>645</b>	<b>642</b>	<b>(8,433)</b>	<b>(8,264)</b>

The accompanying notes on pages 32 to 54 form part of these financial statements.

**South Essex College**  
**Consolidated and College Statement of Changes in Reserves**

	<b>Total</b>
	<b>£'000</b>
<b>Group</b>	
<b>Balance as at 1st August 2015</b>	45,283
Surplus/(deficit) from the income and expenditure account	(2,718)
Actuarial loss in respect of pension schemes	(5,715)
	<hr/> (8,433)
	<hr/>
<b>Balance as at 31st July 2016</b>	36,850
Surplus/(deficit) from the income and expenditure account	(2,189)
Actuarial gain in respect of pension schemes	2,834
	<hr/>
<b>Total comprehensive income for the year</b>	645
<b>Balance as at 31st July 2017</b>	<b><u>37,495</u></b>
 <b>College</b>	
<b>Balance as at 1st August 2015</b>	45,095
Surplus/(deficit) from the income and expenditure account	(2,693)
Actuarial loss in respect of pensions schemes	(5,571)
	<hr/> (8,264)
	<hr/>
<b>Balance as at 31st July 2016</b>	36,831
	-
Surplus/(deficit) from the income and expenditure account	(2,141)
Actuarial gain in respect of pension schemes	2,783
	<hr/>
<b>Total comprehensive income for the year</b>	642
<b>Balance as at 31st July 2017</b>	<b><u>37,473</u></b>

The accompanying notes on pages 32 to 54 form part of these financial statements.

South Essex College  
Members' Consolidated report and financial statements  
Year ended 31<sup>st</sup> July 2017

**South Essex College**  
**Balance sheets as at 31 July**

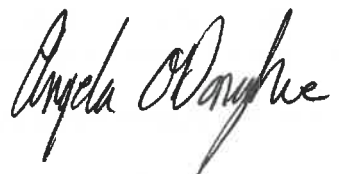
	Notes	Group	College	Group	College
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Tangible fixed assets	9	105,379	105,344	108,670	108,633
		<b>105,379</b>	<b>105,344</b>	<b>108,670</b>	<b>108,633</b>
<b>Current assets</b>					
Stocks		57	49	53	43
Trade and other receivables	11	1,196	1,153	2,170	2,093
Cash and cash equivalents	16	3,726	3,579	2,351	2,197
		<b>4,979</b>	<b>4,781</b>	<b>4,574</b>	<b>4,333</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(7,883)	(7,905)	(9,269)	(9,253)
<b>Net current assets</b>		<b>(2,904)</b>	<b>(3,124)</b>	<b>(4,695)</b>	<b>(4,920)</b>
<b>Total assets less current liabilities</b>		<b>102,475</b>	<b>102,220</b>	<b>103,975</b>	<b>103,713</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	13	(39,817)	(39,817)	(42,596)	(42,596)
<b>Provisions</b>					
Defined benefit obligations	15	(23,109)	(23,109)	(24,204)	(24,204)
Other provisions	15	(2,054)	(1,821)	(325)	(82)
<b>Total net assets</b>		<b>37,495</b>	<b>37,473</b>	<b>36,850</b>	<b>36,831</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		37,495	37,473	36,850	36,831
<b>Total unrestricted reserves</b>		<b>37,495</b>	<b>37,473</b>	<b>36,850</b>	<b>36,831</b>

The financial statements on pages 32 to 54 were approved and authorised for issue by the Corporation on 4 December 2017 and were signed on its behalf on that date by:



**David O'Halloran**

**Chair**



**Angela O'Donoghue**

**Accounting Officer**

**South Essex College**  
**Consolidated Statement of Cash Flows**

	2017 £'000	2016 £'000
<b>Cash inflow from operating activities</b>		
Surplus/(deficit) for the year	(2,189)	(2,718)
<b>Adjustment for:</b>		
Depreciation	3,873	4,031
(Increase)/decrease in stocks	(4)	5
(Increase)/decrease in debtors	974	(125)
Increase/(decrease) in creditors due within one year	(287)	339
Increase/(decrease) in creditors due after one year	(2,773)	2,187
Increase/(decrease) in provisions	1,671	-
Pensions costs less contributions paid	1,097	679
Share of operating (surplus)/deficit in Essex Shared Services	41	29
<b>Adjustment for investing or financing activities</b>		
Interest payable	1,177	1,363
	<u>3,580</u>	<u>5,790</u>
<b>Net cash flow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Amounts in relation to promissory notes	-	6,000
Payments made to acquire fixed assets	(583)	(2,697)
	<u>(583)</u>	<u>3,303</u>
<b>Cash flows from financing activities</b>		
Interest paid	(515)	(668)
Interest element of finance lease rental payments	(71)	(68)
New loans	2,000	-
New finance lease	-	583
Repayments of amounts borrowed	(2,688)	(7,400)
Capital element of finance lease rental payments	(348)	(225)
	<u>(1,622)</u>	<u>(7,778)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<u>1,375</u>	<u>1,315</u>
Cash and cash equivalents at beginning of the year	2,351	1,036
Cash and cash equivalents at end of the year	3,726	2,351

## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102).

The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

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

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiary, South Essex Commercial Services Ltd, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

#### Prior year restatement

During the year the College reviewed the accounting in respect of funds received from the ESFA for delivery of courses that the College subcontracts to third party providers. Historically these had been accounted for on a net basis on the grounds the College was acting as an agent. The College has now determined that it was acting as principal in this arrangement and should have accounted for the expenditure and income on a gross basis.

The impact of this adjustment for the year ended 31 July 2016 is to increase funding body income by £8,626k and increase other operating expenditure by £8,626k. There is no effect on the net profit.

#### Going concern

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

The College currently has £21.5m of loans outstanding with bankers on a revolving credit facility basis. The College has a number of options in place to cover any short term cash flow during the Spring Term 2018.

The College has set out a three-year financial strategy to the Corporation showing that a 3% surplus, increased cash reserves and return to 'good' financial health is achievable within this period.



## Notes to the Accounts (continued)

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

### Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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 the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income. Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

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

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

### Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The

## Notes to the Accounts (continued)

amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

### Short term Employment benefits

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

### Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff

Retires. In subsequent years, a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

### Non-current Assets - Tangible fixed assets

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

#### Land and buildings

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

- Thurrock and Southend Campuses – 60 years
- All other buildings – 50 years
- Refurbishments – 10 years

Freehold land is not depreciated.

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

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

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

## Notes to the Accounts (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992 at deemed cost but not to adopt a policy of revaluations of these properties in the future.

### **Assets in the course of construction**

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

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

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

### **Equipment**

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

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

- |                                    |          |
|------------------------------------|----------|
| • technical equipment              | 5 years  |
| • motor vehicles                   | 5 years  |
| • computer equipment               | 3 years  |
| • furniture, fixtures and fittings | 10 years |

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred. However, the College elects to capitalise such costs which are directly attributable to the acquisition, construction or production of a qualifying asset.

### **Leased assets**

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

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

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

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

## Notes to the Accounts (continued)

### Investments

#### *Investments in subsidiaries*

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

#### *Investments in joint ventures*

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group accounts, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

### Inventories

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

### Cash and cash equivalents

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

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

### Financial liabilities and equity

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

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

### Foreign currency translation

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

### Taxation

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

## Notes to the Accounts (continued)

Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover circa 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible

fixed assets by nature. The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

### Provisions and contingent liabilities

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

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

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

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

### Agency arrangements

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

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

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

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

## Notes to the Accounts (continued)

### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the Accounts (continued)

### 2 Funding council grants

	Year ended 31		Restated Year ended 31	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Skills Funding Agency	2,529	2,529	3,350	3,350
Education Funding Agency	28,836	28,836	31,210	31,210
Local Authority	649	649	430	430
Work based learning	5,320	5,320	6,381	6,381
Higher Education Funding Council	-	-	-	-
<b>Specific Grants</b>				
Access funds (SFA and EFA)	1,814	1,814	1,469	1469
EFA free meals in FE	193	193	75	75
Releases of government capital grants	406	406	654	654
HE grant	-	-	-	-
<b>Total</b>	<b>39,747</b>	<b>39,747</b>	<b>43,569</b>	<b>43,569</b>

Restated to reflect the gross income received (previously netted with subcontracting costs).

### 3 Tuition fees and education contracts

	Year ended 31		Year ended 31	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,201	1,201	686	686
Fees for FE loan supported courses	204	204	666	666
Fees for HE loan supported courses	4,915	4,915	5,093	5,093
International students fees	340	340	595	595
Full cost provision	129	129	406	406
Total tuition fees	6,789	6,789	7,446	7,446
Education contracts	580	580	585	585
<b>Total</b>	<b>7,369</b>	<b>7,369</b>	<b>8,031</b>	<b>8,031</b>

## Notes to the Accounts (continued)

### 4 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	722	398	1,094	735
Other income generating activities - Nursery (closed at end of 2015/16)	-	-	313	313
Other income generating activities - Ford	292	292	263	263
Other income generating activities - Car	197	-	236	-
Other grant income - Education Training	414	414	213	213
Non government capital grants	14	14	21	21
Miscellaneous income	383	381	338	335
<b>Total</b>	<b>2,022</b>	<b>1,499</b>	<b>2,478</b>	<b>1,880</b>

### 5 Staff costs - Group and College

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

	2017	2016
	No.	No.
Teaching staff	309	316
Non teaching staff	414	460
	<b>723</b>	<b>776</b>

### Staff costs for the above persons

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	20,008	19,814	20,955	20,749
Social security costs	1,772	1,763	1,549	1,556
Other pension costs	3,985	3,962	3,570	3,550
<b>Payroll sub total</b>	<b>25,765</b>	<b>25,539</b>	<b>26,074</b>	<b>25,855</b>
Contracted out staffing services	1,238	1,238	1,518	1,518
	<b>27,003</b>	<b>26,777</b>	<b>27,592</b>	<b>27,373</b>
Increase in employee leave accrual	(15)	(15)	(110)	(107)
	<b>26,988</b>	<b>26,762</b>	<b>27,482</b>	<b>27,266</b>
Fundamental restructuring costs	325	325	257	256



## Notes to the Accounts (continued)

### 5 Staff costs - Group and College (continued)

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

Key management personnel are those persons having authority and responsibility for

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer	<u>5</u>	<u>4</u>

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and national insurance but including benefits in kind,

	Key Management Personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	-	-	1	1
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	2	-	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	-	-	1
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	1	-	-
£170,001 to £180,000	-	-	-	-
£180,001 to £190,000	1	-	-	-
	<u>4</u>	<u>4</u>	<u>1</u>	<u>2</u>

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	517	467
Pension contributions	<u>17</u>	<u>47</u>
<b>Total emoluments</b>	<u>534</u>	<u>514</u>

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

	2017 £'000	2016 £'000
Salaries	215	169
Pension contributions	<u>-</u>	<u>21</u>
<b>Total emoluments</b>	<u>215</u>	<u>190</u>

## Notes to the Accounts (continued)

### 6 Other operating expenses

	Year ended 31 July		Restated Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,534	4,570	4,855	4,868
Subcontracting costs	5,921	5,921	8,626	8,626
Non teaching costs	5,211	4,874	6,532	6,143
Premises costs	3,257	3,255	3,620	3,619
<b>Total</b>	<b>18,923</b>	<b>18,620</b>	<b>23,633</b>	<b>23,256</b>

Restated to reflect gross payment of subcontracting costs (previously netted off with income).

Other operating expenses include:	2017 £'000	2016 £'000
Auditor Remuneration:		
Financial statements audit*	25	22
Internal audit**	10	14
Other services provided by the internal auditors	1	35

\* includes £25,000 in respect of the College (2015/16 £22,000)

\*\* all relating to the College

### 7 Interest payable

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	515	515	668	668
	515	515	668	668
On finance leases	71	71	68	68
On taxation	-	-	(7)	(7)
Pension finance costs (note 22)	591	591	634	634
<b>Total</b>	<b>1,177</b>	<b>1,177</b>	<b>1,363</b>	<b>1,363</b>

### 8 Taxation - Group only

	2017 £'000	2016 £'000
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Notes to the Accounts (continued)

### 9 Tangible fixed assets (Group)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2016	130,672	2,221	9,655	3,344	145,892
Additions	2,735	-	781	(2,933)	583
Transfers	249			(249)	-
<b>At 31 July 2017</b>	<b>133,656</b>	<b>2,221</b>	<b>10,436</b>	<b>162</b>	<b>146,475</b>
<b>Depreciation</b>					
At 1 August 2016	28,065	1,328	7,829	-	37,222
Charge for the year	2,634	164	1,076	-	3,874
<b>At 31 July 2017</b>	<b>30,699</b>	<b>1,492</b>	<b>8,905</b>	<b>-</b>	<b>41,096</b>
<b>Net book value at 31 July 2017</b>	<b>102,957</b>	<b>729</b>	<b>1,531</b>	<b>162</b>	<b>105,379</b>
Net book value at 31 July 2016	102,607	893	1,826	3,344	108,670

### 9 Tangible fixed assets (College)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2016	130,626	2,192	9,567	3,344	145,729
Additions	2,735	-	781	(2,933)	583
Transfers	249	-	-	(249)	-
<b>At 31 July 2017</b>	<b>133,610</b>	<b>2,192</b>	<b>10,348</b>	<b>162</b>	<b>146,312</b>
<b>Depreciation</b>					
At 1 August 2016	28,055	1,299	7,742	-	37,096
Charge for the year	2,633	164	1,075	-	3,872
<b>At 31 July 2017</b>	<b>30,688</b>	<b>1,463</b>	<b>8,817</b>	<b>-</b>	<b>40,968</b>
<b>Net book value at 31 July 2017</b>	<b>102,922</b>	<b>729</b>	<b>1,531</b>	<b>162</b>	<b>105,344</b>
Net book value at 31 July 2016	102,571	893	1,825	3,344	108,633

## Notes to the Accounts (continued)

### 10 Non current Investments

The College owns 100 per cent of the issued ordinary £1 shares of South Essex Commercial Services Limited, a company incorporated in England and Wales. The principal business activity of South Essex Commercial Services Limited is the operation of the car park, retail and conferencing activities. The interest in South Essex Commercial Services Limited was acquired on 22 July 2003 on its incorporation.

The College owns 50% of the ordinary shares of Essex Shared Services Limited. The company is incorporated in England and Wales and its primary activity is to provide administrative support to educational institutions.

### 11 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	439	429	342	324
Prepayments and accrued income	285	252	808	749
Amounts owed by the Education & Skills Funding Agency	303	303	475	475
Other debtors	169	169	545	545
<b>Total</b>	<b>1,196</b>	<b>1,153</b>	<b>2,170</b>	<b>2,093</b>

## Notes to the Accounts (continued)

### 12 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	300	300	1,465	1,465
Obligations under finance leases	408	408	342	342
Trade payables	258	255	1,461	1,435
Amounts owed to Subsidiary undertakings	-	33	-	76
VAT	30	30	23	3
Corporation tax	-	-	-	-
Other taxation and social security	865	865	884	884
Accruals and deferred income	1,684	1,680	3,376	3,339
Employee leave accrual	949	945	964	960
Deferred income - government capital grants	440	440	485	485
Amounts owed to the Education & Skills Funding Agency				
Agency	2,374	2,374	58	58
Amounts owed to the Education Funding Agency	-	-	60	60
Other creditors	575	575	151	146
<b>Total</b>	<b>7,883</b>	<b>7,905</b>	<b>9,269</b>	<b>9,253</b>

### 13 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	21,175	21,175	20,698	20,698
Obligations under finance leases	356	356	770	770
Pension liability to joint venture	207	207	207	207
Deferred income - government capital grants	16,772	16,772	16,602	16,602
Deferred income - Money from Basildon	1,281	1,281	2,596	2,596
Landowners Trust Account				
Other creditors - Lennartz	-	-	1,671	1,671
Other creditors - Salix	26	26	52	52
<b>Total</b>	<b>39,817</b>	<b>39,817</b>	<b>42,596</b>	<b>42,596</b>

## Notes to the Accounts (continued)

### 14 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	300	300	1,465	1,465
Between one and two years	21,175	21,175	1,536	1,536
Between two and five years	-	-	2,657	2,657
In five years or more	-	-	16,505	16,505
<b>Total</b>	<b>21,475</b>	<b>21,475</b>	<b>22,163</b>	<b>22,163</b>

The bank loan with Lloyds was fully repaid during the year.

The College's loan with Barclays has been converted into a revolving credit facility which allowed the refinancing of the Lloyds loan. This RCF of £21,475,000 is secured on the Southend Campus at Luker Road, the Thurrock Campus on Grays High Street and the Beauty Accademy on Queens Road, Southend. The current final maturity date is 22 December 2019 and the rate of interest is a marginal rate of 2.00% on top of a variable base rate.

#### (b) Finance leases

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	408	408	342	342
Between two and five years	356	356	770	770
<b>Total</b>	<b>764</b>	<b>764</b>	<b>1,112</b>	<b>1,112</b>

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

## Notes to the Accounts (continued)

### 15 Provisions

	Defined benefit Obligations £'000	Group and College Other £'000	Total £'000
At 1 August 2016	(24,204)	(325)	(24,529)
Expenditure in the period	-	-	-
Transferred from Statement of Comprehensive Income	1,095	(58)	1,037
Lennartz creditor - moved to provision	-	(1,671)	(1,671)
<b>At 31 July 2017</b>	<b>(23,109)</b>	<b>(2,054)</b>	<b>(25,163)</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

Other Provisions relates to the liability for the pension deficit of the joint venture Essex Shared Services Limited as well as a provision for short term operational costs for the Stephenson Road development.

The College is appealing to the HMRC regarding a Lennartz claim for VAT paid. VAT previously accrued under long term creditors has been transferred to provisions (see Note 19).

### 16 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	2,351	1,375	-	3,726
Overdrafts	-	-	-	-
<b>Total</b>	<b>2,351</b>	<b>1,375</b>	<b>-</b>	<b>3,726</b>

### 17 Capital commitments

	Group and College 2017 £'000	2016 £'000
Commitments contracted for at 31 July	71	-

## Notes to the Accounts (continued)

### 18 Lease Obligations

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

	<b>Group and College</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	93	65
Later than one year and not later than five years	217	49
later than five years	-	80
	<u>310</u>	<u>194</u>
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>-</u>	<u>-</u>

### 19 Contingent liabilities

The College is currently appealing against HMRC's decision in regard to a VAT Lennartz claim. The College's claim relates to £1.75m of VAT the College has paid which it is seeking to recover and to £1.67m of VAT which it has not paid. The College has accrued for the unpaid VAT and holds a VAT provision in this regard of £1.67m (see note 15). If the College's appeal is not successful, the VAT will become payable and there is a risk that HMRC could impose penalties of up to 30% and interest.

### 20 Events after the reporting period

There are no post balance sheet events that require separate disclosure in this report



## Notes to the Accounts (continued)

### 21 Defined benefit obligations

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

Total pension cost for the year	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	1,639	1,632
Local Government Pension Scheme:		
Contributions paid	1,259	1,259
FRS 102 (28) charge	1,097	679
Charge to the Statement of Comprehensive Income	2,356	1,938
Past Service Costs	54	
<b>Total Pension Cost for Year</b>	<b>4,049</b>	<b>3,570</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £370,120 (2016:£370,000) were payable to the scheme and are included in creditors.

### 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- 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 commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,639,000 (2016: £1,632,000).

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme.

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contribution made for the year ended 31 July 2017 was £1,725,000, of which employer's contributions totalled £1,259,000 and employees' contributions totalled £466,000. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary:

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.70%	2.10%
Future pensions increases	2.70%	2.10%
Discount rate for scheme liabilities	2.70%	2.50%
Inflation assumption (CPI)	2.70%	2.10%
Commutation of pensions to lump sums	50%	60%

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

	At 31 July 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	22.20	22.90
Females	24.70	25.30
<i>Retiring in 20 years</i>		
Males	24.30	25.20
Females	27.00	27.70

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017  £'000	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016  £'000
Equities	65.00%	27,858	69.00%	24,926
Bonds	4.00%	1,667	4.00%	1,635
Property	10.00%	4,141	11.00%	4,024
Gilts	6.00%	2,661	4.00%	1,306
Cash	3.00%	1,319	3.00%	1101
Alternative Assets	8.00%	3,258	4.00%	1616
Other managed funds	4.00%	1,813	5.00%	1748
<b>Total market value of assets</b>		<b>42,717</b>		<b>36,356</b>
<b>Weighted average expected long term rate of return</b>	15.00%		9.00%	
<b>Actual return on plan assets</b>		<b>4,609</b>		<b>1,628</b>

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

	2017 £'000	2016 £'000
Fair value of plan assets	42,717	36,356
Present value of plan liabilities	(65,826)	(60,560)
<b>Net pensions (liability)/asset (Note 16)</b>	<b>(23,109)</b>	<b>(24,204)</b>

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,302	1,937
Past service cost	-	-
<b>Total</b>	<b>2,302</b>	<b>1,937</b>

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	4,601	1,613
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(5,462)	(7,184)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(861)</b>	<b>(5,571)</b>

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	2017	2016
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(24,204)	(17,320)
Movement in year:		
Current service cost	(2,302)	(1,937)
Employer contributions	1,259	1,259
Curtailments and settlements	(54)	(1)
Net interest on the defined (liability)/asset	(591)	(634)
Actuarial gain or loss	2,783	(5,571)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(23,109)</b>	<b>(24,204)</b>

##### Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	60,560	50,361
Current Service cost	2,302	1,937
Interest cost	1,504	1,897
Contributions by Scheme participants	466	486
Experience gains and losses on defined benefit obligations	(2,707)	(1)
Changes in financial assumptions	5,462	7,184
Estimated benefits paid	(1,226)	(1,304)
Past Service cost	54	-
Liabilities extinguished on settlements	-	-
Curtailments and settlements	-	-
Change in demographic assumptions	(589)	-
<b>Defined benefit obligations at end of period</b>	<b>65,826</b>	<b>60,560</b>

##### Reconciliation of Assets

	2017	2016
<b>Fair value of plan assets at start of period</b>	36,356	33,041
Expected return on Fund assets	915	1,264
Actuarial gains	4,949	1,612
Employer contributions	1,259	1,259
Contributions by Scheme participants	466	486
Estimated benefits paid	(1,228)	(1,306)
Settlement prices (paid)	0	-
<b>Assets at end of period</b>	<b>42,717</b>	<b>36,356</b>

## Notes to the Accounts (continued)

### 22 Related party transactions

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

South Essex College entered in to a 50:50 joint venture agreement with Chelmsford College and formed Essex Shared Services Limited in August 2014 with the purpose to provide back office shared services to both Colleges. The annual cost for these services were £643k (£635K 2015-16). The Statement of Comprehensive Income includes a cost of £41k (£29k 2015-16) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the deficit of Essex Shared Services Ltd of £163k (£273k 2015-16), which includes a provision of £144k (£144k 2015-16) for the pension deficit of the joint venture.

The College entered into a tripartite agreement with Basildon Council and the Homes and Communities Agency (HCA) during 2015/16 to progress the disposal of the Basildon Campus and HCA land to enable circa 700 homes to be built over 5 years. The College will relocate some provision to Market Square in Basildon town centre and the Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The first phase of land has been sold to the developers and on account payments have been received, of which the College has withdrawn £4.6m to offset work up costs to date and for the Council to commence works to relocate the market. This does not form part of the College Group Accounts. Transactions included in the College's accounts are shown below.

Element	Account name	£'000
Work in Progress	Land and Buildings WIP	3,415
Receipt from Redrow (Deposit paid)	Land and Buildings WIP	(100)
Transfer from Landowners Trust 21/04/2016	Land and Buildings WIP	(1,096)
Transfer from Landowners Trust 27/07/2016	Land and Buildings WIP	(1,500)
Transfer from Landowners Trust 06/07/2017	Land and Buildings WIP	(2,000)
Balance - held for future costs	Deferred Income for the sale of Nethermayne Campus	<u>(1,281)</u>

### 23 Amounts disbursed as agent

Learner support funds		
	2017 £'000	2016 £'000
Discretionary support funds - SFA	317	317
ALL bursary - SFA	292	271
	<u>609</u>	<u>588</u>
Disbursed to students	(579)	(409)
Administration costs	(30)	(22)
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>157</u>

Learner support funds provided by the ESFA are made available solely for the benefit of students. The administration costs are deducted in accordance with the ESFA regulations and represent a contribution towards the costs incurred by the College in disbursing these funds.