SOUTH ESSEX COLLEGE

Report and Financial Statements for the year ended 31 July 2016

Key management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Angela O'Donoghue Principal and CEO; Accounting officer
Anthony McGarel Deputy Principal and Chief Executive
Denise Brown Vice Principal Curriculum & Quality
Steve Smith Vice Principal Corporate Resources
Wendy Barnes Vice Principal Student Services (Retired Sept 2016)

Board of Governors

A full list of Governors is given on Page 16 of these financial statements.
Mr R Millea acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG
Botanic House
100 Hills Road
Cambridge
CB2 1AR

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

Bankers:
Barclays
PO Box 885
Mortlock House
Histon
Cambridge
CB24 9DE

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

CONTENTS

Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016. These statements also include the result of the College's wholly owned subsidiary business, South Essex Commercial Ltd and 50% share of the assets and liabilities of Essex Shared Services Ltd.

Legal status

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

Mission and Core Values

Governors reviewed the College's mission during 2012/13 and in May 2013 adopted a revised mission statement as follows:

'The first choice for achieving success through quality learning'

Core Values

Partnership
Respect
Outstanding
Unique
Dynamic

Public Benefit

South Essex College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education and Secretary of State for Business, Energy and Industrial Strategy. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

In May 2013 the College adopted a strategic plan for the period 1 August 2013 to 31 July 2016. This strategic plan included property and financial plans. The strategic plan will be update after conclusion of the Essex Area Review, as an interim measure the College has an updated Curriculum Plan, Financial Plan and Property Strategy.

The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

The Corporation adopted seven Strategic Aims underpinned by objectives and challenging targets.

1. Deliver high quality teaching, learning and assessment across the whole College
2. Provide relevant, accessible, supportive opportunities for all students
3. Develop and grow a sustainable, viable, innovative and responsive College
4. Attract, develop and maintain a highly skilled, innovative flexible workforce
5. Respect, Promote and Celebrate Diversity
6. Develop our work with stakeholders to improve the economic prosperity of the Eastern and South East Regions
7. To provide high quality, fit for purpose, accommodation and resources

CURRICULUM REVIEW

Curriculum Objectives

The Curriculum objectives for 2015/16 were to

Achieve the success rates agreed by the Board in December 2015
The College made much progress towards achieving the ambitious targets agreed with the Board in December 2015. The targets were 'stretch' targets and as such not all targets were achieved but they served their purpose in that they drove the College to securing rapid improvement where it was needed. Particular progress was made with Entry and Level 1 provision and Level 2 provision also improved substantially. In many instances College achievements are now there or thereabout national averages.

Improve Teaching, Learning and Assessment for all students
Teaching Learning and Assessment improved substantially across the College but rapid improvements were made in mechanical engineering and construction. Learner feedback on the quality of teaching and learning was strong across the College and value added scores indicate that the College is now on par with national averages for the quality of vocational teaching and learning

Achieve a self-assessment grade of 'Good' across all areas
At a special meeting of the Further Education Corporation in October, the Board agreed self-assessment grades of at least Good across all areas. The Board felt that the evidence for provision

for learners with high needs was particularly strong and they supported a grade 1 Outstanding for this provision.

Curriculum achievements

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

Academic Targets	**Target set**	**Achievement 2015/16**	**Achievement 2014/15**
16-18 Study Programmes Achievement			
Overall	78%	76.5%	70.2% (+6.3pp)
Level 1	68%	81.9%	62.0% (+19.9pp)
Level 2	67%	64.4%	59.0% (5.4pp)
Level 3	84.5%	84.0%	83.0% (+1.0pp)
Functional Skills in Maths & English achievement			
16-18	60%	40.5%	49.3% (-8.8pp)
Adults	74%	38.7%	58.1% (-19.4pp)
16-18 Completion of Work Placements	95%	TBC	
16-18 Value Added Score	-2	5	5
Adult Study Programmes Achievement	85.5%	81.9%	80.0% (+1.9pp)
GCSE Maths and English Achievement	70%	70.6%	62.9% (+7.7pp)
A Level success	93.5%	90.4%	91.2%(-0.8pp)
AS Level success	75%	53.9%	67.9% (-14.0pp)
HE Achievement	92%	92%	
Apprenticeship success	76%	73%	

FINANCIAL REVIEW

Financial objectives

The financial strategy that underpins the existing strategic plan is as follows:

- Aspire to achieve outstanding financial health as graded by the Skills Funding Agency (SFA) Financial model after taking account of the impact of our property strategy. Continued borrowing is important to develop our estate but scores negatively for financial health. We expect to constantly achieve a "Good" rating.
- Generate at least 1% surplus.
- Pay not to exceed 62.5% of turnover.
- To generate a positive cash flow
- Continue to grow 'other' income. The College must maintain a target to generate funding from sources other than the main bodies of EFA, SFA and Local Authorities.

A series of performance indicators were agreed to monitor the successful implementation of objectives and is reported throughout the year.

The position at 31st July 2016 was

- Inadequate financial health. The financial health measurement criteria changed during 2015/16 and the impact of reporting under the new financial standard FRS102 meant that the best case financial health for this financial year was Satisfactory. A one off event resulting in the loss of a legal case which has cost the college £0.5m and the impact of reduced income predominately from higher education and international income during the year, alongside increased costs of staffing through greater agency fees, has meant the college has posted a loss before LGPS pension adjustment of £1.3m and financial health of inadequate.

  In light of this, the College has drafted a revised financial strategy for the period 2016/17-2017/18 which will require a review and refinancing of debt, disposal of surplus land where possible, reduction in costs and targeted income growth. An action plan to achieve these objectives has been drawn up and will be monitored by the Corporation.

  The inadequate financial health rating has been confirmed by the Skills Funding Agency (SFA) and a notice of concern will be issued. Financial monitoring by the SFA will be in place from December 2016.

- A surplus was not generated, the college is reporting and management accounting deficit of £2.7m of which £0.5m related to an unsuccessful court case.

- Pay was 63.3% of total income at 31st July due the increased costs of employing agency staff to cover vacancies throughout the year. The calculation is total pay cost plus agency staff costs as a percentage of income less income generated by partners, bursary funds and revaluation release.

- The increase in cash and cash equivalents from 2014/15 was £5.8m

- Income from grant funding remains at 75% of total income.

Financial results

The Group generated a deficit before other gains and losses in the year of £2.7m (2014/15 – deficit of £1.4m with total comprehensive income of (£45.3m), (2014/15 - £49.0m).

The Group has accumulated reserves of £37m and cash and short term investment balances of £2.3m. The Group wishes to continue to accumulate reserves and cash balances in order to reduce the need for short term overdraft requirements in the period January – April each year and to reinvest in College facilities.

Tangible fixed asset additions during the year amounted to £2.7m. This was split between land and buildings acquired of £0.8m and assets under construction £0.9m relating to work in progress on the Basildon Campus and equipment purchased of £1.0m. Land & Buildings include the Southend Campus valued at £42.2m and Thurrock Campus valued at £43.1m. All college buildings include learning resource centres and blended learning and tutorial suites, which has enabled the College to change its teaching methods, to make a greater use of information technology, and to become more efficient.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 74.8% of the Group's total income.

The College has one subsidiary company, South Essex Commercial Services Ltd. The principal activity of South Essex Commercial Services Limited is commercial catering income, college premises lettings and management of carparks. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, the surplus generated was £5,647.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Net cash inflow from operating activities was £5.8m (2014/15 £3.6m) and improvement of £2.2m due to the reimbursement of work in progress costs relating to relocation of Basildon Campus and a reduction in debtors. The College repaid debt of £7.4m and the net increase in cash and cash equivalents in the was £1.3m (2014/5 decrease of (£4.5m).

The College is reviewing debt financing as the 5-year repricing of the 30 year £20m term loan is required.

Reserves Policy

The College will review the reserves policy during 2016/17.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College had 6,017, 16-18 Students against an EFA target of 6,564.

Curriculum developments

The College is included in wave 5 of the Area Review process. This commenced on 7th November 2016. A curriculum plan 2016-2020 has been drawn up to inform the process.

The key drivers for the plan are:

- To continually improve outcomes for students choosing to study at South Essex College.
- To better reflect the needs of industry by being totally industry-led.
- To rationalise our curriculum offer across the College and focus on specialisation.
- To increase and expand our Higher Education offer in both degree programmes and Higher and Degree Apprenticeships.
- To plan for the Apprenticeship changes that will begin to be implemented in April 2017.
- To address the need for Apprenticeship specialisation alongside growth to replace sub-contracted income
- To provide education and training to upskill and retrain Adults through maximising adult loans and employers' Apprenticeship Levy.
- To grow our full cost provision to meet the identified need to increase high level professional skills in the workforce.
- Addressing our financial health to reach a 3% surplus in the next 3 years.

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 13% per cent of its invoices within 30 days, however the agreed terms with most suppliers is month following date of invoice. The College incurred £1,636.15 in interest charges in respect of late payments for this period.

Events after the end of the reporting period

There are no events after the reporting period.

Future prospects

The revised curriculum plan for South Essex College has been developed to clearly articulate the college ambition to be the main provider of Industry-led vocational education and training for South Essex. Our plans are all based on Labour Market Intelligence and the voice of employers in the region and our growth plans are concentrated on the key growth sectors identified by the South East

Local Enterprise Partnership, the Essex Employment and Skills Board, Thames Gateway Partnership and the Business Boards of the three main towns we serve: Southend, Basildon and Thurrock.

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

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

Area Review

The Essex Area Review commenced on 7th November and is scheduled to complete in March 2017. The process is designated to review the post 16 Further Education provision offered within the County, to improve quality, reduce duplication and improve efficiency - ultimately resulting in a more sustainable College Sector.

In the build-up to the Review, the College's Governing Body reflected on the needs of the community it serves in order that a clear and relevant strategic direction / vision could be identified. Once this clear vision was identified, a Governors Steering Group was established to guide the College through the process. That Steering Group met twice during the year and feeds directly into the Main Board in an advisory capacity.

LGPS Pension security requirements

Essex Pension Fund are requesting security against the pension deficit to protect other scheme employers. This can be in the form of cash, financial bond or security on premises. The College is reviewing options.

RESOURCES:

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

Financial

The College has £37.0 million of net assets. This is after providing for £24.2 million pension liability. Deferred capital grants £17.1m have been moved to liabilities under FRS102. The College has long term bank debt of £20.7m.

People

The College employed 776 people (expressed as full time equivalents), as at 31 July 2016, of 316 are teaching staff. The remained includes staff that support teaching and learning in Learning resource centres, student services, additional learning support and learning coaches as well as college overheads. During 2016/17 the college will classify staff into Direct Teaching, Teaching Support and Other.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

A risk register is maintained at the College level which is reviewed at each meeting of the Audit & Risk Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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. Area Reviews: The College's worsening financial health may affect the desired outcome from the area review. An Area Review Steering Group is now established.
2. Budget surplus: the achievement of a surplus in 2016/17 depends upon savings of £1.7 million being achieved as notified to the Board at the July Meeting. An updated report against the financial savings target is required at Policy & Resources Committee Meetings and Corporation.
3. Cash flow: the 2015/16 deficit will impact this year's cash flow. An overdraft facility of £2 million will be required (as last year) in early 2017.
4. Maths & English: improved attendance of students in taking Maths & English (85%) but insufficient improvement in outcomes. Continued focus on improvement is in place across all curriculum areas,
5. HE offer: two out of four areas reviewed by QAA require improvement, the College has twelve months to meet expectations. An action plan has been implemented and progress is being monitored during 2016/7. 2017. A Dean of HE has been recruited to drive improvement.
6. Payroll costs: staff costs must be reduced given reduced funding and targets have been set for each department.
7. Other risks include the lack of funds available for capital investment, reduced future revenue funding through non achievement of 16-18 enrolments given lagged funding model and the inability of the College to achieve growth in Apprenticeships once the levy system is operating.
8. The Lennartz VAT case and potential penalties & interest if unsuccessful.

STAKEHOLDER RELATIONSHIPS

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

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

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

The College entered into a tripartite agreement with Basildon Council and the Homes and Communities Agency during 2015/16 to progress the disposal of the Basildon Campus to enable over 700 homes to be built over 5 years with the College relocating to Market Square in Basildon town centre. Basildon Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The first phase of land has been sold to the developers and of which £7.1m has been received. The College has withdrawn from the Basildon Landowners Trust Account, £2.5m offset work up costs to date, this was approved by all partners. The remaining funds will enable the Council to relocate the market.

Equal opportunities and employment of disabled persons

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

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

The College's Equality and Diversity Policy is published on the College's Internet site. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An Equality and Diversity plan is published each year and monitored by managers and governors.

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

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2007/08, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.

b) The College has an Additional Learning Support Team, who provide information, advice and arranges support where necessary for learners with disabilities.

c) There is a list of specialist equipment which the College can make available for use by learners and staff and a range of assistive technology is widely available.

d) The admissions policy for all learners is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support learners with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide a variety of support for access to learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling, welfare and support services are described in the Student Diary, which is issued to learners together with other relevant policies and procedures (including the Compliments & Complaints and Disciplinary Procedure) via DAVE (Student Intranet).

Safeguarding and Child Protection

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

a) Implemented statutory guidance contained within the revised Department for Education publication: 'Keeping Children Safe in Education September 2016' and ensured that staff are fully aware of their responsibilities in Part 1 through training and making the document available through the Intranet for everyone to read.

b) Key staff are designated WRAP trainers and have home office registration approved.

c) Ensured that all new staff receive training on safeguarding, child protection and PREVENT and that refresher training is carried out regularly for existing staff.

d) Maintained a Safeguarding Committee, designated senior leadership team member and designated governor with responsibility for safeguarding.

e) Audited its safeguarding practices through the 'Essex Schools & Colleges Safeguarding Audit 2015/16' with the outcome of "very high compliance".

f) Ensured that key Staff are appropriate trained as Designated Child Protection Officers and their training is regular updated as 'designated persons' for child protection purposes, which is regularly updated in accordance with statutory guidance.

g) Developed robust arrangements for the planning and approval of educational visits. We are planning the implementation of the use of EVOLVE, an online recording portal early 2017.

h) Carried out a security review and appointed Student Supervisors to support in the management of safeguarding and learner behaviour and welfare.

i) Implemented a revised Recruitment and Retention Policy and Procedure incorporating safeguarding statutory guidance along with relevant employment legislation.

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

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

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

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 5 December 2016 and signed on its behalf by:

David O'Halloran

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. 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 6th July 2015.

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

The Corporation

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

Name	Date of Appointments	Term of office	Date of Resignation	Status of appointment	Committees served	Attendance
Mr D O'Halloran	First Appointed 15/07/1999, Reappointed 15/07/2003, 15/07/2007, 15/07/2011, 15/07/2015	4 years		Clause 3 of the Instrument	Chair: Corporation wef 1/8/2015; Chair of Curriculum & Quality; Remuneration; Policy & Resources	80%
Ms A O'Donoghue CBE	13/08/2012			Principal & Chief Executive	Curriculum & Quality; Policy & Resources; Search & Governance	100%
Ms S Bridle	First Appointed 06/07/2015	1 year	11/07/2016	Student	Curriculum & Quality	100%
Mr B Brooks	First Appointed 08/12/2014	2 years		Staff	Curriculum & Quality	80%
Ms O Buck	First Appointed 01/08/2012, Reappointed 26/03/2013	4 years		Clause 3 of the Instrument	Policy & Resources	60%
Mr S Burrell	First Appointed 01/01/2014	4 years		Clause 3 of the Instrument	Policy & Resources	40%
Mrs S Carr	First Appointed 01/04/2001, Reappointed 01/04/2003,01/04/2005, 01/04/2007, 01/04/2011,01/04/2015	2 years then 4 years		Clause 3 of the Instrument	Curriculum & Quality	80%
Ms A Clarke	First Appointed 06/07/2015	1 year	11/07/2016	Student	Curriculum & Quality	75%
Dr R Gray	First Appointed 01/03/1998, Reappointed 15/07/1999, 15/07/2003, 15/07/2007, 15/07/2011, 15/07/2015	2 years then 4 years		Clause 3 of the Instrument	Chair: Policy & Resources; Chair: Search & Governance; Remuneration	80%
Mr T Knight	First Appointed 01/08/2012, Reappointed 1/8/2016	4 years		Clause 3 of the Instrument	Curriculum & Quality; Search & Governance; Remuneration	100%
Mr R Launder	First Appointed 01/01/2010, Reappointed 01/01/2014	4 years		Clause 3 of the Instrument	Policy & Resources; Remuneration; Search & Governance	100%
Mr B Morris	First Appointed 17/03/2014, Appointed as co-opted Member 7/12/15	4 years	07/12/2015 (from full Board)	Clause 3 of the Instrument, then External Member (co-opted)	Audit & Risk	100%
Dr G Ocen	First Appointed 05/10/2015	4 years		Clause 3 of the Instrument	Audit & Risk	80%
Mr B Patterson	First Appointed 01/08/2012, Reappointed 1/8/2016	4 years		Clause 3 of the Instrument	Chair: Audit & Risk; Search & Governance	100%
Ms L Rieffel	First Appointed 08/12/2014	2 Years		Staff	Audit & Risk	60%
Mr P Singh Narang	First Appointed 21/03/2011, Reappointed 01/01/2014	4 years		External Member (co-opted) Clause 3 of the Instrument	Audit & Risk	80%
Mr T Thompson	First Appointed 01/08/2012, Reappointed 26/03/2013	4 years		External Member (co-opted) Clause 3 of the Instrument	Audit & Risk	60%
Ms M West	First Appointed 01/01/2014	4 years		Clause 3 of the Instrument	Policy & Resources; Curriculum & Quality	80%
Mrs G Williams	First Appointed 01/08/2012, Reappointed 1/8/2016	4 years		Clause 3 of the Instrument	Vice Chair: Corporation wef 1/8/2015; Curriculum & Quality; Search & Governance; Chair: Remuneration	80%
Mr P Little	First Appointed 21/03/2011, Reappointed 21/03/2015	4 years then 1 year	21/03/2016	External Member (co-opted) Clause 3 of the Instrument	Audit & Risk	N/A
Mr N Kelleway	First Appointed 09/12/2013	4 years	31/03/2016	External Member (co-opted) Clause 3 of the Instrument	Policy & Resources	N/A
Mr A Lyons	First Appointed 01/08/2016	4 years		External Member (co-opted) Clause 3 of the Instrument	Audit & Risk	N/A

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets four times per year.

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

South Essex College
Luker Road
Southend
Essex
SS1 1NN

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

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

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

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

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

Appointments to the Corporation

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

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

Corporation performance

Corporation performance has been assessed as 'Good'.

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

Audit & Risk Committee

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

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Essex College for the year ended 31 July 2016 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 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

South Essex College has procured an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Risk Committee. At minimum, annually, the Chair of the Audit & Risk Committee provides the governing body with a report on internal audit activity in the College. The report includes the Committee's opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Senior Leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Senior Leadership team and internal audit, and taking account of events since 31 July 2016.

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

Going concern

South Essex College has for many years had Outstanding and Good Financial Health however there has been a need to invest in the campuses secured from the merger with Thurrock & Basildon College. The Board of Governors and Senior Managers have done so in the full knowledge this would mean that the College would go through a short period of being in Satisfactory Financial Health according to the SFA measures under the old methodology.

The College was forecasting a management accounting deficit (before Local Government Pension Scheme adjustments) of £0.7m but this increased to £1.2m due to the unexpected loss of a legal case relating to a leased property. This has led to Inadequate Financial Health under the new methodology which has been confirmed by the SFA. A Notice of Concern has been issued to the College on 30th November 2016 and we are now subject to financial monitoring in accordance with the notice.

The College has a substantial income and expenditure reserve of £33m which is able to absorb this loss in the short term, however the Governing Body and Senior Management are committed to ensuring that the College makes management accounting surpluses in the future.

A cash flow forecast has been drawn up until December 2017 which supports the statement of going concern. The assumptions in the forecast are

- The College requires an overdraft from Barclays Bank for the period 1st January 2017 – 30th April 2017 which has been agreed.
- The College limits capital investment over the next two years to build up cash reserves unless investment will result in the disposal of land assets.
- The College will make the £1.7m savings from payroll, other expenditure or by increasing income to achieve a small management accounting surplus of £0.2m in 2016/17.
- The College will refinance its debt and this will commence in December 2016 resulting in a revolving credit facility for three years (interest only) to enable cash reserves to be accumulated.

These actions form the main basis of the revised financial strategy which was approved by the Board and implemented from August 2016. Adherence to the strategy will be monitored at Policy & Resources Committee and Corporation. This strategy, if implemented in full, will see the College producing a 3% surplus in 3 years, have increased cash reserves and a return to 'good' financial health.

The College is using a VAT specialist company to challenge its Lennartz VAT position. There is a £1.6m provision on the balance sheet which is currently not being paid to HMRC under advice from our VAT specialist. There is a risk that the College will be subjected to penalties and interest if this challenge is not successful. Advice from VAT consultants is that there is sufficient provision in the balance sheet to cover payments if required. It is unlikely that this will be resolved within the next 12 months so there is no impact on the cash position. If the case is successful a repayment of £755k will be received from HMRC and the £1.6m provision could be released to the statement of comprehensive income.

It should be noted that there are a number of risks facing the Further Education Sector as a whole including the insolvency regime and increasing Local Government Scheme Pension deficits. The College has received a request from Essex Pension Fund for security on pension deficits. The Federation of Essex Colleges (FEDEC) are challenging this request. The College will work with the Association of Colleges to keep these items on the Government agenda.

Approved by order of the members of the Corporation on 5 December 2016 and signed on its behalf by:

Signed	**Signed**
David O'Halloran	**Angela O'Donoghue**
Chair	**Accounting Officer**

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

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

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

Signed	**Signed**
Angela O'Donoghue	**David O'Halloran**
Accounting Officer	**Chair of Governors**
5 December 2016	**5 December 2016**

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 5 December 2016 and signed on its behalf by:

David O'Halloran (Chair)

Independent auditor's report to the Corporation of South Essex College

We have audited the Group and College financial statements ("the financial statements") of South Essex College for the year ended 31 July 2016 set out on pages 28 to 56. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective Responsibilities of the Corporation of South Essex College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group's and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

S Beavis

Stephanie Beavis

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House, 100 Hills Road, Cambridge, CB2 1AR

21 December 2016

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

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Essex College during the period 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of South Essex College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that **Reporting Accountant's Report on Regularity to the Corporation of South Essex College and the Secretary of State for Education acting through Skills Funding Agency (continued)**

we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

S Beavis

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

21 December 2016

South Essex College
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
INCOME					
Funding body grants	2	34,943	34,943	37,023	37,023
Tuition fees and education contracts	3	8,031	8,031	8,509	8,509
Other income	4	2,478	1,880	3,453	2,516
Endowment and investment income	5	-	-	5	5
Net Income		**45,452**	**44,854**	**48,990**	**48,053**
EXPENDITURE					
Staff costs	6	27,482	27,266	28,106	27,594
Fundamental restructuring costs	6	257	256	165	165
Other operating expenses	7	15,007	14,630	16,419	15,849
Depreciation	10	4,031	4,031	4,195	4,189
Interest and other finance costs	8	1,363	1,363	1,525	1,520
Total expenditure		**48,140**	**47,546**	**50,410**	**49,317**
(Deficit)/surplus before other gains and losses		**(2,688)**	**(2,692)**	**(1,420)**	**(1,264)**
Loss on disposal of assets	10	(1)	(1)	-	-
Share of operating surplus/(deficit) in Essex Shared Services Limited		(29)	-	(23)	-
(Deficit)/surplus before tax		**(2,718)**	**(2,693)**	**(1,443)**	**(1,264)**
Taxation	9	-	-	(69)	-
(Deficit)/surplus for the year		**(2,718)**	**(2,693)**	**(1,512)**	**(1,264)**
Actuarial loss in respect of pensions schemes	22	(5,715)	(5,571)	(452)	(405)
Total Comprehensive Income for the year		**(8,433)**	**(8,264)**	**(1,964)**	**(1,669)**

South Essex College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Restated balance at 1st August 2014	43,120	4,186	47,306
Surplus/(deficit) from the income and expenditure account	(1,512)	-	(1,512)
Actuarial loss in respect of pension schemes	(452)	-	(452)
Transfers between revaluation and income and expenditure reserves	180	(180)	-
Write down of investment in subsidiary company at fair value	(59)		(59)
	(1,843)	(180)	(2,023)
Balance at 31st July 2015	41,277	4,006	45,283
Surplus/(deficit) from the income and expenditure account	(2,718)	-	(2,718)
Actuarial loss in respect of pension schemes	(5,715)	-	(5,715)
Transfers between revaluation and income and expenditure reserves	180	(180)	-
Total comprehensive income for the year	(8,253)	(180)	(8,433)
Balance at 31st July 2016	33,024	3,826	36,850
College			
Restated balance at 1st August 2014	42,828	4,186	47,014
Surplus/(deficit) from the income and expenditure account	(1,264)	-	(1,264)
Actuarial loss in respect of pensions schemes	(405)	-	(405)
Transfers between revaluation and income and expenditure reserves	180	(180)	-
Transfer between College and Subsidiary SECSL	(250)	-	(250)
Other comprehensive income	(1,739)	(180)	(1,919)
Balance at 31st July 2015	41,089	4,006	45,095
			-
Surplus/(deficit) from the income and expenditure account	(2,693)	-	(2,693)
Actuarial loss in respect of pension schemes	(5,571)	-	(5,571)
Transfers between revaluation and income and expenditure reserves	180	(180)	-
Total comprehensive income for the year	(8,084)	(180)	(8,264)
Balance at 31st July 2016	**33,005**	**3,826**	**36,831**

Balance sheets as at 31 July

South Essex College
Balance sheets as at 31 July

	Notes	Group	College	Group Restated	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10	108,670	108,633	110,005	109,966
		108,670	**108,633**	**110,005**	**109,966**
Current assets					
Stocks		53	43	58	49
Trade and other receivables	12	2,170	2,093	8,045	7,968
Cash and cash equivalents	17	2,351	2,197	1,036	906
		4,574	**4,333**	**9,139**	**8,923**
Less: Creditors – amounts falling due within one year	13	(9,269)	(9,253)	(14,708)	(14,725)
Net current assets		**(4,695)**	**(4,920)**	**(5,569)**	**(5,802)**
Total assets less current liabilities		**103,975**	**103,713**	**104,436**	**104,164**
Less: Creditors – amounts falling due after more than one year	14	(42,596)	(42,596)	(41,674)	(41,669)
Provisions					
Defined benefit obligations	16	(24,204)	(24,204)	(17,320)	(17,320)
Other provisions	16	(325)	(82)	(159)	(80)
Total net assets		**36,850**	**36,831**	**45,283**	**45,095**
Unrestricted reserves					
Income and expenditure account		36,850	36,831	45,283	45,095
Total unrestricted reserves		**36,850**	**36,831**	**45,283**	**45,095**

The financial statements on pages 28 to 56 were approved and authorised for issue by the Corporation on 5 December 2016 and were signed on its behalf on that date by:

David O'Halloran

Chair

Angela O'Donoghue

Accounting Officer

South Essex College
Consolidated Statement of Cash Flows

	2016	Restated 2015
	£'000	£'000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(2,718)	(1,512)
Adjustment for:		
Depreciation	4,031	4,195
Deferred capital grants released to income	-	(675)
(Increase)/decrease in stocks	5	2
(Increase)/decrease in debtors	(125)	(13)
Increase/(decrease) in creditors due within one year	339	89
Increase/(decrease in creditors due after one year	2,187	17,016
Pensions costs less contributions paid	679	506
Share of operating (surplus)/deficit in Essex Shared Services	29	18
Write down on investment in subsidiary company at fair value	-	59
Actuarial loss transferred to joint venture company	-	(207)
Pension curtailment	-	70
Remove deferred capital grants included in creditors	-	(17,615)
Adjustment for investing or financing activities		
Investment income	-	(5)
Interest payable	1,363	1,699
Net cash flow from operating activities	**5,790**	**3,627**
Cash flows from investing activities		
Investment income	-	5
Amounts in relation to promissory notes	6,000	6,000
Payments made to acquire fixed assets	(2,697)	(6,846)
	3,303	(841)
Cash flows from financing activities		
Interest paid	(668)	(833)
Interest element of finance lease rental payments	(68)	(28)
New finance lease	583	847
Repayments of amounts borrowed	(7,400)	(7,185)
Capital element of finance lease rental payments	(225)	(93)
	(7,778)	(7,292)
Increase / (decrease) in cash and cash equivalents in the year	**1,315**	**(4,506)**
Cash and cash equivalents at beginning of the year	1,036	5,537
Cash and cash equivalents at end of the year	2,351	1,036

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The College have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 25.

The 2015 FE HE SORP requires Colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

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

Basis of consolidation

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

Notes to the Accounts (continued)

because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £20.7m of loans outstanding with bankers on terms negotiated in 2012 which are currently under review secured on the college premises at Thurrock. The term of the existing agreement is for 30 years with a pricing review every 5 years. The College has agreed a short term overdraft facility for 2017. The College's forecasts and financial projections indicate that it will be able to operate within these existing facilities and covenants for the foreseeable future.

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

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process 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 HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are

Notes to the Accounts (continued)

determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years, a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

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

Freehold land is not depreciated.

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

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

Notes to the Accounts (continued)

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 1992 as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets in the course of construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

Borrowing costs

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

Leased assets

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding

liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Notes to the Accounts (continued)

Investments

Investments in subsidiaries

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

Investments in joint ventures

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

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly,

Notes to the Accounts (continued)

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 circa 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

Notes to the Accounts (continued)

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these

assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	2,850	2,850	3,768	3,768
Education Funding Agency	28,141	28,141	27,669	27,669
Local Authority	430	430	464	464
Work based learning	1,324	1,324	1,811	1,811
Higher Education Funding Council	-	-	-	-
Specific Grants				
Access funds (SFA and EFA)	1,469	1,469	2,333	2333
EFA free meals in FE	75	75	299	299
Releases of government capital grants	654	654	679	679
HE grant	-	-	-	-
Total	34,943	34,943	37,023	37,023

The College is the lead partner in a consortium to deliver Apprenticeships in the Essex Region. The income shown above includes that earned by the College in its capacity both as a provider and as the consortium lead. All other income claimed from the main funding body and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners were as follows:

	2016	2015
	£'000	£'000
Work based learning income	6,415	6,658
Payments to non College partners	(5,091)	(4,847)
Net income	1,324	1,811

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	686	686	539	539
Fees for FE loan supported courses	666	666	659	659
Fees for HE loan supported courses	5,093	5,093	5,711	5,711
International students fees	595	595	432	432
Full cost provision	406	406	741	741
Total tuition fees	7,446	7,446	8,082	8,082
Education contracts	585	585	427	427
Total	8,031	8,031	8,509	8,509

Notes to the Accounts (continued)

4 Other income

	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
Catering and residences	1,094	735	1,405	693
Other income generating activities - Nursery	313	313	370	370
Other income generating activities - Ford agreement	263	263	247	247
Other income generating activities - Car park	236	0	225	0
Other grant income - Education Training Foundation	213	213	680	680
Non government capital grants	21	21	21	21
Miscellaneous income	338	335	505	505
Total	**2,478**	**1,880**	**3,453**	**2,516**

5 Investment income

	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
Other interest receivable	0	0	5	5
	0	**0**	**5**	**5**

Notes to the Accounts (continued)

6 Staff costs - Group and College

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

	2016 No.	2015 No.
Teaching staff	316	312
Non teaching staff	460	484
	776	**796**

Staff costs for the above persons

	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
Wages and salaries	20,955	20,749	21,518	21,066
Social security costs	1,549	1,556	1,469	1,430
Other pension costs	3,570	3,550	3,378	3,347
Payroll sub total	**26,074**	**25,855**	**26,365**	**25,843**
Contracted out staffing services	1,518	1,518	1,563	1,563
	27,592	**27,373**	**27,928**	**27,406**
Fundamental restructuring costs	257	256	165	165
Increase in employee leave accrual	(110)	(107)	178	188
	27,739	**27,522**	**28,271**	**27,759**

Key management personnel

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

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	4	5

Notes to the Accounts (continued)

6 Staff costs - Group and College

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	3	-	-
£100,001 to £110,000	2	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	-	1	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	1	-	-	-
£170,001 to £180,000	-	1	-	-
	4	**5**	**2**	**0**

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	467	546
Pension contributions	47	57
Total emoluments	**514**	**603**

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

	2016	2015
	£'000	£'000
Salaries	169	176
Pension contributions	21	22
Total emoluments	**190**	**198**

Notes to the Accounts (continued)

7 Other operating expenses

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Teaching costs	4,855	4,868	4,435	4,052
Non teaching costs	6,532	6,143	8,852	8,447
Premises costs	3,620	3,619	3,132	3,350
Total	**15,007**	**14,630**	**16,419**	**15,849**

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit*	22	24
Internal audit**	14	14
Other services provided by the internal auditors	35	7

* includes £22,000 in respect of the College (2014/15 £22,000)
** all relating to the College

8 Interest payable - Group only

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	668	825
	668	825
On finance leases	68	27
On taxation	(7)	9
Pension finance costs (note 22)	634	664
Total	**1,363**	**1,525**

9 Taxation - Group only

	2016 £'000	2015 £'000
Provision for deferred corporation tax in the accounts of the subsidiary company	-	69
Total	**-**	**69**

Notes to the Accounts (continued)

10 Tangible fixed assets (Group)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	129,911	2,191	8,640	2,455	143,197
Additions	761	32	971	933	2,697
Transfers			44	(44)	-
Disposals	-	(2)	-	-	(2)
At 31 July 2016	**130,672**	**2,221**	**9,655**	**3,344**	**145,892**
Depreciation					
At 1 August 2015	25,512	1,157	6,523	-	33,192
Charge for the year	2,553	172	1,306	-	4,031
Elimination in respect of disposals	-	(1)	-	-	(1)
At 31 July 2016	**28,065**	**1,328**	**7,829**	**-**	**37,222**
Net book value at 31 July 2016	**102,607**	**893**	**1,826**	**3,344**	**108,670**
Net book value at 31 July 2015	104,399	1,034	2,117	2,455	110,005

10 Tangible fixed assets (College)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	129,865	2,162	8,552	2,455	143,034
Additions	761	32	971	933	2,697
Transfers	-	-	44	(44)	-
Disposals	-	(2)	-	-	(2)
At 31 July 2016	**130,626**	**2,192**	**9,567**	**3,344**	**145,729**
Depreciation					
At 1 August 2015	25,503	1,129	6,436	-	33,068
Charge for the year	2,552	171	1,306	-	4,029
Elimination in respect of disposals	-	(1)	-	-	(1)
At 31 July 2016	**28,055**	**1,299**	**7,742**	**-**	**37,096**
Net book value at 31 July 2016	**102,571**	**893**	**1,825**	**3,344**	**108,633**
Net book value at 31 July 2015	104,362	1,033	2,116	2,455	109,966

Notes to the Accounts (continued)

11 Non current Investments

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

The College owns 100 per cent of the ordinary shares of Nova Skills Education and Careers Limited. The company is incorporated in England and Wales and its primary activity is the provision of training and education to adults and other learners. This company was an associate company at 31 July 2014 owned 50% by the College. It became a subsidiary on 1 August 2014 when the balance of the shares were acquired for no consideration. Nova Skills Education and Careers Ltd has been wound up at 31st December 2015.

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

12 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	342	324	977	901
Amounts owed by Subsidiary undertakings:	-	-	-	22
Prepayments and accrued income	808	749	686	663
Amounts owed by the Skills Funding Agency	475	475	378	378
Other debtors	545	545	6,004	6,004
Total	**2,170**	**2,093**	**8,045**	**7,968**

13 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	1,465	1,465	7,400	7,400
Obligations under finance leases	342	342	185	185
Trade payables	1,461	1,435	835	828
Amounts owed to Subsidiary undertakings	-	76	-	124
VAT	23	3	(5)	(17)
Corporation tax	-	-	69	-
Other taxation and social security	884	884	793	793
Accruals and deferred income	3,376	3,339	3,138	3,144
Employee leave accrual	964	960	1,074	1,067
Deferred income - government capital grants	485	485	493	493
Amounts owed to the Skills Funding Agency	58	58	579	579
Amounts owed to the Education Funding	60	60	61	61
Other creditors	151	146	86	68
Total	**9,269**	**9,253**	**14,708**	**14,725**

Notes to the Accounts (continued)

14 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	20,698	20,698	22,163	22,163
Obligations under finance leases	770	770	570	570
Pension liability to joint venture	207	207	207	207
Deferred income - government capital grants	16,602	16,602	17,122	17,122
Deferred income - Redrow money towards Basildon Campus	2,596	2,596	-	-
Other creditors - Lennartz	1,671	1,671	1,529	1,529
Other creditors - Salix	52	52	83	78
Total	**42,596**	**42,596**	**41,674**	**41,669**

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	1,465	1,465	7,400	7,400
Between one and two years	1,536	1,536	1,465	1,465
Between two and five years	2,657	2,657	3,378	3,378
In five years or more	16,505	16,505	17,320	17,320
Total	**22,163**	**22,163**	**29,563**	**29,563**

The bank loan of £2,613,000 with Lloyds is secured on the Luker Road campus and is fully repayable by 30 September 2018. The total interest rate for this loan is 5.885%.

The bank loan of £19,550,000 with Barclays Bank is secured on the new Thurrock campus and is fully repayable by 30 September 2041. The rate of interst of this loan is a mairginal rate of 1.65% on top of a variable base rate.

(b) Finance leases

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	342	342	185	185
Between two and five years	770	770	570	570
In five years or more	-	-	-	-
Total	**1,112**	**1,112**	**755**	**755**

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

Notes to the Accounts (continued)

16 Provisions

	Group and College		
	Defined benefit Obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2015	(17,320)	(159)	(17,479)
Transferred from Statement of Comprehensive Income	(6,884)	(166)	(7,050)
At 31 July 2016	**(24,204)**	(325)	**(24,529)**

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

Other Provisions relates to the liability for and the pension deficit of the joint venture Essex Shared Services as well as the cost of dilapidation to the East Street and Crown House sites.

17 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,036	1,315	-	2,351
Overdrafts	-	-	-	-
Total	**1,036**	**1,315**	**-**	**2,351**

18 Capital commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	-	-

Notes to the Accounts (continued)

19 Lease Obligations

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

	Group and College	
	2016	**2015**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	65	-
Later than one year and not later than five years	49	114
later than five years	80	80
	194	194
Other		
Not later than one year	-	159
Later than one year and not later than five years	-	185
later than five years	-	-
	-	344

20 Contingent Asset/liabilities

The College has made a claim to HMRC for £755k to recover VAT overpaid relating to the treatment of Lennartz. The College has ceased making payments of £47k per quarter from 1st October 2015. If the claim is unsuccessful the College has sufficient provison on the balance sheet of £1.67m to cover liabiltiies. It is unlikely that this will be resolved in the next 12 months and we will continue to review the position.

21 Events after the reporting period

There are no events after the reporting period.

Notes to the Accounts (continued)

22 Defined benefit obligations

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

Total pension cost for the year		**2016 £'000**		**2015 £'000**
Teachers Pension Scheme: contributions paid		1,632		1,385
Local Government Pension Scheme:				
Contributions paid	1,259		1,292	
FRS 102 (28) charge	679		506	
Charge to the Statement of Comprehensive Income		1,938		1,798
Enhanced pension charge to Statement of Comprehensive Income				-
Total Pension Cost for Year		**3,570**		**3,183**

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

Contributions amounting to £370,000 (2015:£349,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Notes to the Accounts (continued)

22 Defined benefit obligations

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.
The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.
In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.
Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,632,000 (2015: £1,490,000).

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Essex County Council. The total contribution made for the year ended 31 July 2016 was £1,745,000, of which employer's contributions totalled £1,259,000 and employees' contributions totalled £486,000. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	2.10%	4.40%
Future pensions increases	2.10%	2.60%
Discount rate for scheme liabilities	2.50%	3.80%
Inflation assumption (CPI)	2.10%	2.60%
Commutation of pensions to lump sums	60%	60%

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

	At 31 July 2016	**At 31 July 2015**
	years	**years**
Retiring today		
Males	22.90	22.80
Females	25.30	25.20
Retiring in 20 years		
Males	25.20	25.10
Females	27.70	27.60

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016 £'000	2015 £'000
Surplus/(deficit) in scheme at 1 August	(17,320)	(15,760)
Movement in year:		
Current service cost	(1,937)	(1,626)
Employer contributions	1,259	1,292
Unfunded pension payments		2
Curtailments and settlements	(1)	189
Net interest on the defined (liability)/asset	(634)	(664)
Actuarial gain or loss	(5,571)	(753)
Net defined benefit (liability)/asset at 31 July	**(24,204)**	**(17,320)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2016 £'000	2015 £'000
Defined benefit obligations at start of period	50,361	45,005
Current Service cost	1,937	1,626
Interest cost	1,897	1,889
Contributions by Scheme participants	486	509
Experience gains and losses on defined benefit obligations	(1)	2,985
Changes in financial assumptions	7,184	0
Estimated benefits paid	(1,304)	(988)
Past Service cost	0	0
Liabilities extinquished on settlements	0	(665)
Curtailments and settlements	0	0
Defined benefit obligations at end of period	**60,560**	**50,361**

Reconciliation of Assets

Fair value of plan assets at start of period	33,041	29,245
Expected return on Fund assets	1,264	1,225
Actuarial gains	1,612	2,232
Employer contributions	1,259	1,294
Contributions by Scheme participants	486	511
Estimated benefits paid	(1,306)	(990)
Settlement prices (paid)	-	(476)
Assets at end of period	**36,356**	**33,041**

Notes to the Accounts (continued)

23 Related party transactions

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

South Essex College entered in to a 50:50 joint venture agreement with Chelmsford College which formed Essex Shared Services Limited in August 2014 with the purpose to provide back office shared services to both Colleges. The annual cost for these services were £635k (£566K 2014-15). The Statement of Comprehensive Income includes a cost of £29k (£23k 2014-15) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the deficit of Essex Shared Services Ltd of £173k (£70k 2014-15), which includes a provision of £144k (£47k 2014-15) for the pension deficit of the joint venture.

The College entered into a tripartite agreement with Basildon Council and the Homes and Communities Agency (HCA) during 2015/16 to progress the disposal of the Basildon Campus and HCA land to enable circa 700 homes to be built over 5 years. The College will relocate some provision to Market Square in Basildon town centre and the Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The first phase of land has been sold to the developers and an on account payment was received, of which the College has withdrawn £2.6m to offset work up costs to date and for the Council to commence works to relocate the market. This does not form part of the College Group Accounts. Transactions included in the College's accounts are shown below.

Element	Account name	£'000
Work in Progress	Land and Buildings WIP	2,256
Receipt from Red Row (Deposit paid)	Land and Buildings WIP	(100)
Transfer from Landowners Trust 21/04/2016	Deferred Income for the sale of Nethermayne campus	(1,096)
Transfer from Landowners Trust 27/07/2016	Deferred Income for the sale of Nethermayne campus	(1,500)
	Balance - held for future costs	(440)

24 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Discretionary support funds - SFA	317	299
24+ loans bursary - SFA	271	271
Childcare support fund - SFA	-	98
	588	668
Disbursed to students	(409)	(524)
Administration costs	(22)	(28)
Balance unspent as at 31 July, included in creditors	157	116

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

Notes to the Accounts (continued)

25 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		48,202	47,893	46,339	46,165
Employee leave accrual		(896)	(879)	(1,074)	(1,067)
Other		-	-	18	(3)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(896)	(879)	(1,056)	(1,070)
Total reserves under 2015 FE HE SORP		47,306	47,014	45,283	45,095

	Year ended 31st July 2015	
	Group	College
	£'000	£'000
Financial Performance		
Surplus for the year after tax under previous SORP	(714)	(478)
Increase in employee leave accrual	(178)	(188)
Changes to measurement of net finance cost on defined benefit plans	(615)	(615)
Other	(5)	17
Total effect of transition to FRS 102 and 2015 FE HE SORP	(798)	(786)
Surplus for the year under 2015 FE HE SORP	(1,512)	(1,264)
Pension provision – actuarial loss	(452)	(405)
Total comprehensive income for the year under 2015 FE HE SORP	(1,964)	(1,669)

Notes to the Accounts (continued)

25 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 15 days unused leave for teaching staff and 5 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £0.896 million was recognised at 1 August 2014, and an accrual of £1.074 million recognised at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £0.110 million has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

d) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.