



SOUTH ESSEX COLLEGE
Report and Financial Statements
for the year ended 31 July 2014

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2014.

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.

Public Benefit

South Essex College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 19 to 21.

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.

Mission

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'

Operating and Financial Review (continued)

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 includes property and financial plans. The Corporation monitors performance of the College against these plans. The plans are reviewed and updated each year.

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

1. Deliver high quality teaching, learning and assessment across the whole College

- Support the delivery of high quality, innovative and inspiring Teaching and Learning which is celebrated and promoted.
- Continually improve student performance to ensure high quality outcomes.
- Raise the aspirations and ambitions of all our students.
- Provide fair and transparent procedures for recognising, assessing, recording and accrediting all learning.
- Increase the vocational relevance of our teaching, learning and assessment to better meet the needs of employers.
- Embed the use of Technology to promote innovative learning.

2. Provide relevant, accessible, supportive opportunities for all students

- Provide a curriculum offer which is responsive to local and regional priorities and needs.
- Develop citizenship, enterprise and a sense of community for all our students.
- Raise the basic skills levels of all of our students
- Provide bespoke, effective and timely support for all our students
- Ensure all students have the opportunity to develop the skills that will allow them to progress onto the appropriate next step.

3. Develop and grow a sustainable, viable, innovative and responsive College

- Maintain financial stability of the College to enable reinvestment.
- Enhance our curriculum offer.
- Respond to the learning and skills market as a flexible, vibrant, dynamic organisation.
- Develop new national and international markets.
- Explore new opportunities to develop, including new ways of working (Federations, Shared Services), as well as closer working with local schools.

Operating and Financial Review (continued)

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

- Provide a supportive environment in which all staff can flourish and take pride.
- Make use of new technologies to establish integrated systems which reduce workload.
- Develop a more flexible employment base to help meet the changing needs of the organisation.
- Agree and achieve clear quality service standards for all areas of the College.
- Improve the professional practice of our staff through structured professional development.

5. Respect, Promote and Celebrate Diversity

- Actively challenge discrimination to foster a culture of social cohesion.
- Foster relationships between individuals who share protected characteristics and those who do not.
- Promote equality and diversity in our teaching and learning and foster tolerance and understanding through a range of College activities.

6. Develop our work with stakeholders to improve the economic prosperity of the Eastern and South East Regions

- Continue to maintain and develop partnerships with Sector Skills Councils, National Skills Academies, business and industry.
- Maintain effective relationships with appropriate funding and regulatory bodies.
- Develop relationships with the LEP Board, County Councils and Unitary Authorities and new Employment and Skills Boards to inform our curriculum offer.
- Maintain and develop our partnership arrangements for Higher Education provision.
- Enable our students and stakeholders to contribute and inform College decision making.

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

- Develop new buildings at Thurrock and Basildon, alongside redesign of Southend Campus, to provide modern, high quality, state of the art facilities.
- Provide high quality resources and equipment to support learning.
- Continue to develop the College IT infrastructure to meet the emerging and demanding needs of new technologies.
- Continually review College Services to produce ongoing efficiency savings while improving standards.
- Ensure a safe and secure environment for all.

Operating and Financial Review (continued)

Financial objectives

The financial strategy that underpins the 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 have been agreed to monitor the successful implementation of the policies. These include

- Success, retention and attendance
- Achievement and destination
- Equality and Diversity
- Learner and Staff Satisfaction
- Financial Health

FINANCIAL POSITION

Financial results

The Group generated an operating surplus in the year of £0.4m (2012/13 – £13.7m).

The Group continued its change programme in 2013/14 and associated organisational restructure. Further redundancy costs of £381k were attributable to this in 2013/14.

The Group has accumulated reserves of £66.5m (£69.4m 2012/13) including £5.5m in cash. The Group wishes to continue to accumulate reserves and cash balances in order to provide sufficient working capital to meet the Group’s obligations as and when they fall due. Where there are cash funds in excess of this working capital requirement these will be used to invest

Operating and Financial Review (continued)

in infrastructure improvements and associated capital equipment for the benefit of teaching, learning and assessment in accordance with the strategic plan.

Tangible fixed asset additions during the year amounted to £106.1m including the work in progress on the new campus at Thurrock which opened in September 2014. There were no major disposals of capital assets in the year.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2013/14 the funding bodies provided 77% of the College's total income.

The Group has one subsidiary company, South Essex Commercial Services Limited. The principal activity of South Essex Commercial Services Limited is the operation of the car park, retail, catering and conferencing facilities. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, the surplus generated was £0.1m (2012/13 - £0.1m).

The College continued to be a member of a Joint Venture, operated by a limited company for the delivery of foundation learning and level one learning in Thurrock. The two partners are South Essex College and Crown College on a 50/50 partnership basis. The company is called NOVA, Skills Education and Careers Ltd. The Company was formed with effect from 1st August 2013. The 50% surplus due to the College of £60k (2012/13 £23k) has been generated and is included in the College results.

During 2012/13 the College established a joint venture partnership with Chelmsford College for the sharing of services which became fully operational on August 1st, 2014 with the sharing of Finance, Procurement, Payroll and Health and Safety activities. The joint venture was incorporated into a company limited by guarantee with joint ownership by the two Colleges. This company is Essex Shared Services Limited (ESS Ltd).

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.

A Treasury management policy has been drafted and is scheduled for consideration at the first Corporation meeting in 2015.

Cash Flows

Cash inflow from operating activities was £1.3m (£2.5m inflow in 2012/13).

Operating and Financial Review (continued)

Liquidity

During the year the College continued to repay a secured loan of £12.3 million. The loan was in order to help finance a new building on its main site. The building cost £52 million, the balance was met by College reserves (£14.4 million), Learning and Skills Council (£14.2 million), the disposal proceeds from the sale of property and land (£6.1 million), contribution from University of Essex (£2 million) the Higher Education Funding Council (£2 million) and an ERDF grant (£1 million). The outstanding loan is £4.7m payable by September 2018.

A further loan to facilitate the building of the new campus at Thurrock was drawn down and the value of this loan is currently £32.0m. The loan is repayable in full by 2041.

The size of the College's total borrowing and its approach to interest rate has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was maintained at all times.

Post-balance sheet events

There are no post balance sheet events which impacted the financial results in 2013/14.

Current and Future Developments and Performance

Student numbers

In 2013/14 the College has delivered activity that has produced £36.0m in funding body main allocation funding (2012/13 – £39.4m).

Student achievements

Overall College headline FE Learner Responsive funded success rates have increased by 3.5 percentage points over the performance in 2012/13 from 82% to 85.5%. The national average for 2013/14 was 85.4%, so success rates here were above the National Average. Overall retention increased by 4 percentage points between the two years.

Table 1 Three Year Outcomes for Learners on Learner Responsive Programmes

%	Overall			16-18			19+			National
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	Average
Success	79.2	81.9	85.5	79.1	81.4	86.3	79.6	83.7	83.6	85.4
Retention	86.2	87.3	91.0	85.9	87.1	92.0	87.4	88.2	88.7	91.7
Achievement	91.9	93.9	94.0	92.1	93.5	93.8	91.1	94.9	94.3	93.1

Current and Future Developments and Performance (continued)

Table 2 Success Rates for Learners on Employer Responsive Programmes

%	16-18			19-23			24+		
	Intermediate	Advanced	Overall	Intermediate	Advanced	Overall	Intermediate	Advanced	Overall
Success	74.0	72.0	73.5	73.1	76.2	74.6	83.6	76.6	80.9

Curriculum developments and action on teaching and learning

We continued with the initiatives launched in 2012/13 which included:

- The Teaching and Learning Strategy being implemented across the College supported by the staff training programme.
- Monitoring of collaborative partners to maximise success rates, retention and funding.
- Monthly meetings at Academy level to monitor performance and rectify any areas of concern.

In addition in May 2014, the 16-19 Study Programmes Guidelines for Staff was substantially revised and issued to all academic members of staff.

In furtherance of the changes to management of the Functional Skills and Foundation Learning introduced in 2013/14, the College has introduced a number of curriculum initiatives focused on the provision of English and Maths tuition. These include:

- Fully implementing the study programme ensuring that all students have the appropriate level of English and Maths tuition included in their study programme.
- Assigning a learning support assistant to work with the tutor of every level one group.
- Focusing on English and Maths with a GEMS campaign (Great English and Maths Success)
- Completed a restructure of our Academic delivery including the delivery, management and assessment of functional skills.

Other developments include:

- Creating the new role of progress coach to work with students, carry out tutorials and track Individual Learning Plans.
- Adding blended learning sessions to students timetables
- Working with Reed NCFE to focus on work placements and work experience as part of the study programme.

Operating and Financial Review (continued)

Current and Future Developments and Performance (continued)

Applications for FE 16-18 programmes continue to be strong across the College and are ahead of the enrolment levels last year. The curriculum for 2014/15 has been designed to meet this demand and focuses on national, regional and local priorities. The College has a reduced Adult Learner Responsive funding contract and expects to achieve the funding targets.

The College wishes to maintain its strong progression rates for learners within FE and between FE and HE programmes.

The College expects to meet its funding contracts with the University of Essex.

The College is continuing to increase the range and scope of apprenticeship delivery in order to meet the skills needs of learners.

The College is seeking to diversify further its income base by matching local demand with the provision of full cost courses, which together with increasing income from fees will compensate for the progressive decline in Adult Learner Responsive Funding.

NOVA Partnership

South Essex College is the contract holder for the NOVA Partnership for Apprenticeships and Skills. Overall success is the percentage of learners who start their programme and successfully complete the apprenticeship by the later of their planned or actual end date.

Timely success is the percentage of learners who complete their programme by their planned end date. Successful completion of an Apprenticeship framework is also contingent upon the learner being employed at the end of their course. The tables below show the current position for 2013/14. Table 3 shows the three year trend for overall success, timely success and retention.

Table 3: Three Year Trend for Success and Retention for 2013-14

	Overall			Timely			Retention		
	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14
Overall	72%	72%	76.1%	58%	61%	63.3%	76%	78%	78.9%
Adv. App	71%	68%	75.3%	52%	55%	59.5%	75%	74%	79.2%
App	72%	74%	76.6%	60%	64%	65.5%	76%	77%	78.6%

Operating and Financial Review (continued)

Post Balance Sheet Events

On August 1, 2014, the College acquired the remaining 50% of Nova Skills Education and Careers Limited and this will be incorporated as a wholly owned subsidiary from that date. No consideration passed on this transaction.

In partnership with Chelmsford College, South Essex College set up a joint venture for the provision of a range of finance based services and this became fully operational over the mutual year ends.

Future developments

The College is working with partners to progress the capital project in Basildon having completed Thurrock in August 2014, and Southend in September 2013.

Southend

The University of Essex, Southend on Sea Borough Council and the College created a partnership to develop the town centre campus. The final phase of development opened in September 2013, a truly innovative joint municipal and academic library for the public and further and higher education learners. This facility will also provide additional teaching space for both the College and the University.

www.theforumsouthend.co.uk

Thurrock

The new campus in Grays town centre opened in September 2014. The previous site at Woodview closed during the summer of 2014. The £45million investment into the new campus was funded from additional borrowing together with the receipt from the sale of the campus at Woodview. . More information is available at our website

<http://www.southessex.ac.uk/thurrock>

Basildon

A new College in Basildon town centre has planning permission and is due to open in September 2018. The new college will be funded through a partnership with the Homes and Communities Agency (HCA) and Basildon Borough Council (BBC) selling land at the current college location in Nethermayne. The site at Nethermayne has outline planning permission for residential development which will fund the move. In November 2014 the College received approval for the scheme following a judicial review.

Operating and Financial Review (continued)

RESOURCES

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

Financial

The College has £66.5m million of net assets, after the provision of £15.8m pension liability and long term debt of £37.0m.

People

The College employs 737 people (expressed as full time equivalents), of whom 327 are teaching staff.

Reputation

The College has a good reputation locally, regionally and nationally. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships.

Capacity has been enhanced by the new town centre campuses at Thurrock and Southend and the college looks to build on this by increasing the number of students taking courses at the College.

The College aims to increase contribution by introducing a number of efficiency schemes across the college site. The College would like to reduce dependency on the FE Funding Bodies and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE and European Commission grants.

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.

As part of an on-going programme, managers are expected to:

- Define and identify risks that might affect their department's ability and capacity to achieve its set objectives.
- Assess the risks based on likelihood and impact.
- Manage the risks and suggest action plans like Terminating, Tolerating, Treating, Transferring or Taking opportunities arising from it.
- Understand, monitor and update the departmental risk registers.
- Recognise when to refer the risks to the Risk Champion or their line manager.

Operating and Financial Review (continued)

The summary College risk register is reviewed at every Audit and Risk Committee meeting. 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 are 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.

Failure to raise the importance of Maths & English

A new Manager has been appointed who will raise the profile of Maths & English across the College. All students without a grade D GCSE in both subjects will be placed on an appropriate programme.

Failure to focus on support and tracking of students' progress and attendance

Regular reviews with learners and apprentices will take place and we have invested in learner 'coaches' and 'subject specialists' to help teachers' manage this risk.

Failure to provide appropriate work experience/work related learning for students

A new work placement/work experience plan has been developed and shared with all staff. A team dedicated to work placement has been put in place which will be resource hungry in the early stages.

Failure to raise the proportion of good and better lessons will affect student performance

A number of measures have been agreed to be put in place including a) regular use of initial assessment to plan and support learning b) ensure learners receive sufficient challenge where appropriate c) routinely develop English & maths and d) continued use of the Learning Cycle to improve teaching and learning

Operating and Financial Review (continued)

Under achievement of funding contracts

In order to mitigate the impact of reduced funding the College implemented a 'Management of Change' process in May 2013. This process involved the restructure of the academic business areas to efficiently manage and control costs while encouraging growth and achievement. This has continued through 2013/14.

Lack of appropriate staffing for contract allocation whilst maintaining staff costs within 62.5% of total costs

The College needs to ensure that it has appropriate staffing with the right skills and that payroll costs are moved towards the target of 62.5% of total costs.

Failure of capital projects

At the year end, the College was involved in two major capital projects (Thurrock Town centre Learning Campus and Basildon Town Centre Learning Campus). Since the year end the Thurrock project has been completed and handed over.

There are various risks associated with capital projects, mostly related to the principles of the schemes (including planning elements and design issues) and the capital funding available. Discussions are currently taking place to ensure an optimal outcome for the College and that the vision for the projects is not compromised.

A comprehensive risk assessment of the projects has been carried out separately with key risks identified and mitigating factors put in place. Project process is reported at each Policy & Resources Committee and at Corporation meetings.

Franchising and partnership activities are appropriately monitored

The two major contracts (the Partnership for Higher Education with The University of Essex and Work Based Learning for the SFA delivered through The NOVA Partnership) remain significant and would have an impact if they had problems over delivery or were lost.

The College has a good, well-established reputation for the quality and compliance of its partnership/franchised activity.

The College endeavours to follow the funding agencies best practice where this exists and partnership/franchising activity has been subject to internal audit and found to be operating correctly.

Operating and Financial Review (continued)

Diversification into new or expanding markets (HE, new ways of working, International)

It is our intention to grow and develop our international work at the College. We plan to further develop partnerships in the Far East offering in country provision at Advanced and Higher levels and opportunities to progress to top-up degrees in the UK.

STAKEHOLDER RELATIONSHIPS

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

- Learners;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- International partners.

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

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.

Operating and Financial Review (continued)

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 Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- 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 appointed an Access Co-ordinator, who provides 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 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.

Operating and Financial Review (continued)

- 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 C_Space (Student Intranet).

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 December 8, 2014
and signed on its behalf by:**



Mr R Launder
Chairman

Professional advisers

Financial statement and regularity auditors:

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Boundary House
4 County Place
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CM2 0RE

Internal auditors:

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Bankers:

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1 Churchill Place
London
E14 5HP

Solicitors (Property):

Thomas Eggar
76 Shoe Lane
London
EC4A 3JB

Solicitors (Employment):

Bates Wells & Braithwaite London LLP
2-6 Cannon Street
London
EC4M 6YH

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (“the Code”) issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2014. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, the College adopted the AoC Foundation Code of Governance at its meeting on 5 December 2011. The College believes it is fully compliant with the Code.

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 Table 2.

Table 2: Governors serving on the College Board during 2013/14

	Date of appointments	Term of office	Date of resignation	Status of appointment	Committees served
Mr R Launder	First Appointed 1 Jan 2010 Reappointed 1 Jan 2014	4 years		Clause 3 of the Instrument	Chair: Corporation wef 1 August 2011; Chair of Policy & Resources; Remuneration; Search & Governance
Ms A O'Donoghue CBE	13 Aug 2012			Principal and Chief Executive	Curriculum & Quality; Policy & Resources; Search & Governance
Ms D Adams	1 Aug 2013	31 Jul 2014	11 Sept 2013	Student	Curriculum & Quality
Ms O Buck	First Appointed 1 Aug 2012 Appointed 18 Mar 2013	4 years		External Member Clause 3 of the Instrument	Policy & Resources
Mr S Burrell	First Appointed 1 Jan 2014	4 years		Clause 3 of the Instrument	Policy & Resources
Mrs S Carr	First Appointed 1 Apr 2001 Reappointed 1 April 2003; 1 Apr 2005; 1 Apr 2007; 1 Apr 2011	2 years 2 years 2 years 4 years 4 years		Clause 3 of the Instrument	Curriculum & Quality

Statement of Corporate Governance and Internal Control continued

Table 2 continued

	Date of appointments	Term of office	Date of resignation	Status of appointment	Committees served
Mrs M Coombes	First Appointed 1 Jan 2010	4 years	9 Dec 2013	Clause 3 of the Instrument	Curriculum & Quality
Mrs K Davison	First Appointed 1 Aug 2013	31 Jul 2014	28 Feb 2014	Student	Curriculum & Quality
Dr R Gray	First Appointed 1 Mar 1998 Reappointed 15 Jul 1999; 15 Jul 2003; 15 Jul 2007; 15 Jul 2011	2 years 4 years 4 years 4 years		Clause 3 of the Instrument	Policy & Resources; Chair of Search & Governance; Remuneration
Ms D Hale	First Appointed 1 Jan 2010	4 years	27 Aug 2013	Clause 3 of the Instrument	Curriculum & Quality Search & Governance
Ms R Hawkrigde	First Appointed 7 Jul 2014	1 year		Student	Curriculum & Quality
Mr R Hughes	First Appointed 10 Dec 2012	2 years		Staff	Curriculum & Quality; Policy & Resources
Mr T Knight	First Appointed 1 Aug 2012	4 years		Clause 3 of the Instrument	Curriculum & Quality; Policy & Resources; Search & Governance; Remuneration
Ms E Mead	First appointed 1 Jan 2014	4 years		Clause 3 of the Instrument	Curriculum & Quality
Mr B Morris	First Appointed 1 Aug 2013	4 years		Clause 3 of the Instrument	Audit & Risk
Mr B Neagus	First Appointed 6 Dec 2010 Reappointed 10 Dec 2012	2 years 2 years		Staff	Audit & Risk
Mr D O'Halloran	First Appointed 15 Jul 1999 Reappointed 15 Jul 2003; 15 Jul 2007; 15 Jul 2011	4 years 4 years 4 years 4 years		Clause 3 of the Instrument	Vice Chair: Corporation; Chair of Curriculum & Quality; Remuneration; Policy & Resources

Statement of Corporate Governance and Internal Control continued

Table 2 continued

	Date of appointments	Term of office	Date of resignation	Status of appointment	Committees served
Mr Y Godamdi	First Appointed 15 July 2003 15 July 2007 15 July 2011	4 years		Clause 3 of the Instrument	Audit & Risk
Mr B Patterson	First Appointed 1 Aug 2012	4 years		Clause 3 of the Instrument	Chair: Audit & Risk Search & Governance
Ms E Reeve	First Appointed 7 Jul 2014	1 year		Student	Curriculum & Quality
Mr Paramjit Singh Narang	First Appointed 21 Mar 2011 Appointed 1 Jan 2014	4 years 4 years		External Member Clause 3 of the Instrument	Audit & Risk
Mr R Smith	First Appointed 1 Jan 2010	4 years	9 Dec 2013	Clause 3 of the Instrument	Policy & Resources
Mr T Thompson	First Appointed 1 Aug 2012 Appointed 26 Mar 2013	4 years		External Member Clause 3 of the Instrument	Audit & Risk
Ms M West	First Appointed 1 Jan 2014	4 years		Clause 3 of the Instrument	Policy & Resources
Mrs G Williams	First Appointed 1 Aug 2012	4 years		Clause 3 of the Instrument	Curriculum & Quality; Search & Governance; Chair: Remuneration
Mr L Wright	First Appointed 7 Oct 2013	31 Jul 2014	6 Jul 2014	Student	Curriculum & Quality
External Members of Committees					
Mr P Little	First Appointed 21 Mar 2011	4 years		External Member	Audit & Risk
Mr N Kelleway	First Appointed 9 Dec 2013	4 years		External Member	Policy & Resources
Mr R Millea FCA of Chaplin Frobisher Welling Limited is the Clerk to the Corporation					

Statement of Corporate Governance and Internal Control continued

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, curriculum and 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 Policy & Resources, Remuneration, Search & Governance, Curriculum & Quality and Audit & Risk. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

South Essex College
Luker Road, Southend on Sea
Essex SS1 1ND

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 compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole, on the advice of the Remuneration Committee.

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

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

There is a clear division of responsibility in that the roles of the Chairman and Principal and Chief Executive are separate.

Statement of Corporate Governance and Internal Control continued

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ending 31 July 2014, 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 Principal and Chief Executive, other senior post-holders and other members of the Senior Leadership Team and to appraise their performance. It also appraises the Clerk's performance.

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

Audit & Risk Committee

The Audit & Risk Committee comprises six members of the Corporation (excluding the Principal and Chief Executive and the Chair of the Corporation) including up to two external members (currently one). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Risk Committee meets four times per year and provides a forum for reporting by the College's internal, regularity 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 monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan

Statement of Corporate Governance and Internal Control continued

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. This is monitored and scrutinised by the Committee.

The Audit & Risk Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and other assurance providers and their remuneration for both audit and non-audit work.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal and Chief Executive 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.

Statement of Corporate Governance and Internal Control continued

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 on-going 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 2014 and up to the date of approval of the annual report and accounts.

Statement of Corporate Governance and Internal Control continued

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and 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 an internal audit service. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The review 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

Statement of Corporate Governance and Internal Control continued

- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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 team and the Audit & Risk Committee also receive regular reports from internal audit, 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 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2014.

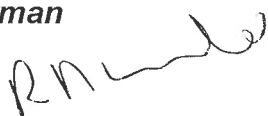
Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 1 to the accounts. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on December 8, 2014 and signed on its behalf by:

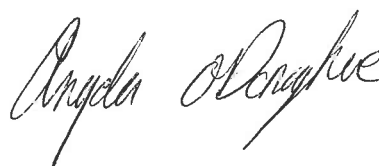
Mr R Launder

Chairman



Ms A O'Donoghue CBE

Principal and Chief Executive



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 Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2013-14 financial statements issued jointly by the Skills Funding Agency and the EFA, 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 an Operating and Financial Review 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.

Statement of Responsibilities of the Members of the Corporation (continued)

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 and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, Members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on December 8, 2014 and signed on its behalf by:



Mr R Launder
Chairman

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 2014 set out on pages 34 to 68. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation as a body, in accordance with statutory requirements. 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 Corporation Responsibilities set out on pages 28 to 29, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.¹

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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

MHA MacIntyre Hudson



Chartered Accountants and Statutory Auditors

Boundary House
4 County Place
Chelmsford
Essex
CM2 0RE

18-12-14

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

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

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

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

Responsibilities of the Corporation of South Essex College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

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

Auditor's responsibilities

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

assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.


Independent Auditor's Report on Regularity to the Corporation of South Essex College and the Chief Executive of Skills Funding (continued)

Basis of opinion

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

Opinion

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



MHA MacIntyre Hudson
Chartered Accountants
Registered Auditors
Boundary House
4 County Place
Chelmsford
Essex
CM2 0RE

19-12-14

**South Essex College of Further and Higher Education
Consolidated Income and Expenditure Account**

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2		39,481		42,669
Tuition fees and education contracts	3		8,281		7,948
Research grants and contracts	4		715		437
Other income			2,739		1,954
Endowment and investment income	5		106		145
Total income			51,321		53,153
EXPENDITURE					
Staff costs	6	26,469		26,730	
Other operating expenses	8	20,101		21,273	
Depreciation	12	3,212		3,602	
Interest and other finance costs	9	667		732	
Total expenditure			50,449		52,337
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			872		816
Exceptional restructuring costs			(381)		(909)
Gain on disposal of assets			-		13,778
Other exceptional items			(121)		-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax			370		13,685
Taxation			-		-
Surplus on continuing operations after depreciation of assets at valuation and tax			370		13,685
Surplus for the year retained within general reserves			370		13,685

**South Essex College of Further and Higher Education
Consolidated Statement of Historical Cost Surpluses and
Deficits**

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations before taxation		370	13,685
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	181	213
Historical cost surplus for the year before taxation		551	13,898
Historical cost surplus for the year after taxation		551	13,898

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		370	13,685
Actuarial gain / (loss) in respect of pension scheme	29	(1,856)	4,021
Total recognised losses since last report		(1,486)	17,706
Reconciliation			
Opening reserves and endowments		49,688	31,982
Total recognised gains/ (losses) for the year		(1,486)	17,706
Closing reserves and endowments		48,202	49,688

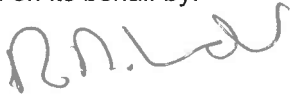
**South Essex College of Further and Higher Education
Balance Sheet as at 31 July**

	Notes	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Fixed assets					
Tangible assets	12	106,150	106,103	76,355	76,297
Investments	13	60	-	-	-
Total fixed assets		106,210	106,103	76,355	76,297
Current assets					
Stock		60	52	68	55
Debtors	15	8,062	8,359	7,253	7,296
Debtors due after more than one year	15	6,008	6,008	12,008	12,008
Cash at bank and in hand		5,537	4,980	8,813	8,633
Total current assets		19,667	19,379	28,142	27,992
Less: Creditors – amounts falling due within one year	16	(6,344)	(6,278)	(6,744)	(6,665)
Net current assets		13,323	13,121	21,398	21,327
Total assets less current liabilities		119,533	119,224	97,753	97,624
Less: Creditors – amounts falling due after more than one year	17	37,281	37,281	15,004	15,004
Net assets excluding pension liability		82,252	81,943	82,749	82,620
Net pension (liability)	29	(15,760)	(15,760)	(13,313)	(13,313)
NET ASSETS INCLUDING PENSION LIABILITY		66,492	66,183	69,436	69,307
Deferred capital grants	19	18,290	18,290	19,748	19,748
Reserves					
Income and expenditure account excluding pension reserve	22	59,776	59,467	58,634	58,505
Pension reserve	29	(15,760)	(15,760)	(13,313)	(13,313)
Income and expenditure account including pension reserve	22	44,016	43,707	45,321	45,192
Revaluation reserve	21	4,186	4,186	4,367	4,367
Total reserves		48,202	47,893	49,688	49,559
TOTAL FUNDS		66,492	66,183	69,436	69,307

Financial Statements for the year ending 31 July 2014

The financial statements on pages 33 to 67 were approved by the Corporation on December 8, 2014 and were signed on its behalf by:

Mr R Lander
Chair



Ms Angela O'Donoghue CBE
Principal & Chief Executive

**South Essex College of Further and Higher Education
Consolidated Cash Flow Statement**

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	23	1,264	2,487
Returns on investment and servicing of finance	24	(205)	(222)
Capital expenditure and financial investment	25	(27,008)	(10,928)
Financing	26	22,673	7,428
Decrease in cash for the year	27	(3,276)	(1,235)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period		(3,276)	(1,235)
Cash outflow from loan movements (increase) / decrease	26	(22,673)	(7,428)
Movement in net funds in the period		(25,949)	(8,663)
Net funds at 1 August	27	(5,262)	3,401
Net funds at 31 July		(31,211)	(5,262)

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2013-14 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, South Essex Commercial Services Ltd. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2014.

Recognition of income

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account.

Notes to the Accounts (continued)

1. Accounting policies (continued)

The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Recognition of income (continued)

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by learners or their sponsors, for example the National Health Service.

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 29, 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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Post-retirement benefits (continued)

reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the LSC and its successor organisations.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 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 capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Market value of the fixed asset has subsequently improved.

Asset capacity increases

Substantial improvement in the quality of output or reduction in operating costs

Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Tangible fixed assets (continued)

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Building improvements – 10 years on a straight-line basis
- Motor vehicles and general equipment – 5 years on a straight-line basis
- Computer equipment – 3 years on a straight-line basis
- Furniture and fittings – 10 years on a straight-line basis

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Foreign currency translation

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

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of part 11 Corporation Tax Act 2010 (CTA 2010). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Liquid resources

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds and as the Recipient College for Work Based Learning, and Unemployed training contracts for South Essex. Related payments received from the LSC or its successor organisations and subsequent disbursements to learners are excluded from the Income and Expenditure account and are shown separately in Note 35, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Joint Ventures

The College accounts for joint ventures using the equity method with its share of profits or losses included in the operating surplus and an adjustment made against the carrying value to reflect this.

Going concern

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Going concern (continued)

The College currently has £4.8m with bankers on various terms (see note 18). The College's forecast and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

In addition the College secured a £32 million loan facility from its bankers used in connection with financing its new building in Grays Town Centre and has taken this matter into account in forming its judgement as to the validity of the going concern basis in the same way as the current existing loans.

Accordingly the College has reasonable expectation that it has adequate resources to continue in operational existence for a period of 12 months from the date of approval of these Financial Statements and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

South Essex College of Further and Higher Education Notes to the Accounts (continued)

2 Funding council grants

	2014 £'000	2013 £'000
Recurrent grant - EFA, SFA and LA	35,951	39,373
Work based learning	925	1,291
Access funds	1,816	988
FE Standards Fund	-	25
Releases of deferred capital grants (note 19)	372	802
Release of HEFCE Capital grants	176	176
Train to Gain	241	14
Total	39,481	42,669

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 was as follows:

	2014 £'000	2013 £'000
Train To Gain income	241	14
Payments to non College partners	-	-
Payments to College partners	-	-
Net income	241	14

	2014 £'000	2013 £'000
Work based learning income	6,554	7,096
Payments to non College partners	(5,629)	(5,802)
Payments to College partners	-	(3)
Net income	925	1,291

3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition fees	7,185	5,981
Education contracts	1,095	1,967
Total	8,280	7,948

**South Essex College of Further and Higher Education
Notes to the Accounts (continued)**

4 Research grants and contracts

	2014 £'000	2013 £'000
Other grants and contracts	<u>715</u>	<u>437</u>

5 Endowment and investment income

	2014 £'000	2013 £'000
Other interest receivable	<u>106</u>	<u>145</u>

South Essex College of Further and Higher Education Notes to the Accounts (continued)

6 Staff costs

The average number of persons (including senior post-holders) employed by the College during the year described as full time equivalents was:

	2014 No.	2013 No.
Teaching staff	311	307
Non teaching staff	426	421
	<u>737</u>	<u>728</u>

Staff costs for the above persons

	2014 £'000	2013 £'000
Wages and salaries	20,473	20,987
Social security costs	1,412	1,511
Other pension costs (including FRS 17 adjustments of £235,000 (2013: £301,000))	2,701	2,577
Payroll sub total	24,586	25,075
Contracted out staffing services	1,883	1,655
	<u>26,469</u>	<u>26,730</u>
Exceptional restructuring costs	381	909
	<u>26,850</u>	<u>27,639</u>

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

	Senior post-holders		Other Staff	
	2014 No.	2013 No.	2014 No.	2013 No.
£50,001 to £60,000	-	-	17	17
£60,001 to £70,000	-	-	-	1
£70,001 to £80,000	1	-	1	1
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	2	2	-	-
£100,001 to £110,000	-	1	-	-
£160,001 to £170,000	1	1	-	-
	<u>5</u>	<u>5</u>	<u>18</u>	<u>19</u>

South Essex College of Further and Higher Education

Notes to the Accounts (continued)

7 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and Chief Executive and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2014 No.	2013 No.
The number of senior post-holders including the Principal and Chief Executive was:	5	5

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

	2014 £'000	2013 £'000
Salaries	490	506
Benefits in kind	31	43
Pension contributions	56	65
Total emoluments	577	614

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

	2014 £'000	2013 £'000
Salaries	160	160
Benefits in kind	9	9
	169	169
Pension contributions	21	17

The pension contributions in respect of the Principal and Chief Executive and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees.

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

South Essex College of Further and Higher Education Notes to the Accounts (continued)

8 Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	4,773	4,497
Non teaching costs	12,413	13,313
Premises costs	2,915	3,463
Total	20,101	21,273

Other operating expenses include:

	2014 £'000	2013 £'000
Auditors' remuneration:		
Financial statements audit*	25	24
Internal audit**	29	28
Other services provided by the financial statement auditors	5	1
Other services provided by the internal auditors	-	3
Losses on disposal of tangible fixed assets (where not material)	1	-

* includes £23,000 in respect of the College (2012/13 £24,000)

** includes £29,000 in respect of the College (2012/13 £28,000)

South Essex College of Further and Higher Education Notes to the Accounts (continued)

9 Interest payable

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans		
Repayable within five years, not by instalments	-	-
Repayable within five years by instalments	-	-
Repayable wholly or partly in more than five years	311	367
	311	367
On finance leases	-	-
Pension finance costs (note 29)	356	365
Total	667	732

10 Taxation

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

11 Surplus on continuing operations for the period

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

	2014 £'000	2013 £'000
College's surplus for the period	251	13,588
Surplus generated by subsidiary undertakings an transferred to the College under gift aid / deed of covenant	119	97
Total	370	13,685

South Essex College of Further and Higher Education
Notes to the Accounts (continued)

note 11 (continued)

2014
£'000

Exceptional items

Exceptional items in 2013/14 comprise the following:

Release of restoration provision not required	65
Capital grant released on asset disposal in prior period	822
Restoration of asset previously recorded as being disposed	449
Financial impact of fraudulent activity by third party	(1,457)
	(121)

During 2012/13 the College made a provision of £200,000 for probable costs relating to the repair and restructuring of Maitland House. Following resolution of this matter, £65,000 was released to the Income and Expenditure Account as an exceptional item, being the unused part of the provision previously established.

During 2012/13, the College released a capital grant of £822,000 in respect of a property previously disposed of as it now considers this amount will not have to be repaid.

During 2012/13, land at Aveley was disposed of as part of the financial arrangements for the new Thurrock campus. Property of £449,000 was disposed of in the accounts, but this did not form part of the land package disposed of. This asset has therefore been restored to the accounts.

In September 2013, the College was victim to a financial fraud. This resulted in a payment of £1,457,000 being made to a third party posing as a bona fide capital contractor. Appropriate controls were in place to mitigate this type of fraud but these were not followed by employees and appropriate action was taken. A criminal investigation was conducted and a court case is pending, however at this stage no recovery of funds is assumed and full amount is charged to the accounts in 2013/14.

South Essex College of Further and Higher Education
Notes to the Accounts
(continued)

12 Tangible fixed assets (Group)

	Freehold land and buildings £'000	Furniture £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2013	94,872	1,505	5,769	102,146
Additions	31,472	96	1,440	33,008
Disposals			(7)	(7)
At 31 July 2014	126,344	1,601	7,202	135,147
Depreciation				
At 1 August 2013	20,654	839	4,298	25,791
Charge for the year	2,024	156	1,032	3,212
Elimination in respect of disposals			(6)	(6)
At 31 July 2014	22,678	995	5,324	28,997
Net book value at 31 July 2014	103,666	606	1,878	106,150
Net book value at 31 July 2013	74,218	666	1,471	76,355

**South Essex College of Further and Higher Education
Notes to the Accounts (continued)**

12 Tangible fixed assets (College only)

	Freehold land and buildings £'000	Furniture £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2013	94,826	1,476	5,680	101,982
Additions	31,472	96	1,441	33,009
Disposals	-	-	(7)	(7)
At 31 July 2014	126,298	1,572	7,114	134,984
Depreciation				
At 1 August 2013	20,651	818	4,216	25,685
Charge for the year	2,019	153	1,030	3,202
Elimination in respect of disposals			(6)	(6)
At 31 July 2014	22,670	971	5,240	28,882
Net book value at 31 July 2014	103,628	601	1,874	106,103
Net book value at 31 July 2013	74,175	658	1,464	76,297

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained.

The College currently carries inherited assets at a valuation of £3,021,430. The assets were valued on incorporation and have not been revalued since although there was a small disposal in 2002. The historic cost of the assets is nil. Inherited land and buildings were valued at depreciation replacement cost by a firm of independent chartered surveyors.

South Essex College of Further and Higher Education

Notes to the Accounts (continued)

12 Tangible fixed assets (College only) (continued)

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	-

13 Investments	College 2014 £	College 2014 £	College 2013 £
Investments in subsidiary companies	1	1	1
Investments in associate companies	60.050	1	-
Total	60,051	2	1

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

The College owns 50% of a Joint Venture, Nova Skills Education and Careers Limited. The other 50% is owned by Mr M Higgins. The Joint Venture is accounted for an equity basis. The company is incorporated in England and Wales and its primary activity is the provision of training and education to adults and other learners.

14 Endowment assets

The College does not have any endowment assets.

South Essex College of Further and Higher Education Notes to the Accounts (continued)

15 Debtors

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Amounts falling due within one year:				
Trade debtors	1,147	1,116	436	408
Amounts owed by group undertakings:				
Subsidiary undertakings	-	357	-	103
Prepayments and accrued income	803	774	484	452
Other debtors	6,112	6,112	6,333	6,333
Total	8,062	8,359	7,253	7,296
Other debtors due after more than one year	6,008	6,008	12,008	12,008
Total	14,070	14,367	19,261	19,304

16 Creditors: amounts falling due within one year

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank loans and overdrafts	1,185	1,185	977	977
Payments received in advance	1,666	1,666	1,711	1,665
Trade creditors	866	866	709	700
VAT	1	-	35	35
Other taxation and social security	780	780	762	762
Accruals	910	883	1,838	1,814
Other creditors	936	898	712	712
Total	6,344	6,278	6,744	6,665

17 Creditors: amounts falling due after one year

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank loans	35,563	35,563	13,098	13,098
Other creditors- Lennartz	1,718	1,718	1,906	1,906
Total	37,281	37,281	15,004	15,004

South Essex College of Further and Higher Education Notes to the Accounts (continued)

18 Borrowings

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
In one year or less	1,185	1,185	977	977
Between one and two years	1,399	1,399	1,186	1,186
Between two and five years	3,001	3,001	4,400	4,400
In five years or more	31,163	31,163	7,512	7,512
Total	36,748	36,748	14,075	14,075

The bank loan of £4,599,191 with Lloyds TSB is secured on the Luker Road campus and is fully repayable by 30 September 2018.

The bank loan of £32,000,000 with Barclays Bank is secured on the new Thurrock campus and is fully repayable by 14 September 2041.

19 Deferred capital grants

	Funding body grants £'000	Group and College Other grants £'000	Total £'000
At 1 August 2013	16,503	3,245	19,748
Cash received	-	-	-
Released to income and expenditure account	(330)	(306)	(636)
Released to Income and Expenditure account as Exceptional Item - see note 11	(822)	-	(822)
At 31 July 2014	15,351	2,939	18,290

20 Endowments

The College does not have endowments.

South Essex College of Further and Higher Education Notes to the Accounts (continued)

21 Revaluation reserve

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
At 1 August	4,367	4,367	8,867	8,867
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	-	-	(4,287)	(4,287)
Depreciation on revalued assets	(181)	(181)	(213)	(213)
At 31 July	4,186	4,186	4,367	4,367

22 Movement on general reserves

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Income and expenditure account reserve				
At 1 August	45,321	45,192	23,102	23,070
Surplus retained for the year	370	190	13,685	13,588
Transfer from revaluation reserve	181	181	4,513	4,513
Actuarial loss in respect of pension scheme	(1,856)	(1,856)	4,021	4,021
At 31 July	44,016	43,707	45,321	45,192
Balance represented by:				
Pension reserve	(15,760)	(15,760)	(13,313)	(13,313)
Income and expenditure account reserve excluding pension reserve	59,776	59,467	58,634	58,505
At 31 July	44,016	43,707	45,321	45,192

South Essex College of Further and Higher Education

Notes to the Accounts (continued)

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

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation	370	13,685
Depreciation (notes 1 and 12)	3,212	3,602
Deferred capital grants released to income (note 19)	(1,458)	(1,068)
Loss/(Profit) on disposal of tangible fixed assets	1	(13,778)
Interest payable (note 9)	667	732
Interest receivable (note 5)	(106)	(145)
FRS 17 pension cost less contributions payable (notes 6 and 29)	235	301
Decrease in stocks	9	5
(Increase) / Decrease in debtors	4,835	(17,853)
Movement in promissory notes	(6,000)	18,008
Increase in creditors	(441)	(1,002)
Share of associate's surplus	(60)	-
Net cash (outflow)/inflow from operating activities	1,264	2,487

24 Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Other interest received	106	145
Interest paid	(311)	(367)
Net cash inflow from returns on investment and servicing of finance	(205)	(222)

25 Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(33,008)	(18,435)
Proceeds from sales of tangible fixed assets	-	22,050
Amounts in relation to promissory notes	6,000	(18,008)
Deferred capital grants received	-	3,465
Net cash outflow from capital expenditure and financial investment	(27,008)	(10,928)

South Essex College of Further and Higher Education Notes to the Accounts (continued)

26 Financing	2014 £'000	2013 £'000
Debt due beyond a year:		
New unsecured loans repayable by 2041	23,709	8,349
Repayments of amounts borrowed	(1,036)	(921)
	<u>22,673</u>	<u>7,428</u>

27 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	Other changes £'000	At 31 July 2014 £'000
Cash in hand, and at bank	8,813	(3,276)	-	5,537
Overdrafts	-	-	-	-
	8,813	(3,276)	-	5,537
Debt due within 1 year	(977)	(208)	-	(1,185)
Debt due after 1 year	(13,098)	(22,465)	-	(35,563)
Total	<u>(5,262)</u>	<u>(25,949)</u>	<u>-</u>	<u>(31,211)</u>

Cash flow relating to exceptional items – restricting provision

	2014 £'000	2013 £'000
Provision as at 1 August	1,030	121
Income and expenditure account charge	381	909
Operating cash outflow	(1,411)	-
Provision as at 31 July	<u>0</u>	<u>1,030</u>

28 Major non-cash transactions

Maitland House

During 2012/13 the College made a provision of £200,000 for probable costs relating to the repair and restructuring of Maitland House. Following resolution of this matter, £65,000 was released to the Income and Expenditure Account as an exceptional item, being the unused part of the provision previously established.

South Essex College of Further and Higher Education Notes to the Accounts (continued)

29 Pension and similar obligations

The College's employees belong to two principal pension schemes: 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 defined-benefit schemes.

Total pension cost for the year	2014 £'000	2013 £'000
Teachers Pension Scheme: contributions paid	1,269	1,178
Local Government Pension Scheme:		
Contributions paid	1,206	1,122
FRS 17 charge	235	301
Charge to the Income and Expenditure Account (staff costs)	1,441	1,423
Enhanced pension charge to Income and Expenditure Account (staff costs)	-	-
Total Pension Cost for Year	2,710	2,601

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

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Individuals employed by colleges incorporated under the Further and Higher Education Act 1992 are eligible to join TPS. Teachers and lecturers are able to opt out of the TPS.

The Teacher's Pension Scheme is an unfunded public sector scheme which is now regulated under the 2013 Public Sector Pension Act. This requires the government actuary to prepare an actuarial valuation in accordance with HM Treasury regulations. The valuation assesses the actual scheme liabilities and notional assets assuming that the money contributed by employers and employees earns a real rate of return.

South Essex College of Further and Higher Education Notes to the Accounts (continued)

29 Pension and similar obligations (continued)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Essex County Council. The total contribution made for the year ended 31 July 2014 was £1,543,262, of which employer's contributions totalled £1,129,077 and employees' contributions totalled £414,185. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 7.5% cent for employees.

FRS 17

Principal Actuarial Assumptions	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	4.50%	4.30%
Rate of increase for pensions in payment / inflation	2.70%	2.50%
Discount rate for scheme liabilities	4.20%	4.70%
Inflation assumption (CPI)	2.70%	2.50%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	22.70	22.70
Females	25.10	25.30
<i>Retiring in 20 years</i>		
Males	24.90	24.20
Females	27.40	26.90

South Essex College of Further and Higher Education Notes to the Accounts (continued)

29 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013
		£'000		£'000
Equities	6.50%	18,920	6.50%	17,905
Bonds	4.00%	3,147	4.30%	2,170
Property	5.50%	3,399	5.50%	2,984
Gilts	3.40%	1,814	3.40%	2,170
Cash	3.20%	837	0.50%	814
Alternative Assets	4.00%	1,128	4.30%	1,085
Total market value of assets		29,245		27,128
Present value of scheme liabilities				
- Funded		(44,980)		(40,417)
- Unfunded		(25)		(24)
Deficit in the scheme		(15,760)		(13,313)

Analysis of the amount charged to income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	(1,441)	(1,408)
Past service cost	-	-
Total operating charge	(1,441)	(1,408)

South Essex College of Further and Higher Education

Notes to the Accounts (continued)

29 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Analysis of pension finance income / (costs)

	2014 £'000	2013 £'000
Expected return on pension scheme assets	1,568	1,165
Interest on pension liabilities	(1,924)	(1,530)
Pension finance income / (costs)	(356)	(365)

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

	2014 £'000	2013 £'000
Actuarial gains on pension scheme assets	341	3,223
Experience gains and losses	558	-
Actuarial losses on scheme liabilities.	(2,755)	798
Actuarial loss recognised in STRGL	(1,856)	4,021

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at 1 August	(13,313)	(16,668)
Movement in year:		
Employer service cost (net of employee contributions)	(1,441)	(1,408)
Employer contributions	1,205	1,121
Unfunded pension payments	1	1
Net interest/return on assets	(356)	(365)
Curtailements and settlements	-	(15)
Actuarial gain/(loss)	(1,856)	4,021
Deficit in scheme at 31 July	(15,760)	(13,313)

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South Essex College of Further and Higher Education Notes to the Accounts (continued)

33 Contingent liability

There are no contingent liabilities.

34 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.

Transactions with the LSC and its successor organisations and HEFCE are detailed in notes 2, 15, 16 and 19.

35 Learner support funds

	2014 £'000	2013 £'000
Discretionary Learner Support Funds from SFA	271	211
24+Loans Bursary from SFA	79	-
SFA Support Fund - Childcare	105	190
	<u>455</u>	<u>401</u>
Disbursed to students	433	381
Administration costs	22	20
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>-</u>

Learner Support Funds provided by the SFA are available solely for students benefit. The administration charge is in accordance with SFA regulations as being a contribution towards the costs incurred by the College in administering the funds.