Cheshire College
South & West

Annual Accounts
2018-19

Our Purpose;
Nurturing talent and empowering people to achieve their full potential; supporting businesses to succeed and communities to thrive.

Inspire. Believe. Achieve.

CHESHIRE COLLEGE SOUTH & WEST

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

Key Management Personnel, Corporation Members and Professional advisers

Key management personnel

Key management personnel are defined as members of the College's Executive Management Team and were represented by the following in 2018/19:

J Dhesi	Principal and Chief Executive; Accounting Officer
H Nellist	Deputy Principal / Deputy CEO – Employer and Commercial Services
R Ellis-Jones	Vice Principal – Curriculum and Quality (left 02 November 2018)
G Gillespie	Vice Principal – Curriculum and Quality (from 01 January 2019)

Corporation Members

A full List of Corporation Members is given on pages 11-15 of these financial statements.

Professional advisers

Financial statements and regularity auditors:
BDO LLP
3 Hardman Street
Spinningfields
Manchester, M3 3AT

Internal auditors:
ICCA
11th Floor
McLaren House
46, Priory Queensway
Birmingham, B4 7LR

Bankers:
Barclays Bank PLC
P O Box 3333
One Snowhill
Snowhill Queensway
Birmingham, B3 2WN

NatWest Bank Plc
Union Street
Chester
CH1 1UA

Solicitors:
SAS Daniels
30 Greek Street
Stockport
Cheshire
SK3 8AD

Hill Dickinson LLP
No 1 St. Pauls Square
Liverpool
L3 9SJ

Bramhalls
The Old Reading Room
76 Eastham Village Road
Eastham
Wirral
CH62 0AW

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NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

The College was incorporated as South Cheshire College. On 31st March 2017, South Cheshire College merged with West Cheshire College. West Cheshire College dissolved and the assets and liabilities transferred to South Cheshire College. On 1st January 2018 South Cheshire College changed its name to Cheshire College South & West.

Mission

The governors reviewed the mission during 2017-18 and agreed the following mission (purpose):

"Nurturing talent and empowering people to achieve their full potential; supporting businesses to succeed and communities to thrive."

The College Values

A series of values has been adopted to characterise the desired work climate and interpersonal attitudes at Cheshire College South & West and to guide the development of administrative policies and procedures.

"Our values are very important to us - they guide the way we work with each other, our partners and within our communities.

We:

- Act with honesty, integrity and trust
- Take time to listen, help and care
- Commit to opportunity and equality
- Value and celebrate diversity
- Empower individuals and nurture talent
- Strive for exceptional quality and success
- Instil a strong work ethic and drive to succeed
- Take responsibility
- Work together
- Make a positive contribution to society."

Strategic Plan

In January 2018 the College adopted a strategic plan for the period 2018-2021. This plan includes property and financial plans. The Corporation monitors the performance of the College against this plan through rolling Operating plans which are updated annually. The College's continuing objectives are:

(1) Teaching, Learning and Support

(1.1) We will inspire learners to excel through consistent high-quality teaching, learning and assessment.
(1.2) We will engage our learners using new technologies and innovative learning resources.
(1.3) Our learners will demonstrate a measurable improvement in literacy, numeracy and employability skills.
(1.4) Our learners will progress to employment or higher-level learning with strong values and skills, allowing them to make a positive and valued contribution to society.
(1.5) We will develop the talents of individuals, teams and leaders through Continuous Professional Development (CPD).
(1.6) We will inspire, empower and challenge colleagues to focus on ensuring that learners succeed and receive excellent care, support and guidance.

(2) Results

(2.1) Our achievement rates on all programmes, including Work Based Learning (WBL) and Higher Education (HE), will be above national benchmarks.
(2.2) Our Value Added measures will be Good or Outstanding.
(2.3) Our annual self-assessment of all faculties and business support functions will be judged Good or Outstanding.
(2.4) We will strive to be judged as Outstanding by Ofsted.

(3) Collaboration and Partnerships

(3.1) We will work with key stakeholders and lead on initiatives to provide high-quality education for all ages in Crewe, Ellesmere Port and Chester.
(3.2) We will work with employers, industries and organisations to drive economic growth through the development of future e-focused skills.
(3.3) We will respond to regional and national priorities identified by the Local Enterprise Partnership (LEP) and other regional and national bodies.

(4) Financial Stability

(4.1) We will meet the targets agreed with the Transaction Unit.
(4.2) We will be a financially robust College by remaining efficient and offering value for money.
(4.3) We will maintain inspirational learning environments through ongoing investment in new resources and facilities.

FINANCIAL POSITION

Financial results

The inclusion of the LGPS pension costs in accordance with FRS102 has a significant impact on the presentation of the accounts. The table below shows the College's financial out-turn position and the impact of the charges.

	2019 £'000	2018 £'000
Deficit before tax	(1,178)	(569)
Non-operational adjustment		
- FRS102 pension admin costs	1,460	985
Underlying operating surplus	**282**	**416**

The College generated a deficit before other gains and losses in the year of £1,178,000 (2017/18 deficit of £569,000) with total comprehensive income of (£10,832,000), (2017/18 £6,648,000). The total comprehensive income is stated after accounting for movement on actuarial loss in respect of pension schemes.

The College has accumulated reserves of £19,169,000 (2017/18 £30,001,000) and the movement in year relates to the valuation of the pension schemes by the actuaries. Cash balances at the year-end were £1,406,000 (2017/18 £3,092,000) and the College's priorities are to accumulate cash balances and reserves in order to allow for investment.

The College has considerable reliance on the education sector funding bodies for its principal source of funding, largely from recurrent grants. In 2018/19 the FE funding bodies provided 74% of the College's total income.

The College's financial health grading based on the 2017/18 accounts was confirmed by the funding bodies as "Satisfactory". The results for 2018/19 are anticipated to show "Requires Improvement*" Financial health as forecast following the merger in 2016/17. This is subject to ratification by the ESFA. The outstanding loans restrict the College's ability to attain a financial health grade of 'Good' at the present time.

Financial Health Indicators	2015/16	2016/17	2017/18	2018/19
Current Ratio	1.32	1.10	0.96	1.80
Performance Ratio	6.16%	27.5%	7.5%	2.4%
Debt as % of income	46.85%	35.85%	37.77%	33.86%
Financial Health Grade	Good	Satisfactory	Satisfactory	Requires Improvement*

**This is a change in terminology and was previously referred to as "Satisfactory"*

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 plan in place.

Short term borrowing for temporary revenue purposes if necessary, is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the College Funding Agreement with the ESFA.

Cash flows and liquidity

Cash and cash equivalents have decreased in year by £1,684,000. This is as a result of the level of loan repayments which the College has made in year.

Reserves policy

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the Balance sheet date, the Income and Expenditure reserve stands at £19,169,000 (2017/18 £30,001,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Subsidiary companies

The College had one subsidiary company during the year, West Cheshire College International Educational Services Ltd, which was dissolved during the year.

The College is the Sponsor Body of Crewe Multi Academy Trust (CMAT) which is a company limited by guarantee. CMAT was incorporated on 8 January 2015 to enable the College to become an academy sponsor. The Secretary of State for Education gave approval in principle for Kings Grove School to become an academy (The Oaks Academy) sponsored by South Cheshire College on 1 October 2015. The Oaks Academy became established on 1 January 2016 following receipt of the approval granted by the Secretary of State in December 2015.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

Prior to merger in 2017 the College has had a good or outstanding financial health grading. The merger with West Cheshire College, a College with a "financial notice of concern" has led to period of satisfactory/requires improvement grading, which had been identified at the point of merger. The College is currently assessed as having requires improvement financial health and continues to receive good support from its bank.

Learner Numbers

In 2018/19 the College has delivered activity and has produced £18,607k in funding body main allocation funding (2017/18 £19,337k). The College had approximately 3,745 publically funded learners.

Student Achievement

Students continue to succeed at the College with overall achievement (including apprenticeships) above benchmarks.

Curriculum Developments

Curriculum planning is focussed on producing interesting and educationally relevant qualifications that link directly with local employer/economic need. The College full-time curriculum incorporates: Core elements that develop knowledge; skills and industry standard requirements; employability skills; wider knowledge about society and core values; and enrichment opportunities that enhance the progress and next steps destination for learners.

2018-19 GCSE English and mathematics results have improved by 8% and are above the national rate. A Level results remain good with 98% pass rates overall. Vocational courses have performed well and above national averages and follow a continued improvement trend. Learner progress from entering the College, particularly on vocational courses have improved at a greater rate than the national average (Value Added measure). Positive destinations for learners is above the national and local average and correlates with excellent retention and achievement rates across the College.

Extended work experience has been provided through a successful capacity building project linked to the development of T-Level programmes. The College has successfully bid to deliver all four T-Level strands beginning 2021/22. Extended work experience was delivered to over 200 learners with a target of 400 for 2019-20. Employer engagement has been further enhanced which allows courses to be adjusted, enabling learners to access training, skills and qualification that are applicable for their chosen career goals.

Curriculums are designed with the Colleges, industry level, accommodation in mind, and as such provide an excellent opportunity for both learners and employers to access high quality, real life, learning environments. Learning departments are equipped to a good level with many having 'realistic working environments' for learners to practice their skills and develop a deep knowledge of their chosen vocational pathway.

Future prospects

The College is not forecasting growth in learner numbers over the next twelve months, in part, as a result of the Merseyside devolution and is focussing on maintaining excellent working relationships with its partners and delivering positive results for its learners.

RESOURCES

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

The College employs 523 people (expressed as full time equivalents), of whom 243 are teaching staff.

In addition to the college's staff resources, the College has tangible fixed assets which includes the three College sites in Crewe, Ellesmere Port and Chester, and £4.2m million held in current assets.

Financial

The College has £19 million of net assets including a £17 million pension liability (2017/18 £5.9 million) and long term loans of £13.0 million.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. This remains a key priority in 2018/19 for the College.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues 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.

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2018/19, 74% of the College's revenue was ultimately public funded (2017/18: 75%) and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College faces uncertainty over levels of funding due to the following:

- The forthcoming General Election in December 2019.
- The impact of the apprenticeship levy and the flow of funding continues to present a risk to overall funding and the timing of cash-flows.
- The 'lagged learner' methodology adopted by the ESFA to fund 16-18 year-old learners means that under or over recruitment has no impact on grant funding receivable for the academic year. Therefore, the cost of provision for additional learners needs to be funded from reserves or, in the case of a shortfall in recruitment, the College has a window of opportunity to reduce costs. This arrangement affords colleges the opportunity to predict learner numbers to be funded in the following year.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements to reduce exposure to any one particular income stream.
- Rigorous and regular monitoring of learner numbers to measure the impact on funding.
- Ensuring that the College is consistent in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.

2. Tuition fee policy

Fees for adult learners, which are initially funded through the Student Loans Company and then from students themselves if they withdraw from the course, are more challenging to collect than employer or commercial debt. In line with the majority of other colleges, Cheshire College South & West seeks to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Improved debt collection procedures.
- Knowledge of other training provider fees to ensure that the College remains competitive in its offering.
- Close monitoring of the demand for courses as prices change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'satisfactory'. Plans are in place to continue to improve the College's financial health over the coming year. However, the challenge remains to offer the best student experience within the funding constraints facing the FE sector.

This risk is mitigated in a number of ways:

- By budget setting procedures and sensitivity analysis.
- Regular in year budget and cash-flow monitoring.
- Robust financial controls.
- Rigorous control of staffing costs.
- Exploring ongoing procurement efficiencies including the harmonisation of other operating expenditure post-merger.

STAKEHOLDER RELATIONSHIPS

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

- Learners, Governors and staff;
- Chamber of Commerce;
- Education sector funding bodies;
- The Further Education Commissioner;
- Local, regional and national employers (with specific links);
- Local authorities and the Local Enterprise Partnerships (LEPs);
- Banks;
- The local community;
- Other FE and HE institutions and training providers;

- Trade unions;
- Professional advisors and professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through stakeholder events, participation in local, regional and national events, the College website and by meetings.

Public Benefit

Cheshire College South & West is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11 - 15. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education in the region of 12,000 learners, including 200 learners with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to over 1,100 apprentices. The college is committed to providing information, advice and guidance to the learners it enrols and to finding suitable courses for as many learners as possible, regardless of their education and background.

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).
- Good progression to higher education, apprenticeships and into skilled employment.

Equality

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

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

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

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

Accessibility Statement

The College has an accessibility statement which aims to ensure it meets its obligations under the Equality Act 2010.

The College campuses offer good access for people with mobility difficulties and the Learning Support team are available to assist those learners with learning difficulties and/or disabilities who require support with access to and from the college site. The College has a variety of specialist equipment available to learners, including assistive technology and a range of specialist facilities and resources available within its Learning Resource Centres (LRCs).

The College is continually looking to develop the service it provides to its learners and has made a significant investment in Continuous Professional Development and in the appointment of specialist staff, who are qualified and experienced in supporting learners with learning difficulties and/or disabilities across a wide range of courses

Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
3	3

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£9k
Total pay bill	£22,588k
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	8.4%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came in to 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 and services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2018 to 31st July 2019, the College paid 44 per cent of its invoices within 30 days.

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 12th December 2019 and signed on its behalf by:

Dame P Bacon
Chair

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

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31st July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 9th July 2015, to take effect from 1st August 2015.

The Corporation

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

Governor terms of office 2018/19

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2018-19	Attendance in 2018/19
Dame P Bacon Chair from 01/12/15 to 30 Nov 2018. Re-elected as Chair in Jul 2018 for another 3 years from 1 Dec 2018	25/11/14 Re-appointed 26/11/15	1 year from 01/01/15; 4 years from 01/01/16		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Chairs (Chair); Finance & Resources; Management & Performance	95%
Mr F Bradley	Reappointed 01/02/18	1 year from 01/01/17; 4 years from 01/01/18		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Chairs; Chair of CMAT; Audit & Risk (Chair); Management & Performance	85%
Mr M Braun	Appointed 01/01/17	1 year from 01/01/17;		Associate Member appointed in accordance with	Audit & Risk	100%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2018-19	Attendance in 2018/19
	Reappointed 01/01/18; 01/01/19	1 year from 01/01/18 1 year from 01/01/19		clause 2(1)(e) Instrument of Government		
Mr C Brew	Appointed 14/12/17	1 year from 01/01/18	Leaver 30 Sep 2018	External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	100%
Mrs D Bryce	Appointed 25/01/2019	1 year from 01/02/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	100%
Mr L Closs	25/11/14; reappointed 26/11/15	1 year from 01/01/15; 4 years from 01/01/16		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Chairs; Management & Performance (Chair), Finance & Resources	100%
Mr P Colman	11/07/13; reappointed 10/07/14; Reappointed 27/03/18	4 years from 01/08/14 4 years from 01/08/18		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	80%
Mrs J Davies	Elected 27/03/18	4 years from 01/04/18		Non-Academic Staff Member appointed in accordance with clause 2(1)(c) Instrument of Government	Management & Performance	78%
Mr J S Dhesi	24/01/14			Principal	Chairs; Finance & Resources; Management & Performance	100%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2018-19	Attendance in 2018/19
Mrs S Harrison	Reappointed 27/03/18	I year from 01/03/17; 4 years from 01/03/18		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Management & Performance	100%
Miss B Jones	Elected Nov 19	I year from 29/11/18	Leaver 31 Jul 2019	FE Student Member appointed in accordance with clause 2(1)(d) Instrument of Government	Management & Performance	67%
Mr R Jones	25/01/08, reappointed 27/11/08 and 29/11/12 and 08/11/16 and 27/03/18	4 years from 24/01/13, term of office extended to 31/12/17 I year as an Associate member from 1/1/18-31/12/18	Leaver 31 Dec 2018	External Member appointed in accordance with clause 2(1)(a) Instrument of Government Associate Member re-appointed in accordance with clause 2(1)(e) Instrument of Government	Audit & Risk	100%
Miss C Lo	Student Election	2 years from 01/01/18	Leaver 30 Sep 2018	FE Student Member appointed in accordance with clause 2(1)(d) Instrument of Government	Management & Performance	100%
Mr D Lotay	Appointed 12/12/18	I year from 01/01/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Audit & Risk	100%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2018-19	Attendance in 2018/19
Mr K Murray	Appointed 03/07/18 Reappointed 02/07/19	1 year from 01/09/18 4 years from 01/09/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Audit & Risk	78%
Mr E MacRury	Student Election	3 years from 01/01/18	Leaver 31 Jul 2019	HE Student Member appointed in accordance with clause 2(1)(d) Instrument of Government	Management & Performance	56%
Mrs C Osborne	01/08/17; Reappointed 03/07/18; Reappointed 02/07/19	1 year from 01/08/17; 1 year from 01/08/18; 1 year from 01/08/19		Associate Member appointed in accordance with clause 2(1)(e) Instrument of Government	Management & Performance	100%
Mrs A Pickering	Elected 15/05/18	4 years from 15/05/18		Academic Staff Member appointed in accordance with clause 2(1)(c) Instrument of Government	Management & Performance	67%
Mr G Price	26/1/15 Re-appointed 08/11/16 Reappointed 27/03/18	1 year from 26/11/15 1 year from 26/11/16 1 year from 01/01/18	Leaver 31 Dec 2018	Associate Member appointed in accordance with clause 2(1)(e) Instrument of Government	Finance & Resources	100%
Mr C Rhodes	Appointed 12/12/18	1 year from 01/01/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	100%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2018-19	Attendance in 2018/19
Mrs C Russell	01.04.17 Reappointed 23/03/18	1 year from 01/04/17; 1 year from 01/04/18	Leaver 31 Mar 2019	External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	100%
Mrs G Taylor	14/07/11, re-appointed 12/07/12; reappointed 07/07/16	4 years from 01/08/12; 4 years from 01/08/16		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Chairs; Finance & Resources (Chair)	94%
Mrs S Wallace	Appointed 25/01/2019	1 year from 01/02/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Audit & Risk	75%
Mrs A Yu	Appointed 26/03/2019	1 year from 01/04/19		External Member appointed in accordance with clause 2(1)(a) Instrument of Government	Finance & Resources	100%

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 each term as a minimum.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and which are set out in the Corporation's standing orders. The Corporation has been supported by the following committees: Chairs' Committee (incorporating search and remuneration); Management and Performance (incorporating quality and standards and organisational development); Finance and Resources and Audit and Risk. Full minutes of Corporation meetings, except those deemed confidential by the Corporation, are available on the College's website (www.ccsw.ac.uk) or from the Clerk to the Corporation at Cheshire College South & West, Dane Bank Avenue, Crewe, CW2 8AB.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors and members of staff having significant financial responsibility. 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 Corporation Board meetings. Briefings are also provided on an ad hoc basis.

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

There is a clear division of responsibility in that the role of the Chair and the role of the 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. In the period since 1 August 2013, the Chairs' Committee has been responsible for the selection and nomination of any new member for the Corporation's consideration other than staff and student members. Staff and student members are nominated and elected by staff and students respectively. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation Performance

The Corporation and the supporting committees carried out a self-assessment of its own performance for the year ended 31 July 2019 and graded itself as "Good" on the Ofsted scale.

Remuneration of senior post holders and the Clerk to the Corporation

The Corporation's Remuneration Committee held responsibility for making recommendations to the Corporation board regarding the remuneration and benefits of the Principal and Chief Executive and other senior post holders and the Clerk to the Corporation for the year ending 31 July 2019. The Remuneration Committee is chaired by the vice-chair of the Corporation and includes up to three other external Governors.

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

Audit and Risk Committee

The Audit and Risk Committee comprised 4 members of the Corporation (excluding the Accounting Officer and Chair) and one co-opted member of the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit and 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 and 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 they are personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Cheshire College South & West and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit and Risk 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 Executive 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 Executive Leadership Team and the Audit and Risk Committee also receive regular reports from internal audit, and other sources of assurance which include recommendations for improvement. The Audit and 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 Executive Leadership Team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting held in October 2018, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Executive Leadership Team and internal audit, and taking account of events since 31 July 2019.

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

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

J S Dhesi
Accounting Officer

Dame P Bacon
Chair

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreement and contracts with ESFA.

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

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

J S Dhesi
Accounting Officer

December 12, 2019

Dame P Bacon
Chair PAC

December 12, 2019

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 grant funding agreements and contracts with ESFA, the Corporation - through its Accounting Officer - is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction* and the *UK's Generally Accepted Accounting Practice,* and which give a true and fair view of the state of affairs of the College and its deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the *Further and Higher Education Act 1992* and *Charities Act 2011*, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College's website; the work carried out by 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 ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

Dame P Bacon

Chair

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's income and expenditure, gains and losses, changes in reserves and the College's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Hamid Ghafoor (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester, UK

Date: 20/12/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

To: The Corporation of Cheshire College South & West and Secretary of State for Education, acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 14 October 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Cheshire College South & West ("the College") during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Cheshire College South & West and the reporting accountant

The Corporation of Cheshire College South & West 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, are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the Corporation's completed Self-Assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;

- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, expenditure and payroll amendments.

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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP

BDO LLP

Chartered Accountants

Manchester, UK

Date: 20/12/2019

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		College	Group	College	Group
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	28,745	28,745	28,766	28,766
Tuition fees and education contracts	3	7,302	7,302	6,597	6,597
Other grants and contracts	4	245	245	406	406
Other income	5	2,630	2,630	2,641	2,641
Investment income	6	12	12	14	14
Total Income		**38,934**	**38,934**	**38,424**	**38,424**
EXPENDITURE					
Staff costs	7	22,588	22,588	22,815	22,815
Restructuring costs	7	298	298	-	-
Other operating expenses	8	12,574	12,574	11,414	11,414
Depreciation	11	4,035	4,035	3,962	3,962
Interest and other finance costs	9	617	617	802	802
Total expenditure		**40,112**	**40,112**	**38,993**	**38,993**
Deficit before other gains and losses and taxation		(1,178)	(1,178)	(569)	(569)
Loss on disposal of assets	11	-	-	-	-
Deficit before tax		(1,178)	(1,178)	(569)	(569)
Taxation	10	-	-	-	-
Deficit for the year		(1,178)	(1,178)	(569)	(569)
Actuarial (loss)/gain in respect of pension scheme	20	(9,654)	(9,654)	7,217	7,217
Total Comprehensive Income for the year		**(10,832)**	**(10,832)**	**6,648**	**6,648**

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
	£000	£000	£000	£000
College & Group balance at 1st August 2018	30,001	-	-	30,001
Deficit from the income and expenditure account	(1,178)	-	-	(1,178)
Other comprehensive income: Actuarial loss	(9,654)	-	-	(9,654)
Total comprehensive income for the year	(10,832)	-	-	(10,832)
Balance at 31st July 2019	**19,169**	-	-	19,169

Balance Sheet as at 31 July 2019

	Notes	Year ended 31 July 2019 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2018 Group £'000
Non current assets					
Tangible Fixed assets	11	134,864	134,864	137,100	137,100
		134,864	**134,864**	**137,100**	**137,100**
Current assets					
Stocks		47	47	74	74
Trade and other receivables	12	2,789	2,789	3,231	3,231
Cash and cash equivalents	17	1,406	1,406	3,092	3,092
		4,242	**4,242**	**6,397**	**6,397**
Less: Creditors - Amounts falling due within one year	13	(7,577)	(7,577)	(9,194)	(9,194)
Net current liabilities		(3,335)	(3,335)	(2,797)	(2,797)
Total assets less current liabilities		**131,529**	**131,529**	**134,303**	**134,303**
Creditors - Amounts due after more than one year	14	(94,553)	(94,553)	(97,446)	(97,446)
Provisions					
Other provisions	16	(838)	(838)	(1,001)	(1,001)
Defined benefit obligations	20	(16,969)	(16,969)	(5,855)	(5,855)
Total net assets		19,169	19,169	30,001	30,001
Unrestricted Reserves					
Income and expenditure account		19,169	19,169	30,001	30,001
		19,169	19,169	30,001	30,001

The financial statements on pages 25 to 44 were approved and authorised for issue by the Corporation on 12th December 2019 and were signed on its behalf on that date by:

Dame P Bacon

Chair

J S Dhesi

Accounting Officer

Consolidated Statement of Cash Flows	Notes	College 2019 £'000	Group 2019 £'000	College 2018 £'000	Group 2018 £'000
Cash inflow from operating activities					
Deficit for the year		(1,178)	(1,178)	(569)	(569)
Adjustment for non-cash items					
Depreciation		4,035	4,035	3,962	3,962
Deferred capital grant release		(2,612)	(2,612)	(2,545)	(2,545)
Deferred capital grant receivable		856	856	3,753	3,753
(Increase)/decrease in stocks		27	27	(3)	(3)
(Increase)/decrease in debtors		442	442	(23)	(23)
Increase/(decrease) in creditors due within one year		(1,007)	(1,007)	(1,203)	(1,203)
Increase/(decrease) in provisions		(163)	(163)	(321)	(321)
Pensions costs less contributions payable		1,279	1,279	1,044	1,044
Adjustment for investing or financing activities					
Investment income		(12)	(12)	(14)	(14)
Interest payable		616	616	802	802
Taxation paid (Lennartz)		(483)	(483)	(315)	(315)
Repayments of loans including finance costs		-	-	-	-
Loss on sale of fixed assets		-	-	-	-
Net cash flow from operating activities		1,800	1,800	4,568	4,568
Cash flows from investing activities					
Investment income		12	12	14	14
Payments made to acquire fixed assets		(1,799)	(1,799)	(4,522)	(4,522)
		(1,787)	(1,787)	(4,508)	(4,508)
Cash flows from financing activities					
Interest paid		(435)	(435)	(472)	(472)
Repayments of amounts borrowed		(1,262)	(1,262)	(1,574)	(1,574)
		(1,697)	(1,697)	(2,046)	(2,046)
Decrease in cash and cash equivalents in the year		**(1,684)**	**(1,684)**	**(1,986)**	**(1,986)**
Cash and cash equivalents at beginning of year		3,092	3,092	5,078	5,078
Cash and cash equivalents at end of the year		1,406	1,406	3,092	3,092

1. Statement of Accounting Policies and Estimation Techniques

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

Basis of preparation

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

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

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 cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £13.0m of loans outstanding on terms negotiated from 2008 to 2017. The terms of the various loans are set out in Notes 14-16 to the accounts below. With reference to the net current liabilities position at year end, it should be noted that creditors due in less than 1 year include deferred capital grants of £2.6m (2017/18 £2.6m) and deferred income of £0.1m (2017/18 £1.0m), neither of which are a cash liability. The College's forecasts and financial projections indicate that it will be able to operate within the terms and conditions of the loans and the related covenants for the foreseeable future.

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

Recognition of Income

Revenue grant funding

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

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

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

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

Capital grant funding

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

Fee Income

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

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme

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

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

Cheshire Pension Fund

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

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

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

Short term employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

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:

Freehold Buildings – 50 years

Refurbishments – 15 years

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

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 15 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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:

Motor Vehicles	4 to 5 years
Computer software and equipment	4 years
Furniture, Fixtures and Fittings	5 years

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

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to 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 & equity

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

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

Foreign Currency Translation

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

Taxation

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

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

The College and HMRC have agreed a Lennartz arrangement for VAT incurred on the construction of the buildings acquired as part of the merger with West Cheshire College. The Lennartz principle allows for the input VAT to be reclaimed from HMRC and be repaid to them over a ten-year period commencing on completion of the project. The liability presented in the accounts is impacted by the College's assessment of the business use on these buildings.

Provisions and Contingent Liabilities

Provisions are recognised when:

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether 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;
- Assign an appropriate bad debt provision to reflect the credit risk inherent in the trade debtors relating to the non-payment of tuition and other fees.

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 22, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 FUNDING BODY GRANTS

	College	Group	College	Group
	Year to 31st July 2019		Year to 31st July 2018	
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and skills funding agency - adult	4,433	4,433	3,823	3,823
Education and skills funding agency - 16-18	18,212	18,212	19,337	19,337
Education and skills funding agency - apprenticeships	2,997	2,997	2,954	2,954
Higher education Funding Council	240	240	269	269
Education Funding Agency	515	515	-	-
Release of deferred capital grants	2,348	2,348	2,383	2,383
	28,745	**28,745**	**28,766**	**28,766**

3 TUITION FEES AND EDUCATION CONTRACTS

	College	Group	College	Group
	Year to 31st July 2019		Year to 31st July 2018	
	£'000	£'000	£'000	£'000
Adult education fees	666	666	950	950
Apprenticeship fees and contracts	-	-	-	-
Fees for FE loan supported courses	763	763	760	760
Fees for HE loan supported courses	1,635	1,635	1,991	1,991
International students fees	1,275	1,275	986	986
Total tuition fees	4,339	4,339	4,687	4,687
High cost ALS from LEA	1,841	1,841	1,268	1,268
Education Contracts	1,122	1,122	642	642
	7,302	**7,302**	**6,597**	**6,597**

4 OTHER GRANTS AND CONTRACTS

	College	Group	College	Group
	Year to 31st July 2019		Year to 31st July 2018	
	£'000	£'000	£'000	£'000
Erasmus	-	-	91	91
European commission	245	245	304	304
Other grants and contracts	-	-	11	11
	245	**245**	**406**	**406**

5 OTHER OPERATING INCOME

	College	Group	College	Group
	Year to 31st July 2019		Year to 31st July 2018	
	£'000	£'000	£'000	£'000
Catering and residence operations	1,302	1,302	943	943
Releases from deferred capital grants (non SFA)	260	260	162	162
Other income generating activities	985	985	1,446	1,446
Miscellaneous income	83	83	90	90
	2,630	**2,630**	**2,641**	**2,641**

6 INVESTMENT INCOME

	College	Group	College	Group
	Year to 31st July 2019		Year to 31st July 2018	
	£'000	£'000	£'000	£'000
Other interest receivable	**12**	**12**	**14**	**14**

7 STAFF COSTS

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

	2019 Number	2018 Number
Teaching staff	243	263
Non-teaching staff	280	307
	523	570

Staff costs for the above persons	**2019 £000**	**2018 £000**
Wages & Salaries	16,991	17,266
Social security costs	1,453	1,519
Other pension costs	4,144	3,977
Payroll sub-total	**22,588**	**22,762**
Contracted out staff costs	-	-
Early termination costs	-	53
Restructure Costs - contractual	-	-
- non-contractual	298	-
Total staff costs	**22,886**	**22,815**

The number of staff, including key management personnel and the Accounting Officer, who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind in the following ranges was:

	Key management personnel	
	2019 No.	**2018 No.**
£1 to £10,000 p.a	-	1
£10,001 to £20,000 p.a.	-	-
£20,001 to £30,000 p.a.	1	1
£50,001 to £60,000 p.a.	1	-
£70,001 to £80,000 p.a.	-	1
£80,001 to £90,000 p.a.	-	-
£90,001 to £100,000 p.a.	-	1
£100,001 to £110,000 p.a.	1	1
£120,001 to £130,000 p.a.	-	-
£140,000 to £150,000 p.a	1	1
	4	6

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team which comprises the Principal, Deputy Principal and Vice Principal Curriculum and Quality. Staff costs include compensation paid to key management personnel for loss of office.

	2019 Number	**2018 Number**
The number of key management personnel including the Accounting Officer was:	4	6

Key management personnel emoluments are made up as follows:	2019	2018
	£000	£000
Salaries – gross of salary sacrifice and waived emoluments	333	458
Employers National insurance	43	59
Benefits in Kind	-	-
	376	**517**
Pension Contributions	61	86
Total emoluments	**437**	**603**

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

	2019	2018
	£000	£000
Salaries	143	149
Benefits in Kind	-	-
	143	149
Pension Scheme Contributions	24	25

Relationship of Principal/Chief Exectuive pay and remuneration expressed as a multiple

Principal and CEO's basic salary as a multiple of the median of all staff (including apprentices)	5.3%
Principal and CEO's total remuneration as a multiple of the median of all staff (including apprentices)	6.2%

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

	2019	2018
	£000	£000
Compensation paid to former-post holder	15	23

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

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

8 OTHER OPERATING EXPENSES

	Year to 31st July 2019		Year to 31st July 2018	
	£000	£000	£000	£000
Teaching Costs	753	753	883	883
Non-teaching costs	9,600	9,600	8,067	8,067
Premises costs	2,221	2,221	2,464	2,464
Total	**12,574**	**12,574**	**11,414**	**11,414**

Other operating expenses include:	Year to 31st July 2019	Year to 31st July 2018
	£000	£000
Auditors remuneration		
- Financial statements audit: current auditor	29	65
- Financial statements audit: previous auditor	13	
- Other services provided by financial statement auditors	-	11
- Internal audit	22	31
- Other services provided by the financial statements auditor (FRS102 conversion, tax compliance)	-	-

9 INTEREST AND OTHER FINANCE COSTS

	Year to 31st July 2019		Year to 31st July 2018	
	£000	£000	£000	£000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	436	436	472	472
	436	436	472	472
Net interest on defined pension liability (note 20)	181	181	330	330
	617	617	802	802

10 TAXATION

The College was not liable for any Corporation Tax arising out of its activities during the year.

11 TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1st August 2018	153,143	15,910	2,401	**171,454**
Additions	1,720	79	-	**1,799**
Transfer	2,401	-	(2,401)	-
At 31 July 2019	**157,264**	**15,989**	-	**173,253**
Depreciation				
At 1st August 2018	21,162	13,192	-	**34,354**
Charge for the year	3,056	979	-	**4,035**
At 31 July 2019	**24,218**	**14,171**	-	**38,389**
Net Book Value At 31 July 2019	**133,046**	**1,818**	-	**134,864**
Net Book Value At 31 July 2018	131,981	2,718	2,401	137,100

12 TRADE AND OTHER RECEIVABLES

	31st July 2019		31st July 2018	
	College	**Group**	**College**	**Group**
Amounts falling due within one year	**£'000**	**£'000**	**£'000**	**£'000**
Trade receivables	1,916	1,916	1,081	1,081
Prepayments and accrued income	791	791	2,050	2,050
Other receivables	82	82	100	100
Total	**2,789**	**2,789**	**3,231**	**3,231**

13 CREDITORS: Amounts Falling Due Within One Year

	31st July 2019		31st July 2018	
	College	Group	College	Group
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	949	949	1,588	1,588
Payments received in advance	146	146	107	107
Trade payables	1,223	1,223	632	632
Other taxation and social security	659	659	691	691
Other payroll creditors	1	1	3	3
Other taxation – Lennartz	474	474	486	486
Accruals and deferred income	1,512	1,512	2,204	2,204
Deferred income - government capital grants	2,612	2,612	2,571	2,571
Amounts owed to the Education and Skills Funding Agency	-	-	912	912
Total	**7,577**	**7,577**	**9,194**	**9,194**

14 CREDITORS: Amounts Falling Due After More Than One Year

	31st July 2019		31st July 2018	
	College	Group	College	Group
	£'000	£'000	£'000	£'000
Bank loans	11,349	11,349	11,973	11,973
Deferred income - government capital grants	82,685	82,685	84,483	84,483
Other taxation - Lennartz	519	519	990	990
Total	**94,553**	**94,553**	**97,446**	**97,446**

The HMRC liability relates to VAT recovered under the Lennartz principle in respect of two schemes. Scheme 1 was the building works carried out at Ellesmere Port Campus between 2003-05 where the College retrospectively claimed £1,703K which has been subsequently reduced as a result of disposal and impairment. Scheme 2 relates to the new build at Chester and building work at Ellesmere Port which was completed in 2012.

The College has chosen to continue to apply Lennartz accounting. The former West Cheshire College ceased making new claims on expenditure dated from January 2011. The College is now making Lennartz related output tax payments on the non-business use of its new buildings at the Ellesmere Port and Chester sites both of which are operational.

15 MATURITY OF DEBT

	31st July 2019		31st July 2018	
	College	Group	College	Group
	£'000	£'000	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	938	938	1,588	1,588
Between 1 and 2 years	949	949	1,599	1,599
Between 2 and 5 years	2,962	2,962	3,612	3,612
In five years or more	7,737	7,737	6,762	6,762
Total	**12,586**	**12,586**	**13,561**	**13,561**

Bank loans and overdrafts at 5.26% repayable by instalments falling due between 1 August 2018 and 31 July 2036 totalling £8,361,000 are secured on a portion of the freehold land and buildings of the Crewe campus.

Bank loans and overdrafts includes a £6.5m loan repayable, which was re-negotiated during the year, and which now has a remaining term of 6.5 years. £1.75m is at 0.75% and £4.75m is at zero percent.

Lennartz has been excluded from debt in the current year.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2018	(5,855)	(901)	(100)	(6,856)
Expenditure/movement in the period	(11,114)	63	100	10,951
At 31 July 2019	**(16,969)**	**(838)**	**-**	**(17,807)**

17 CASH & CASH EQUIVALENTS

	At 1 August 2018	Cash flows	At 31 July 2019
	£'000	£'000	£'000
Cash and cash equivalents	3,092	(1,686)	1,406
Overdrafts	-	-	-
Total	**3,092**	**(1,686)**	**1,406**

18 LEASE OBLIGATIONS

At 31 July 2019 the College had no minimum lease payments under non-cancellable operating leases (2018: Nil).

19 CAPITAL COMMITMENTS

	31st July 2019		31st July 2018	
	College	Group	College	Group
	£'000	£'000	£'000	£'000
Commitments contracted for at 31 July	-	-	772	772
Authorised but not contracted for at 31 July	-	-	-	-

20 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 Cheshire Pension Fund which is the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cheshire West and Chester Council. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year		2019		2018
		£'000		£'000
Teachers' Pension Scheme: contributions paid		1,259		1,327
Local Government Pension Scheme:				
Contributions paid	1,604		1,606	
FRS 102 (28) charge	1,279		1,044	
Charge to the Statement of Comprehensive Income		2,883		2,650
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**4,142**		**3,977**

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations Scheme 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

The employer pension costs paid to TPS in the year amounted to £1,258,706 (2017/18: £1,327,597).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West & Chester Council Local Authority. The total contributions made for the year ended 31 July 2019 were £2,038,931of which employer's contributions totalled £1,603,776 and employees' contributions totalled £435,155. The agreed contribution rate for future years is 20.9% for employers. The agreed contribution rate for employees is between 5.5% and 12.5%, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by Hymans Robertson LLP.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.70%	2.70%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums - pre April 2008 service	50%	50%
Commutation of pensions to lump sums – post April 2008 service	75%	75%

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 2019	**At 31 July 2018**
	years	**years**
Retiring today		
Males	22.30	22.30
Females	24.50	24.50
Retiring in 20 years		
Males	23.90	23.90
Females	26.50	26.50

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

	Long-term rate of return expected at 31 July 2019	**Fair Value at 31 July 2019 £000**	**Long-term rate of return expected at 31 July 2018**	**Fair Value at 31 July 2018 £000**
Equity Instruments	2.40%	33,165	2.40%	31,144
Debt Instruments	2.40%	33,165	2.40%	29,113
Property	2.40%	5,896	2.40%	5,416
Cash	2.40%	1,474	2.40%	2,031
Total market value of assets		**73,700**		**67,704**
Weighted average expected long term rate of return	**2.40%**		**2.40%**	
Actual return on plan assets		**3,423**		**3,917**

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

	2019	**2018**
	£'000	**£'000**
Fair value of plan assets	73,700	67,704
Present value of plan liabilities	(90,669)	(73,559)
Net pensions liability (Note 16)	**(16,969)**	**(5,855)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	(2,586)	(2,772)
Past service cost	(273)	(339)
Total	**(2,859)**	**(3,111)**
Amounts included in investment income		
Net interest income	(181)	(330)
	(181)	**(330)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	3,423	3,917
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(13,077)	3,300
Amount recognised in Other Comprehensive Income	**(9,654)**	**7,217**

Movement in net defined benefit liability during the year

	2019 £'000	**2018 £'000**
Surplus/(deficit) in scheme at 1 August	(5,855)	(11,698)
Movement in year:		
Current service cost	(2,586)	(2,772)
Employer contributions	1,580	2,067
Past service cost	(273)	(339)
Net interest on the defined (liability)/asset	(181)	(330)
Actuarial gain/(loss)	(9,654)	7,217
Net defined benefit liability at 31 July	**(16,969)**	**(5,855)**

Asset and Liability Reconciliation

	2019 £'000	**2018 £'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	73,559	72,643
Current Service cost	2,586	2,772
Interest cost	2,085	1,990
Contributions by Scheme participants	438	444
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	13,077	(3,300)
Change in demographic assumptions	-	-
Estimated benefits paid	(1,349)	(1,329)
Past Service cost	273	339
Effect of business combinations	-	-
Curtailments and settlements		
Defined benefit obligations at end of period	**90,669**	**73,559**

Changes in fair values of plan assets

	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	67,704	60,945
Interest on plan assets	1,904	1,660
Return on plan assets	3,423	3,917
Employer contributions	1,580	2,067
Contributions by Scheme participants	438	444
Estimated benefits paid	(1,349)	(1,329)
Effect of business combinations	-	-
Fair value of plan assets at end of period	**73,700**	**67,704**

21 RELATED PARTY TRANSACTIONS

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

The total expenses paid to or on behalf of the Governors during the year was £2,268; 9 governors (2018: £2,452; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity

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

Transactions with the funding bodies and HEFCE are detailed in notes 2 and 14.

Nantwich Town Football Club – an entity which Dame P Bacon is a Patron.

Sales transactions in the year amounted to £36,463 (2018 – £15,471). Balances of £12,708 were outstanding at the year-end (2018 – £5,581).

Purchase transactions in the year amounted to £6,000 (2018 - £6,204).

Crewe Multi Academy Trust – an entity sponsored by the College.

Sales transactions in the year amounted to £13 (2018 – £113). Balances of £28,633 were outstanding at the year-end (2018 – £28,620).

Purchase transactions in the year amounted to £322 (2018 - £574).

Bentley Motors – a company in which Mr EW MacRury is an employee.

Sales transactions in the year amounted to £105,410 (2018 - £152,353). Balances of £4,422 were outstanding at the year-end (2018 – £8,250)

Purchase transactions in the year amounted to £13,500 (2018 - £6,000). Balances of £7,500 were outstanding at the year-end (2018 - £nil)

Derby University – a company in which C Osborne is an employee.

Purchase transactions in relation to HE validation fees in the year amounted to £144,049 (2018 - £134,352). Balances of £143,003 were outstanding at the year-end (2018 - £nil)

South Cheshire Chamber of Commerce – an entity in which Mr P Colman has registered an interest.

Purchase transactions in the year amounted to £7,220 (2018 - £23,732). No balances were outstanding at the year-end (2018 - £nil)

Sales transactions in the year amounted to £371 (2018 - £nil). No balances were outstanding at the year-end (2018 - £nil)

Chester Municipal Charities – an entity in which C Russell is a Trustee.

Purchase transactions in relation to rent payable in the year amounted to £19,283.60 (2018 - £27,458). No balances were outstanding at the year-end (2018 - £nil)

Sales transactions in the year amounted to £250 (2018 - £nil). No balances were outstanding at the year-end (2018 - £nil)

West Cheshire & North West Chamber of Commerce – an entity in which C Brew has registered an interest, and D Bryce is an employee.

Sales transactions in the year amounted to £2,214 (2018 - £nil). No balances were outstanding at the year-end (2018 - £nil)

Cheshire Business Leaders – an entity in which K Murray has declared an interest.

Purchase transactions in relation to rent payable in the year amounted to £500 (2018 - £nil). No balances were outstanding at the year-end (2018 £nil)

Sales transactions in the year amounted to £187 (2018 - £nil). No balances were outstanding at the year-end (2018 - £nil)

Mid-Cheshire Hospital Foundation Trust – an entity in which P Colman is a governor.

Purchase transactions in relation to rent payable in the year amounted to £1,000 (2018 - £nil). No balances were outstanding at the year-end (2018 - £nil)

Sales transactions in the year amounted to £45 (2018 - £nil). No balances were outstanding at the year-end (2018- £nil)

22 CONTINGENCIES

Since the year end the College has become aware of a potential liability arising from an Earnings Adjustment Statement funding claim. It is not considered practical to estimate the potential liability at this stage. In addition, the extent to which the liability will materialise is not known. Therefore, in view of these uncertainties, no financial provision has been made in these accounts in relation to this matter.

23 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period.