



Report and Financial Statements  
For the year ended 31 July 2018

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2017/18:

Clive Cooke	- Principal and CEO; Accounting officer
Biram Desai	- Chief Financial Officer
Dan Shelley	- Executive Director, Strategic Partnerships and Engagement
James Sharpe	- Principal, East Sussex College Hastings
Rebecca Conroy	- Principal, East Sussex College Eastbourne
Fred Carter	- Principal, East Sussex College Lewes

### **Principal Place of Business**

East Sussex College Group  
Cross Levels Way  
Eastbourne  
BN21 2UF

### **Board of Governors**

A full list of Governors is given on pages 14 to 17 of these financial statements.

Mrs S Connerty acted as Clerk to the Board throughout the period.

### **Professional advisers**

Financial statements auditor and regularity reporting accountants:	MAZARS LLP Times House, Throwley Way, Sutton, Surrey, SM1 4JQ
Internal auditors	RSM UK 2 <sup>nd</sup> floor, Springpark House, Basing View, Basingstoke, RG21 4HG
Solicitors	Veale Wasbrough Vizards LLP Barnards Inn, 86 Fetter Lane, London, EC4A 1AD
Bankers	Barclays Bank plc, Business Banking, Level 28, 1 Churchill Place, London, E14 5HP

**Members' report and financial statements**

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## **Board Members' Report**

### **Operating and Financial Review**

#### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2018.

#### **Legal status**

The Board of East Sussex College Group is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011. The College's former name was Sussex Coast College Hastings and the name change was approved by the Department of Education with effect from 16<sup>th</sup> April 2018.

On March 29<sup>th</sup> 2018 the assets and liabilities of Sussex Downs College were transferred to Sussex Coast College Hastings on the merger of the two organisations.

#### **Vision and Mission**

The College's vision and mission are contained in the Strategic Plan 2018-21 as follows -

The vision is: "Be the undisputed centre of excellence for education and skills in East Sussex, renowned for leading transformation and innovation in pedagogy, inspiring people and employers to perform to their full potential and prosper with confidence in any community worldwide."

The mission is: "Provide outstanding, responsive and viable A level, professional and technical learning enabling excellent progression opportunities for people and communities to achieve their ambitions and aspire to new challenges."

#### **Public Benefit**

East Sussex College Group is an exempt charity under the Part 3 of the Charities Act 2011 and from 9<sup>th</sup> November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Boards in England (previously Secretary of State for Business, Innovation and Skills). The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 17. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

## **Implementation of strategic plan**

The current strategic plan covers the period 2018-21 and the Board monitors the performance of the College against this plan. The College's strategic priorities are:

1. Standards - Improve dramatically the quality of the learning experience, stimulating students to excel in their studies irrespective of their starting point, and ensuring exceptional progression to university, higher levels of study or sustainable employment regionally or nationally.
2. Sustainability – Achieve financial strength, enabling maximum investment in passionate and high performing people, great resources and innovative buildings and ensuring the capability for rapid growth.
3. Strategic Partnerships - Boost participation in world class education and skills training, designing exciting programmes and 21st century career pathways for our distinctive and diverse communities. To co-create with key partners new, inspiring buildings with cutting-edge resources. To pursue strategic options for federation, merger and new campus development with post- 16 providers, and acquisition within the private sector.

The College's specific objectives within the Strategic Plan are:

- Create a fantastic student experience, firmly locking high expectations, extensive and differentiated support and challenge into everyday practices, inspiring students to perform to their full potential and maximising progression.
- Transform teaching, learning and outcomes to be world class, with outstanding curriculum areas in each college and Sussex Skills Solutions, and exceptional progression to university, higher levels of study or sustainable employment regionally and nationally.
- Create state-of-the-art, accessible campuses at Eastbourne, Hastings, Lewes and Newhaven, renowned for exceptional education and skills training that targets local and national skills priorities, benefitting both students' careers and regional businesses prosperity.
- Deliver a dynamic curriculum that is (i) financially strong and sustainable, (ii) committed to inclusivity, (iii) designed to close 21st century skills gaps and inspire students to pursue their career aspirations, and (iii) marketed imaginatively throughout the region to grow rapidly student numbers and market share. This four-dimensional design will expand student numbers, funding and commercial income, delivering strong financial health for East Sussex College and affording further investment in our students, people and resources.
- Modernise core systems so they are cutting edge, consistent, accessible and embedded across all of our colleges, transforming efficiency. We will be digital by default across our extensive curriculum portfolio and throughout our business services.
- Invest continuously in our most precious asset – our own people. We'll recruit, develop and retain the very best people, celebrate outstanding performance and cultivate our colleges into being great places to work.
- Reimagine partnerships with key employers who will support the transformation of our extensive curriculum by playing a crucial role in the design and delivery of skills-based training.
- Reimagine partnerships with schools, colleges and other providers by actively exploring new strategic structures regionally that will futureproof the area's post-16 sector and its transformational impact upon social mobility and economic prosperity.
- Forge strong and secure partnerships with ambitious schools and employers regionally, thereby expanding dramatically student numbers at our colleges from the distinctive and diverse communities we proudly serve.
- Revolutionise our campuses at Eastbourne, Lewes and Newhaven, creating accessible and inspirational buildings with cutting-edge resources, and co-locating and sharing business services as a direct result of unique partnerships with highly valued and trusted regional partners.

## **Financial objectives**

The College Group continues to focus on delivering financial outcomes in line with the Strategic Priorities and Objectives noted above. This is accompanied by the timely delivery of quarterly returns to the Transaction Unit (and other conditions set out in the associated grant and loan agreements), alongside maintaining high quality relationships with key financial stakeholders such as the ESFA, Barclays Bank, auditors etc.

Other Financial Objectives include:

- a) Providing financial and non-financial returns on time and in the agreed format.
- b) Ensuring all returns requiring certification by auditors are unqualified.
- c) Providing advice, guidance and training to staff, management and governors on funding, funding methodologies, budgeting and the College's financial position.
- d) Providing adequate information to ensure that staff, management and governors are kept up to date with the financial position of the College.
- e) Generating sufficient funds to ensure that the College can invest in the new technologies and equipment required to support learning programmes and College administration.
- f) Generating sufficient funds to ensure that the College's specified programme of planned maintenance can be undertaken.
- g) Ensure adequate procedures are in place to protect assets from loss, theft and neglect.

These objectives are consistent with and support the strategic plan.

## **Performance indicators**

### Learner Number growth and achievement of funding targets:

The College achieved 100.7% of its funding allocation for 16-18 learners and achieved 103.8% of its Adult Education Budget.

### Learner Success rates:

Headline timely success rates for 16-18 for 2017-18 stands at 79.9% compared to 83.8% in the previous year, whilst headline timely success rates for 19+ for 2017-18 stand at 77.8% compared to 83.4% in the previous year.

### Teacher qualifications:

The College requires all teaching staff, whether established or sessional, to be appropriately qualified. The policy for unqualified staff joining the College in a teaching role is to support them in the achievement of a Post-Graduate Certificate in Education (PGCE) within two years of commencing work with the College.

### Employer engagement:

The College focuses on employer engagement and tailors educational provision to meet employer needs. One of the main funding streams is in relation to Apprenticeships. The College views this area as vital for the UK economy and skills for the future. It therefore continues to focus on achieving growth in this area, with growth in the internal delivery of apprenticeships, but a significant proportion of the allocation is also delivered via our sub-contract partners.

The College works with many local employers across East Sussex in providing Apprenticeships, Advanced Apprenticeships and customised bespoke training. Links with local businesses are strong and, for example, the College continues to successfully host the Lets Do Business seminar in Hastings which attracts some 100 employers from the local area.

Commercial activities continue to form a small but important part of the overall plan to deal with potential reductions in, and hence reliance on, grant funding. The College and its subsidiary company, Plaza Trading Hastings Limited, continue to operate outlets such as a Subway franchise, coffee shops and an Art Shop, raising revenue and giving work opportunities to students. Whilst this activity is currently primarily based in Hastings, there are plans to expand commercial activities across our Eastbourne and Lewes campuses over the coming years.

The College uses a number of partners to deliver funding streams during 2017-18, with the focus on retaining those high quality partners from the previous legacy colleges who had demonstrated the best academic and financial performance. The highest standards of due diligence and controls over delivery continue to be applied.

### **Financial position**

The Group generated an operating deficit before other gains/(losses) in the year of (£4,935k) (2016/17 deficit £4,672k).

Included in the final result is a charge of £3,597k in respect of accounting for pensions (see note 7, 11 and 21).

On 31 July 2018 the Group's general reserve, including pension reserve, stood at £5,609k (2016/17 £2,665k). The bank and cash balances totalled £1,374k (2016/17 £2,071k).

Tangible fixed asset additions during the year amounted to £1,004k.

The College has reduced its reliance slightly on the Education and Skills Funding Agency for its principal funding source at 74.0% of total income from 75.4% last year.

The College continues to operate a wholly owned limited company subsidiary called Plaza Trading Hastings Limited which was incorporated in August 2011. These accounts have been prepared on a consolidated basis.

### **Treasury policies and objectives**

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

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements were restricted by limits in the Financial Memorandum with the ESFA until 1 April 2012. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum with the ESFA.

### **Creditors payment policy**

It is the College's policy to pay all of its suppliers within 30 days (or per other agreed credit terms) of the later of the date of supplier invoice or supply of goods or services, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions of a proper authorised purchase order. The College does not follow any code or standard on payment practice, but does strive to adhere to the Government guidelines whenever possible.

### **Taxation**

The College's trading activities within Plaza Trading Hastings Limited are eligible to be charged to Corporation tax but no charge is applicable for 2017-18 as the company had no taxable profits.

### **Cash flows**

Operating cash flow was a £1,409k outflow (2016/17: £803k inflow) for the year. This reduction in cash generated from operating activities reflects the downturn in general operating conditions.

The legacy Sussex Down College received £3.5m of Exceptional Financial Support in the period leading up to merger on March 29<sup>th</sup> 2018.

### **Liquidity**

Loans of £9.272m are outstanding at the year end. Of this total, £4.875m relates to commercial debt with Barclays Bank and £4.247m relates to loans from the Transaction Unit arising from the merger.

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

### **Reserves Policy**

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve including pension reserve stands at £5,609k (2017: £2,665k) and the revaluation reserve stands at £8,843k (2017: £9,082k). It is the Board's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

### **Curriculum developments**

The Common Inspection Framework was published by Ofsted in August 2015 and has been updated annually since then. It looks primarily at four key areas

- a) Effectiveness of Leadership and Management.
- b) Quality of Teaching, Learning and Assessment.
- c) Personal development, behaviour and welfare.
- d) Outcomes for learners.

The framework continues to place particular emphasis on the participation and attainment of 16-18 year olds in English and maths. The legacy Sussex Coast College Hastings received a "Good" grade for Overall effectiveness in the November 2017 Ofsted inspection. The legacy Sussex Downs College received a "Requires Improvement" grade for overall effectiveness in the October 2017 Ofsted inspection.

16-18 learners at the College for 2017-18 delivered an overall achievement rate of 78.9%, which is some 1.6% below the 2016-17 national average. The College continued to support key target groups, for example in hard to reach and NEET learners. The provision of appropriate English and Maths learning for 16-18 year olds was also extended once



again during the year. High grades for English and Maths were pleasing, with 25.6% of students achieving high grades i.e. grades 4 to 9.

Further progress was achieved once again in delivering against the key government apprenticeship agenda including the changes to the national funding system, with some 624 new 16-18 apprenticeships and 1,049 new adult apprenticeships delivered during the year. Sub-contract partners continued to deliver volume and high quality apprenticeships in a range of disciplines.

Curriculum planning and development for 2017-18 and 2018-19 has been informed by close analysis of local and national priorities together with the need to continue to improve the efficiency of delivery. The 2018-19 offer continues to provide opportunities at advanced level while further expanding provision at lower and intermediate levels and apprenticeship learning. Planned full time average group sizes for 2018-19 are 18, an increase from 17 in 2017-18.

### **Events after the balance sheet date**

The College continued the rebranding exercise for East Sussex College Group, with refreshes to the website, buildings, signage and stationery that incorporated exciting new logos for East Sussex College Eastbourne, East Sussex College Hastings, East Sussex College Lewes and East Sussex College Newhaven.

The College completed the final wing of the University Centre on the 5<sup>th</sup> floor at the Station Plaza Hastings campus. This continues the education led regeneration of Hastings and enables opportunities for new and existing progressing students with a range of degree programmes in an exciting new facility.

### **Future developments**

The College continues to focus on a student first culture whilst enhancing cash generation, achieving value for money and delivering benchmark efficiency in all its operations. Project Harmony continues to focus on delivering reliable and consistent systems and processes across all campuses. Wherever possible, opportunities for growth will be pursued in our core funding streams but also in our commercial activities, which are currently primarily based in Hastings with potential for new activities at Eastbourne and Lewes.

Work has commenced on the Business Planning Cycle for 2019-20, and in particular the Curriculum Strategy, which must meet the challenges of the next few years in the diverse disciplines in which the College operates. The management team continue to closely monitor local, national and international updates from a variety of sources including funding bodies, government departments, FE sector experts, audit firms, the media etc.

## **RESOURCES**

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

Tangible fixed asset additions in the year amounted to £1,004k (2016-17: £1,789k)

### **Financial**

The College has £14.45 million of net assets (incorporating a £17.75 million pension liability) (2016-17: £11.74m incorporating a £21.79m pension liability).

### **People**

The College employs 799 people (expressed as full time equivalents), of whom 461 are teaching staff (2016-17: 856 people of whom 494 were teaching staff).

## Going Concern

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

## Reputation

The College continues to strive to build its reputation locally and nationally. Achieving and maintaining a quality brand is essential for the College's success at attracting students, thereby maintaining and wherever possible growing income, alongside developing and enhancing external relationships.

## PRINCIPAL RISKS AND UNCERTAINTIES:

The College has embedded a system of internal controls, including financial, operational and risk management which is designed to protect the College's assets and reputation. The College operates an online system for recording and reporting Risk which formalises this process across all the areas of the College.

The system comprises a strategic risk register with 7 key risks. The register is reviewed and updated by risk owners right across the College with electronic date prompts. The register assists the College in documenting the identification of key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the 7 Strategic risks identified in the Risk Register that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### 1. Our People – Morale, Performance, Culture, Capacity, Recruitment and Retention, Equality and Diversity

The College is primarily a people business and must be vigilant in ensuring the factors noted above are addressed in order to ensure the College meets its Strategic aims. The College was formed as a result of a merger in March 2018 so the risks and mitigations are in the context of a relatively newly merged entity that operates across East Sussex, and with the various opportunities and challenges that the legacy institutions Sussex Downs College and Sussex Coast College Hastings bring.

This risk is mitigated in a number of ways:

- Management Development programme in place
- Roll out of performance management across the Group based on rigorous target setting and monitoring
- Communications strategy underpinning engagement with staff
- Meetings structure includes clear lines of accountability and responsibility

### 2. Finance – Income Generation and Control of Expenditure

The Further Education sector remains subject to a rapidly changing environment and it is vital that these changes to funding and policy are understood, and mitigating actions implemented. For example, the introduction of the Apprenticeship Levy is a significant change where routes of funding are directed to employers, who take more ownership of skills.

This risk is mitigated in a number of ways:

- Trend analysis of local market intelligence data
- Targeted marketing campaigns undertaken
- Timely and accurate monthly Management Accounts and rapid interventions on issues identified
- Rigorous expenditure controls embedded into the accounting software
- Annually updated Financial Regulations

### 3. Business Harmonisation

The College is undertaking a rapid programme of systems and process harmonisation with clear annual targets, so that all areas of the College experience the same seamless interaction of College systems, processes and services irrespective of the campus location.

This risk is mitigated in a number of ways:

- Project Harmony has been set up with a dedicated project manager and project team
- The project has clear terms of reference and weekly update meetings
- Membership is from a wide range of College staff
- Business system harmonisation is a category of funding received on merger from the Transaction Unit

### 4. Student Outcomes

Standards is one of the three key Strategic Aims outlined in the Strategic Plan. The College is committed to improving dramatically the quality of the learning experience, stimulating students to excel in their studies irrespective of their starting point, and ensuring exceptional progression to university, higher levels of study or sustainable employment regionally or nationally.

This risk is mitigated in a number of ways:

- Quality framework in place
- Staff training including qualified careers guidance staff
- Curriculum planning and quality assurance processes in place
- Attendance reporting with associated attendance policy
- Regular progress review meetings and early identification of support needs
- Work experience policy and targets in place

### 5. Strategic Partnerships

Strategic Partnerships is one of three key Strategic Aims outlined in the Strategic Plan. The College is committed to boosting participation in world class education and skills training, and designing exciting programmes and 21<sup>st</sup> century career pathways. By working productively across East Sussex and not in isolation, strategic options for growth and new campus development will be explored.

This risk is mitigated in a number of ways:

- Sussex Skills Solution is the dedicated service for employers
- Centralised employer liaison with regular employer surveys
- School liaison and engagement strategy in place
- Dedicated partnership team
- Executive Director Strategic Partnerships and Engagement in post

### 6. Safeguarding and Health & Safety

The college continues to actively promote these areas as an integral part of delivering the highest standards of teaching and learning to our students and to meet our obligations to all of our stakeholders.

This risk is mitigated in a number of ways:

- Relevant HR recruitment processes in place
- Online safeguarding training and assessment delivered across the College
- Regular liaison with external agencies
- Planned maintenance schedules for relevant assets

## 7. External factors

In order to continue to be successful, the College needs to ensure awareness of, and response to external factors is embedded into College operations.

This risk is mitigated in a number of ways:

- Key personnel responsible for ensuring legislative compliance
- Dedicated marketing and communications team
- Review of sector briefings from the AoC and other sector bodies
- Business Continuity Plan in place

## STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with universities, East Sussex College Group has many stakeholders. These include:

- Students
- Funding agencies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/ Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

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

## Equality, Diversity and Inclusion

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Equality, Gender Equality and Disability Equality, are published on the College's internet site.

The College shortlists all applications from disabled persons who meet the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. An annual confidential review is offered to each person with a disability to discuss the support they receive, the progress of their condition and if necessary make changes in the support. The individual has a choice of who carries out this review: their line manager or an adviser from Human Resources. 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 equalities plan is published each year and monitored by managers and governors.

The College operates a Single Equality Scheme to comply with the Public Equality Duty which became law in April 2011.

## **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. The capital build programme completed in 2010 which delivered the buildings at Station Plaza (Hastings) and Ore Valley are fully compliant with all relevant legislation.
- b. There is a list of specialist equipment across Eastbourne, Lewes and Hastings, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- c. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

## **Staff and student involvement**

The College holds the Investor in People accreditation. Termly staff development days and other events are held to ensure effective communication with staff on College strategy and direction. Students attend course boards and focus groups to provide feedback on curriculum to the College. Formal systems are in place to collect student views and deliver them to the Board and executive management of the College. Staff and students are represented on the Board.

## **Disclosure of Information to Auditor**

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Board on 19<sup>th</sup> December 2018 and signed on its behalf by:



Henry Ball  
Chairman

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31<sup>st</sup> July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities it takes full account of the Code issued by the Association of Colleges in March 2015.

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

### The Board of Governors

The governors who served the Board during the year and up to the date of signature of this report are listed below:

Until 28 March 2018:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Individual attendance
Tony Campbell OBE KSG FRSA <i>Chairman from April 2013</i>	07.07.10 (CT) 06.07.14	Four years Two years as Chair	n/a	External	Curriculum, Quality and Standards (CQS) (Ex- officio (EO) Finance & HR (F&HR) (: EO) Remuneration (Rem) (EO Chair)) Governance (Gov) (EO)	93%

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Individual attendance
Steve Baldry	19.10.16 (CT) 17.10.18	One year		External (co-opted)	CQS	100%
Patrick Farmer <i>Vice Chairman from April 2013</i>	27.3.02 (CT) 26.03.14	Four years 2 years as Vice Chair	n/a	External	FHR (Chair) CQS Rem	100%
Clive Cooke	26.03.12	n/a (ex officio)	n/a	Ex officio (Principal)	All Committees (EO) except Audit, Special and Rem	88%
Roger Dennard	01.06.98 (CT) 05.07.17	One year	n/a	External (co-opted)	Audit	100%
Paul Evans	22.09.10. (CT) 01.07.17	One year	n/a	External (co-opted)	F&HR	40%
Dr Diana Garnham	04.12.16 (CT) 05.12.16	Four years	n/a	External	CQS Rem Gov	60%
Graham How	20.03.13 (CT) 20.03.16	Four years	n/a	External	Gov	55%
Simon Hubbard	02.05.12 (CT) 02.05.16	Four years	n/a	External	CQS	100%
Vic Kempner	3.2.06 (CT) 01.12.14	Four years	n/a	External	Audit CQS SGD (Chair) Special (Chair)	96%
Ken Melsom	01.10.89 (CT) 05.07.17	One year	n/a	External (co-opted)	F&HR	40%
Derek Stevens	04.07.12 (CT) 04.06.16	Four years	n/a	External	Audit (Chair)	93%
Caroline McKiddie	29.06.15 (CT) 29.06.16	Four years	n/a	External	CQS	80%
Susan Walton	14.03.12 (CT) 14.03.16	Four years	n/a	External	F&HR	84%
Karen Cunnington	11.02.16	Four years	n/a	Staff (teaching)	Audit	100%
Debbie Baldock-Apps	07.10.15	Four years		Staff (Business Support)		74%
Lucy Head	14.09.17	One year		Student Governor	All committees	80%

From 29 March 2018:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Individual attendance
Henry Ball	01.09.13 (CT as Chair) 29.03.18	Four years Two years as Chair		External	Finance, Search and Governance (S&G), Quality and Standards (Q&S), Remuneration, Eastbourne Local College Board (ELCB)	100%
Tony Campbell OBE KSG FRSA <i>Chairman from April 2013</i>	07.07.10 (CT as Vice Chair) 29.03.18	Four years Two years as Chair	n/a	External	Q&S (Chair) Remuneration, Hastings Local College Board (HLCB) (Chair)	100%
Clive Cooke	26.03.12	n/a (ex officio)	n/a	Ex officio (CEO)	All Committees (EO) except Audit, Special and Rem	50%
Steve Baldry	29.03.18	Two years	n/a	External (co-opted)	Human Resources (HR), HLCB	100%
Emily Beer	29.03.18	Four years	n/a	External	Lewes Local College Board (LLCB)	17%
Kevin Cowley	29.03.18	Two years	n/a	External (co-opted)	Q&S	100%
Patrick Farmer	27.3.02 (CT)26.03.14, extension to 31.08.19	Four years	n/a	External	Finance (Chair), HLCB	100%
Mark Fisher	18.09.17	Four years	n/a	External	Finance	100%
Roger Dennard	29.03.18	Two years	n/a	External (co-opted)	Audit	100%
Diana Garnham	04.12.16 (CT) 05.12.16	Four years	n/a	External	S&G (Chair); Q&S	58%
Peggy Hall	28.09.07 (CT) 28.09.15	Four years	n/a	External	HR (Chair), Remuneration Committee, ELCB	100%
Russell Higginbotham	01.10.15	Four years	n/a	External	Finance	50%
Simon Hubbard	02.05.12 (CT) 02.05.16	Four years	n/a	External	HR, HLCB	55%
Ian Jungius	17.12.03 (CT) 17.12.15	Four years	n/a	External	Q&S, LLCB	89%
Vic Kempner	3.2.06 (CT) 27.03.14, extension to 31.08.19	Four years	n/a	External	Q&S, Audit	100%
Jeremy Leggett	29.03.18	Two years	Resigned May 2018	External	LLCB	100%



Robert Mee	29.03.18	Two years	n/a	External (co-opted)	HR	100%
Kim Novis	29.03.18	Two years	n/a	External (co-opted)	HLCB	100%
Jonathan Reid	29.03.18	Two years	n/a	External (co-opted)	Finance	0%
Keith Ridley	29.03.18	Two years	n/a	External (co-opted)	ELCB	100%
Joanne Rogers	29.03.18	Four years	n/a	External	HR	83%
Tom Sanderson	29.03.18	Two years	n/a	External (co-opted)	Audit	100%
Gill Short	01.10.15	Four years	n/a	External	S&S, LLCB	89%
Derek Stevens	04.07.12 (CT) 04.06.16	Four years	n/a	External	Audit (Chair)	83%
Caroline McKiddie	29.06.15 (CT) 29.06.16	Four years	n/a	External	Q&S	83%
Susan Walton	29.03.18	Two years	n/a	External (co-opted)	HLCB	100%
Karen Cunnington	11.02.16	Four years	n/a	Staff (teaching)	Audit	67%
Debbie Baldock-Apps	07.10.15	Four years		Staff (support)		25%
Jeff Hayes	11.07.15	Four years	n/a	Staff (teaching)	S&G	67%
Jamie Harris	01.09.17	One year	n/a	Student Sabbatical Officer	Q&S	0%
Mark Hilder	17.12.15	Four years	n/a	Staff (Business support)		100%
Lucy Head	14.09.17	One year	Resigned April 2018	Student Governor	All committees	0%
Rebecca Wilson	01.09.17	One year	n/a	Student Governor	Q&S	0%

### Governance Framework

Sarah Connerty has been in post as Director of Governance to the Board from the date of merger, and in post at Sussex Coast College Hastings as Director of Governance since 2013.

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

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

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board, and which are reviewed annually. These committees are: Audit; Curriculum, Quality and Standards; Finance and Human Resources; Remuneration; Governance; and Special. Since 29 March – 31 July 2018 the committees are: Audit, Finance, HR, Quality and Standards (Q&S), Remuneration, Search and

Governance (S&G) and Special. There are also Local College Boards: Eastbourne Local College Board (ELCB), Hastings Local College Board (HLCB) and Lewes Local College Board (LLCB). Full minutes of all meetings, except those deemed to be confidential by the Board are available on the College's website or from the Director of Governance at the College's registered address.

The Director of Governance maintains a register of financial and personal interests of the governors. This register is available for inspection from:

Director of Governance  
Sussex Downs College  
Cross Levels Way  
Eastbourne  
BN21 2UF

The Board will self-assesses its performance annually and provide an assessment on its own effectiveness. Due to the merger a full self-assessment will take place in the spring term of 2018-19. The Search and Governance Committee is responsible for oversight and analysis of Board self-assessments. Each Committee is responsible for annually reviewing its terms of reference and monitoring its performance against these criteria.

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

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

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

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

#### ***Appointments to the Board***

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Search and Governance Committee comprising five members which is responsible for the selection and nomination of any new member (save the staff and student governors, and Accounting Officer) for the Board's consideration. The Board is responsible for ensuring that appropriate induction and ongoing training is provided as required. Governors are appointed for a term of office not exceeding four years and going forward will not serve more than two terms of office.

#### ***Remuneration Committee***

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised four members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

### ***Audit Committee***

The Audit Committee comprises two members of the Board (who exclude the Accounting Officer, Chair and members of the Finance Committee) and two co-opted finance and audit specialists. The Committee operates in accordance with written terms of reference approved by the Board and consistent with the Audit Code of Practice. Its purpose is to advise the Board on the adequacy and effectiveness of the Group's system of internal control and its arrangements for risk management, control and governance processes. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Board. The Committee also receives and considers reports from the Education and Skills Funding Agency, as they affect the College's business.

### **Internal Control**

#### ***Scope of responsibility***

The Board 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 Board has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the Skills Funding Agency. They are also responsible for reporting to the Board any material weaknesses or break-downs in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Sussex College Group for the year ended 31 July 2018 (including where applicable pre-merger with the legacy institutions Sussex Downs College and Sussex Coast College Hastings) and up to the date of approval of the annual report and financial statements.

#### ***Capacity to handle risk***

The Board 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 Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board.

### ***The risk and control framework***

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

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

The College has an internal audit service, which operates in accordance with requirements of the ESFA Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee.

### ***Review of effectiveness***

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and regularity auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit 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 Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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



Henry Ball  
Chairman



Clive Cooke  
Accounting Officer

**The Board's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

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

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

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

Approved by order of the members of the Board on 19<sup>th</sup> December 2018 and signed on its behalf by:



Henry Ball  
Chairman



Clive Cooke  
Accounting Officer

## Statement of Responsibilities of the Members of the Board

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

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

In preparing the financial statements, the Board 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 Board is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard 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 Board of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Board 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Board 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 Board 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 Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Board on 19<sup>th</sup> December 2018 and signed on its behalf by:



Henry Ball

Chairman

## **Independent auditor's report to the Board of East Sussex College Group**

### **Opinion**

We have audited the financial statements of East Sussex College Group ("the College") for the year ended 31 July 2018 which comprise the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Statements of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group and College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the Statement of Responsibilities of the Governors of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Board set out on page 22, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of the audit report**

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

**Mazars LLP**

Mazars LLP  
Chartered Accountants and Statutory Auditor  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4JQ

Date: 20 December 2018



**Independent Auditor's Report on Regularity to the Board of East Sussex College Group and the Chief Executive of the Education and Skills Funding Agency (ESFA)**

**To: The Board of East Sussex College Group and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by East Sussex College Group during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

**Respective responsibilities of East Sussex College Group and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: **Mazars LLP**

Mazars LLP  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4JQ

Date: 20 December 2018

**East Sussex College Group**  
**Consolidated statements of comprehensive income**  
**For year ended 31 July 2018**

	Notes	2018 £'000 Group	2018 £'000 College	2017 £'000 Group	2017 £'000 College
<b>INCOME</b>					
Funding body grants	2	41,700	41,700	39,633	39,633
Tuition fees and education contracts	3	10,024	10,024	8,122	8,122
Other grants	4	-	-	209	209
Other income	5	4,139	3,694	4,258	3,770
Investment income	6	5	5	6	6
<b>Total income</b>		<b>55,868</b>	<b>55,423</b>	<b>52,228</b>	<b>51,740</b>
<b>EXPENDITURE</b>					
Staff costs	7	34,925	34,694	31,721	31,505
Other operating expenses	9	21,624	21,363	20,741	20,463
Depreciation	12	3,458	3,437	3,607	3,585
Interest and other finance costs	10	796	796	831	831
<b>Total expenditure</b>		<b>60,803</b>	<b>60,290</b>	<b>56,900</b>	<b>56,384</b>
Deficit before other gains and losses		<b>(4,935)</b>	<b>(4,867)</b>	<b>(4,672)</b>	<b>(4,644)</b>
Gain on disposal of assets		-	-	1	1
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax		<b>(4,935)</b>	<b>(4,867)</b>	<b>(4,671)</b>	<b>(4,643)</b>
Taxation	11	-	-	-	-
<b>Deficit for the year retained within general reserves</b>		<b>(4,935)</b>	<b>(4,867)</b>	<b>(4,671)</b>	<b>(4,643)</b>
Actuarial gain in respect of defined benefit pension schemes	21	7,640	7,640	8,782	8,782
<b>Total comprehensive income for the year</b>		<b>2,705</b>	<b>2,773</b>	<b>4,111</b>	<b>4,139</b>

The income and expenditure account is in respect of continuing activities

East Sussex College Group  
Statement of Changes in Reserves  
For year ended 31 July 2018

	Revaluation reserve £'000	I&E account £'000	Total £'000
<b>Group</b>			
<b>Balance at 1 August 2016</b>	9,319	(1,683)	7,636
Deficit from I&E	-	(4,671)	(4,671)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	8,782	8,782
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive income for the year	(237)	4,348	4,111
<b>Balance at 31st July 2017</b>	9,082	2,665	11,747
Deficit from I&E	-	(4,935)	(4,935)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	7,640	7,640
Transfer between revaluation reserve and Income & Expenditure reserves	(239)	239	-
Total comprehensive income for the year	(239)	2,944	2,705
<b>Balance at 31 July 2018</b>	8,843	5,609	14,452

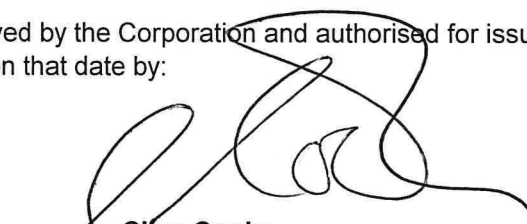
	Revaluation reserve £'000	I&E account £'000	Total £'000
<b>College</b>			
<b>Balance at 1 August 2016</b>	9,319	(1,508)	7,811
Deficit from I&E	-	(4,643)	(4,643)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	8,782	8,782
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive income for the year	(237)	4,376	4,139
<b>Balance at 31st July 2017</b>	9,082	2,868	11,950
Deficit from I&E	-	(4,867)	(4,867)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	7,640	7,640
Transfer between revaluation reserve and Income & Expenditure reserves	(239)	239	-
Total comprehensive income for the year	(239)	3,012	2,773
<b>Balance at 31 July 2018</b>	8,843	5,880	14,723

**East Sussex College Group**  
**Balance sheets as at 31st July**

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Fixed assets</b>					
Tangible assets	12	119,372	119,305	121,826	121,738
<b>Total fixed assets</b>		<b>119,372</b>	<b>119,305</b>	<b>121,826</b>	<b>121,738</b>
<b>Current assets</b>					
Stocks	14	61	51	59	50
Debtors	15	3,486	3,808	2,613	2,901
Cash at bank and in hand		1,374	1,362	2,071	2,031
<b>Total current assets</b>		<b>4,921</b>	<b>5,221</b>	<b>4,743</b>	<b>4,982</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	<b>(9,306)</b>	<b>(9,268)</b>	<b>(10,205)</b>	<b>(10,153)</b>
<b>Net current liabilities</b>		<b>(4,385)</b>	<b>(4,047)</b>	<b>(5,462)</b>	<b>(5,171)</b>
<b>Total assets less current liabilities</b>		<b>114,987</b>	<b>115,258</b>	<b>116,364</b>	<b>116,567</b>
Less: Creditors – amounts falling due after more than one year	17	(82,292)	(82,292)	(81,627)	(81,627)
Less: Provisions for liabilities	18	(494)	(494)	(1,198)	(1,198)
<b>Net assets excluding pension liability</b>		<b>32,201</b>	<b>32,472</b>	<b>33,539</b>	<b>33,742</b>
Net pension liability	21	(17,749)	(17,749)	(21,792)	(21,792)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>14,452</b>	<b>14,723</b>	<b>11,747</b>	<b>11,950</b>
<b>Reserves</b>					
Income and expenditure account including pension reserve		5,609	5,880	2,665	2,868
Revaluation reserve		8,843	8,843	9,082	9,082
<b>TOTAL RESERVES</b>		<b>14,452</b>	<b>14,723</b>	<b>11,747</b>	<b>11,950</b>

The financial statements on pages 27 to 53 were approved by the Corporation and authorised for issue on 19th December 2018 and were signed on its behalf on that date by:

  
**Henry Ball**  
 Chair

  
**Clive Cooke**  
 Accounting Officer

**East Sussex College Group**  
**Consolidated Statement of Cash Flows**  
**For year ended 31 July 2018**

	2018	2017
<b>Cash flow from operating activities</b>		
Deficit after tax for the year	(4,935)	(4,671)
<b>Adjustment for non-cash items:</b>		
Depreciation	3,458	3,607
(Increase)/decrease in stocks	(2)	2
(Increase)/decrease in debtors	(873)	564
(Decrease)/ increase in creditors due within one year	(787)	283
(Decrease) in creditors due after one year	(1,316)	(1,298)
Pension costs less contributions payable	3,597	2,023
<b>Adjustment for investing or financing activities:</b>		
Interest receivable	(5)	(6)
(Decrease)/ increase in provision	(704)	82
Interest payable	158	131
Loss on disposal of tangible asset	-	86
<b>Cash (used in)/ generated from operations</b>	<u>(1,409)</u>	<u>803</u>
<b>Investing activities</b>		
Purchase of tangible assets	(1,004)	(1,789)
Proceeds on disposal of tangible assets	-	1
Interest received	5	6
<b>Net cash used in investing activities</b>	<u>(999)</u>	<u>(1,782)</u>
<b>Financing activities</b>		
Interest paid	(158)	(131)
New loans	9,447	-
Repayments of bank loans	(7,578)	(833)
	<u>1,711</u>	<u>(964)</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(697)</u>	<u>(1,943)</u>
Cash and cash equivalents at beginning of year	2,071	4,014
<b>Cash and cash equivalents at end of year</b>	<u><u>1,374</u></u>	<u><u>2,071</u></u>

Notes

*(forming part of the financial statements)*

## **1 Accounting policies**

### **General information**

East Sussex College Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 2. The nature of the College's operations is set out in the Members' Report.

### **Basis of accounting**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

### **Merger**

Sussex Coast College Hastings (SCCH) and Sussex Downs College (SDC) merged on 29th March 2018 to form East Sussex College Group (ESCG).

Merger accounting principles have been applied in accordance with FRS 102 (section 34). With merger accounting, the carrying values of the assets and liabilities of the parties to the merger are not required to be adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary.

The combination of Sussex Coast College Hastings (SCCH) and Sussex Downs College (SDC) has met the merger accounting criteria under FRS102. Throughout the merger process the two college Boards referred to the combination as a merger with a new corporate identity.

### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary, Plaza Trading Hastings Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by other members of the Group.

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### Going Concern

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

The College has long term loan facilities agreed with its finance providers. These were approved at merger and comprise £5.0m of commercial debt with Barclays, and £4.3m of loans from the Transaction Unit. These loans are repayable over a 10 year period. The College also has a revolving credit facility with Barclays of £2.5m. The College has prepared cash flow forecasts for the period to 31 July 2020 and on the basis of these forecasts the College has concluded that it can continue to operate within the terms of the agreed facilities for the foreseeable future.

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

#### Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Any under achievement of the adult skills budget allocation outside of the permitted tolerance level is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustment to clawback in respect of underachievement, however where negotiations are subsequent to the year end, they are not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Other discrete Skills Funding Agency (SFA) and Education Funding Agency (EFA) funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the organisations.

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

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

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds.

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

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

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



## Notes (continued)

### 1 Statement of accounting policies (continued)

#### Accounting for 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), which are multi-employer defined benefit plans.

The TPS is an unfunded pension scheme and contributions 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 projected unit method. As stated in Note 21, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured using closing fair values and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. The net interest cost on the net defined benefit liability is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### Short term employment benefits

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

#### Non-current Assets – Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

##### *Land and buildings*

Freehold land is not depreciated. Each freehold building is depreciated on a straight-line basis over the estimated useful life to the College (currently up to sixty years for some buildings). Building improvements are depreciated over a 3 or 10-year period.

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

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the costs of those assets. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

## Notes (continued)

### 1 Statement of accounting policies (continued)

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. Shortfalls between the carrying value of the fixed assets and their recoverable amounts, are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income.

#### 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 certain criteria, in which case it is capitalised and depreciated on the relevant basis.

#### 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.

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

Computer equipment	-	3 years
Motor vehicles and general equipment	-	5 years
Furniture and fittings	-	7 years
Short Life accommodation	-	10 years
Plant	-	15 years

#### Leased assets

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

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

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

#### Investments

Fixed asset endowment investments are carried at valuation on the basis of depreciated replacement cost. The building concerned is depreciated on a straight line basis over its estimate useful life.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

## **Notes** *(continued)*

### **1 Statement of accounting policies** *(continued)*

#### **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.

#### **Financial liabilities and equity**

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

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

#### **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.

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

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

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

#### **Cash and cash equivalents**

Cash includes cash in hand, deposits which have a maturity of less than three months and overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **Foreign currency translation**

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

## **Notes** *(continued)*

### **1** Statement of accounting policies *(continued)*

#### **Taxation**

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

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

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

#### **Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

#### **Agency arrangements**

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related income received from the Main Funding Body and subsequent disbursements to students and other further education colleges are excluded from the income and expenditure account (and are shown separately in note 27), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

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

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

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

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

## Notes (continued)

### 1 Statement of accounting policies (continued)

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

2 Funding body grants

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	5,053	5,053	5,205	5,205
Education and Skills Funding Agency 16-18	24,403	24,403	24,739	24,739
Education and Skills Funding Agency - apprenticeships	6,620	6,620	7,565	7,565
Higher Education Funding Council recurrent grant	272	272	251	251
<b>Specific Grants</b>				
Skills Funding Agency non recurrent grant	3,729	3,729	188	188
Government releases of deferred capital grants	1,523	1,523	1,685	1,685
HE development grant	100	100	-	-
<b>Total</b>	<b>41,700</b>	<b>41,700</b>	<b>39,633</b>	<b>39,633</b>

3 Tuition fees and education contracts

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Tuition fees	8,150	8,150	6,700	6,700
Education contracts	1,874	1,874	1,422	1,422
<b>Total</b>	<b>10,024</b>	<b>10,024</b>	<b>8,122</b>	<b>8,122</b>

4 Other grants and contracts

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Erasmus	0	0	131	131
Other	-	-	78	78
<b>Total</b>	<b>-</b>	<b>-</b>	<b>209</b>	<b>209</b>

5 Other Income

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Catering operations	2,130	1,663	1,835	1,335
Other income	2,009	2,031	2,325	2,337
Release of non-funding body government deferred grants	-	-	98	98
<b>Total</b>	<b>4,139</b>	<b>3,694</b>	<b>4,258</b>	<b>3,770</b>

6 Investment income

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Other interest receivable	5	5	6	6
<b>Total</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

7 Staff numbers and costs

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

	2018 No.	2017 No.
Teaching staff	461	494
Non teaching staff	<u>338</u>	<u>362</u>
	<u>799</u>	<u>856</u>

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements

Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	23,977	23,814
Social security costs	2,044	1,939
Other pension costs (including defined benefit pension scheme adjustments of £2,959,000 - 2017 £1,323,000)	6,568	4,605
	<u>32,589</u>	<u>30,358</u>
Payroll sub total	32,589	30,358
Contracted out staffing services	<u>1,891</u>	<u>1,169</u>
	34,480	31,527
Restructuring Costs - contractual	0	126
- non contractual	<u>445</u>	<u>68</u>
	<u>34,925</u>	<u>31,721</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College are represented by the College Executive team which comprises the Chief Executive Officer, Chief Financial Officer, Executive Director Resources and Organisational Development, Executive Director Strategic Partnerships and Engagement, Principal Hastings, Principal Eastbourne, Principal Lewes. Staff costs include compensation paid to key management personnel for loss of office

	Key Management		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000		2	2	2
£70,001 to £80,000		3		
£80,001 to £90,000		2		
£90,001 to £100,000	4			
£100,001 to £110,000	2			
£160,001 to £170,000		2		
£170,001 to £180,000	1			
	<u>7</u>	<u>9</u>	<u>2</u>	<u>2</u>

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

8 Emoluments of Key Management Personnel

Key Management Personnel are defined as the Principal and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the College.

	2018 No.	2017 No.
The number of key management personnel was:	7	9

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	770	983
Employers NI	98	122
Benefits in kind	4	3
<b>Total emoluments</b>	<b>872</b>	<b>1,108</b>
Pension contributions	129	143
<b>Total emoluments</b>	<b>1,001</b>	<b>1,251</b>

The above emoluments include amounts payable to the Principal

Accounting Officer	2018 £'000	2017 £'000
Salaries	180	321
Benefits in kind	1	1
	181	322
Pension contributions	30	27
<b>Total emoluments</b>	<b>211</b>	<b>349</b>

Benefits in Kind comprise subscriptions to Private Health Insurance.

The pension contributions in respect of the key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and LGPS are paid at the same rate as for other employees.

Compensation for loss of office paid to former key management personnel

	2018 £'000	2017 £'000
Compensation paid to 8 former key management personnel	105	-

The members of the Corporation (except for the Principal and other staff members) did not receive any payment from the college other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, with the exception of the Chair of Governors. Due to the additional demands made on the Chair of Governors by the Area Review process and subsequent merger discussions, the Governors approved the payment of £13,500 for 2018 and £20,000 for 2017 as recognition for the additional work.



East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

9 Other operating expenses

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Teaching costs	9,484	9,484	7,870	7,870
Non teaching costs	8,201	7,957	9,180	8,920
Premises costs	3,939	3,922	3,691	3,673
<b>Total</b>	<b>21,624</b>	<b>21,363</b>	<b>20,741</b>	<b>20,463</b>

Other operating expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit*	54	64
Internal audit**	56	68
Other services provided by financial statements auditors	-	2
Hire of plant and machinery – operating leases	93	241
Hire of other assets – operating leases	158	87

\* includes £46,000 in respect of the College (2016/17 £60,000)

\*\* includes £80,000 in respect of the College (2016/17 £68,000)

10 Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	-	8
Repayable wholly or partly in more than five years	158	123
On finance leases	158	131
Net interest on defined pension liability (note 21)	638	700
<b>Total</b>	<b>796</b>	<b>831</b>

11 Taxation

The members believe that the College and Group was not liable for any Corporation Tax arising out of its activities during the year

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

12 Tangible fixed assets (Group)

	Freehold Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation At 1 August 2017	148,269	10,499	240	159,008
Additions	464	540		1,004
Transfer	240		(240)	0
<b>At 31 July 2018</b>	<b>148,973</b>	<b>11,039</b>	<b>0</b>	<b>160,012</b>
Depreciation At 1 August 2017	28,266	8,916	0	37,182
Charge for the year	2,660	798	0	3,458
<b>At 31 July 2018</b>	<b>30,926</b>	<b>9,714</b>	<b>0</b>	<b>40,640</b>
<b>Net book value at 31 July 2018</b>	<b>118,047</b>	<b>1,325</b>	<b>0</b>	<b>119,372</b>
Net book value at 31 July 2017	120,003	1,583	240	121,826

12 Tangible fixed assets (College only)

	Freehold Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation At 1 August 2017	148,107	10,404	240	158,751
Additions	464	540		1,004
Transfer	240		(240)	0
<b>At 31 July 2018</b>	<b>148,811</b>	<b>10,944</b>	<b>0</b>	<b>159,755</b>
Depreciation At 1 August 2017	28,175	8,838	0	37,013
Charge for the year	2,642	795	0	3,437
<b>At 31 July 2018</b>	<b>30,817</b>	<b>9,633</b>	<b>0</b>	<b>40,450</b>
<b>Net book value at 31 July 2018</b>	<b>117,994</b>	<b>1,311</b>	<b>0</b>	<b>119,305</b>
Net book value at 31 July 2017	119,932	1,566	240	121,738

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

**13 Investments**

In August 2011 the Sussex Coast College Hastings acquired 100% of Plaza Trading Hastings Limited on incorporation for £100. The principal activity of Plaza Trading Hastings Limited is the operation of commercial activities on behalf of the College. The activities of Plaza Trading Hastings Limited are consolidated in these accounts

**14 Stock**

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
	<u>61</u>	<u>51</u>	<u>59</u>	<u>50</u>

**15 Debtors**

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,818	1,818	1,335	1,335
Amounts owed by group undertakings	-	337	-	308
Prepayments and accrued income	989	974	797	777
Amounts owed by the Skills Funding Agency	674	674	322	322
Other debtors	5	5	159	159
<b>Total</b>	<u><u>3,486</u></u>	<u><u>3,808</u></u>	<u><u>2,613</u></u>	<u><u>2,901</u></u>

Amounts owed by group undertakings includes £80,000 (2017: £80,000) that is due in more than one year

**16 Creditors: amounts falling due within one year**

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	500	500	812	812
Other loans	200	200	-	-
Trade creditors	905	889	1,387	1,365
Other taxation and social security	755	743	928	912
Accruals and deferred income	4,427	4,417	4,303	4,289
Deferred income - government capital	1,508	1,508	1,523	1,523
Amounts owed to Education and Skills	527	527	1,034	1,034
Payments received on account	356	356	218	218
Other	128	128	-	-
<b>Total</b>	<u><u>9,306</u></u>	<u><u>9,268</u></u>	<u><u>10,205</u></u>	<u><u>10,153</u></u>

East Sussex College Group  
Notes to the Accounts (continued)  
For year ended 31 July 2018

17 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Deferred Income	4,220	4,220	4,148	4,148
Deferred income - government capital	69,500	69,500	70,888	70,888
Bank loans	4,375	4,375	6,591	6,591
Other loans	4,197	4,197	-	-
<b>Total</b>	<b>82,292</b>	<b>82,292</b>	<b>81,627</b>	<b>81,627</b>

18 Provisions for Liabilities

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Defined Benefit obligation	17,749	17,749	21,792	21,792
Enhanced pension	494	494	539	539
CPO Provision	-	-	659	659
<b>Total</b>	<b>18,243</b>	<b>18,243</b>	<b>22,990</b>	<b>22,990</b>

19 Analysis of Borrowings

a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	500	500	812	812
Between one and two years	500	500	632	632
Between two and five years	1,500	1,500	1,607	1,607
In five years or more	2,375	2,375	4,352	4,352
<b>Total</b>	<b>4,875</b>	<b>4,875</b>	<b>7,403</b>	<b>7,403</b>

As part of the arrangements for the merger, the College's bank loans and overdraft were restructured. Prior to the merger the loan structure was as follows:

College	Loan Principal £'000	Interest rate	Final payment date
Sussex Coast College	7,500	LIBOR + 0.85%	2030
Sussex Coast College	800	LIBOR + 1.75%	2035
Sussex Coast College	200	LIBOR + 2.00%	2022
Sussex Downs College	845	LIBOR + 0.85%	2018
Sussex Downs College	3,000	LIBOR + 0.85%	2018

**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**19 Analysis of Borrowings (continued)**

Following, the merger the revised loan structure is as follows:

College Lender	Loan Principal £'000	Interest rate	Final payment date
Barclays Bank Secured on the College's Eastbourne Campus.	5,000	LIBOR + 2.05%	2028

**b) Other Loans**

(i) ESFA Transaction Unit Secured on the College's Hastings Campus.	4,297	PWLB 1 year fixed rate	2028
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	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	200	200	-	-
Between one and two years	240	240	-	-
Between two and five years	1,290	1,290	-	-
In five years or more	2,517	2,517	-	-
<b>Total</b>	<b>4,247</b>	<b>4,247</b>	<b>-</b>	<b>-</b>

(ii) University of Brighton

The College also has an interest free unsecured loan of £150k from the University of Brighton, repayable in ten equal annual tranches from March 2020.

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	-	-	-	-
Between one and two years	15	15	-	-
Between two and five years	45	45	-	-
In five years or more	90	90	-	-
<b>Total</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>-</b>

**20 Financial instruments**

The Group has the following financial instruments:

	Group 2018 £'000	Group 2017 £'000
<b>Financial assets</b>		
Debt instruments measured at amortised cost	2,497	1,816
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	11,090	14,345

**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**21 Retirement benefits**

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 East Sussex County Council. Both are defined-benefit schemes.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	1,798	1,659
Local Government Pension Scheme:		
Contributions paid	1,811	1,611
FRS 102 (28) charge	<u>2,149</u>	<u>1,323</u>
Charge to the Statement of Comprehensive Income		
	3,960	2,934
Enhanced pension charge to Statement of Comprehensive income	-	12
<b>Total Pension Cost for Year within staff costs</b>	<u><b>5,758</b></u>	<u><b>4,605</b></u>

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 2016.

Contributions amounting to £213,396 (2017: £341,440) were payable to the scheme at 31st July and are included within creditors.

**Teachers' Pension Scheme - Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer.

**The Teachers' Pension Budgeting and Valuation Account**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principals, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

## East Sussex College Group Notes to the Accounts (continued)

### 21 Retirement benefits (continued)

#### Valuation of the Teachers' Pension Scheme

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

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay
- assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- rate of real earnings growth is assumed to be 2.75%
- assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fee), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

The pension costs paid to TPS in the year amounted to £1,798,000 (2017: £1,659,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**21 Retirement benefits (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by East Sussex County Council. The total contribution made for the year ended 31 July 2018 was £2,433,000 of which employer's contributions totalled £1,811,000 and employees' contributions totalled £622,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
Rate of increase in salaries	2.8%	2.9%
Rate of increase for pensions in payment / inflation	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.5%
Commutation of pensions to lump sums	50.0%	50.0%

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

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	23.8	23.8
Females	26.3	26.3



**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**21 Retirement benefits (continued)**

**Local Government Pension Scheme (Continued)**

The college's share of the assets in the plan at the balance sheet were:

	Fair Value of assets	
	2018 £'000	2017 £'000
Equity instruments	49,337	44,665
Debt instruments	9,593	8,685
Property	6,852	6,204
Cash	2,741	2,481
<b>Total fair value of plan assets</b>	<u>68,524</u>	<u>62,034</u>
<b>Actual return on plan assets</b>	<u>5,520</u>	<u>4,120</u>

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

	2018 £'000	2017 £'000
Fair value of plan assets	68,524	62,034
Present value of plan liabilities	(86,273)	(83,826)
<b>Total</b>	<u>(17,749)</u>	<u>(21,792)</u>

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

	2018 £'000	2,017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	5,367	2,954
Plan introductions, changes, curtailments and settlements	72	38
	<u>5,439</u>	<u>2,992</u>
<b>Amounts included in interest costs</b>		
Net interest on the net defined benefit pension liability	<u>638</u>	<u>700</u>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	3,835	2,737
Changes in assumptions underlying the present value of plan liabilities	3,805	6,045
<b>Total</b>	<u>7,640</u>	<u>8,782</u>

**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**21 Retirement benefits (continued)**

**Local Government Pension Scheme (Continued)**

**Movement in net defined benefit liability during the year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(21,792)	(28,551)
Movement in period:		
Current service cost	(5,367)	(2,954)
Employer contributions	2,480	1,669
Net interest on the defined liability	(638)	(700)
Plan introductions, changes, curtailments and settlements	(72)	(38)
Actuarial gain or loss	7,640	8,782
<b>Net defined benefit</b>	<u><u>(17,749)</u></u>	<u><u>(21,792)</u></u>

**Changes in the present value of defined benefit obligations**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Defined benefit obligations at start of period</b>	83,826	85,965
Current service cost	5,367	2,954
Interest cost	2,323	2,083
Contributions by scheme participants	862	562
Actuarial (gains)/losses	(3,805)	(6,045)
Benefits paid	(2,372)	(1,731)
Plan introductions, changes, curtailments and settlements	72	38
<b>Defined benefit obligations at end of period</b>	<u><u>86,273</u></u>	<u><u>83,826</u></u>

**Changes in fair value on plan assets**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value on plan assets at start of period</b>	62,034	57,414
Interest income	1,685	1,383
Return on plan assets	3,835	2,737
Employer contributions	2,480	1,669
Contributions by scheme participants	862	562
Benefits paid	(2,372)	(1,731)
<b>Fair value on plan assets at end of period</b>	<u><u>68,524</u></u>	<u><u>62,034</u></u>

**East Sussex College Group**  
**Notes to the Accounts (continued)**  
**For year ended 31 July 2018**

**22 Capital and other commitments**

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>144</u>	<u>394</u>

**23 Financial commitments**

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

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Land and buildings		
Expiring within one year	87	87
Expiring within two and five years inclusive	175	262
Expiring in over five years	-	-
	<u>262</u>	<u>349</u>
Other		
Expiring within one year	88	245
Expiring within two and five years inclusive	103	107
Expiring in over five years	-	-
	<u>191</u>	<u>352</u>

**24 Contingent liability**

The College had no contingent liabilities as at 31 July 2018

**25 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. Principal relationships with other entities were as follows:

Mrs Susan Walton (Co-opted Governor) is the Chief Executive of a local charity (Pestalozzi Children's Village Trust) that sends students to the College.

Mr Clive Cooke (CEO) is a Director of FE Sussex and Hastings Academy Trust. Clive Cooke also became the Chair of GFE South on 1st September 2013.

Ms Caroline Mckiddie (Governor) is the Participation Manager (Education, Employment & Training), Standards & Learning Effectiveness Service, Partnership & Provision Team at East Sussex County Council.

Mr Simon Hubbard (Independent Member) is the Director of Regeneration at Hastings Borough Council.

**East Sussex College Group**  
**Notes to the Accounts (continued)**

**25 Related party transactions (continued)**

*FE Sussex*

Transactions totalling £3,450 (£3,450 in 2016/17) relating to membership fees

*GFE South*

The College contributed £2,500 (£5,000 in 2016/17) in Participator Funding along with all the other member Colleges. The College provides a payroll service for GFE up to March 2018 for which a fee of £1,200 was charged in year (£1,800 in 2016/17)

*Hastings Borough Council*

Annual rent of £29,400 (£29,400 in 2016/17) was paid in respect of the rental of a unit at Castleham Industrial Estate for the construction training centre and £3,000 local bid levy (£3,000 in 2016/17)

*Pestalozzi International Village Trust*

Pestalozzi paid the College £59,250 (2016/17: £134,780) for the provision of training

*East Sussex County Council*

£4,739 was received from East Sussex County Council for letting income (2016/17 £4,144).

The College paid East Sussex County Council £18,505 for various student placements and training (2016/17 £9,656).

Due to the additional demands made on the Chair of Governors by the Area Review process and subsequent merger discussions, the Governors approved the payment of £13,500 for 2018 and £20,000 for 2017 as recognition for the additional work.

**26 Post-balance sheet events**

Details of any relevant post balance sheet events are given in the report of the members of the Corporation.

**27 Amounts disbursed as agent**

**Discretionary support funds**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship support	667	721
Funding body grants – childcare	-	-
Funding body grants – residential	-	-
Other Funding bodies grants	283	264
Interest earned	<u>950</u>	<u>985</u>
Disbursed to students	949	949
Staffing		
Administration costs	43	46
Audit fees		
Amount consolidated in financial	<u>992</u>	<u>995</u>
Balance unspent as at 31 July, included in creditors	<u>(42)</u>	<u>(10)</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.

**East Sussex College Group**  
**Notes to the Accounts (continued)**

**28 Merger accounting**

Sussex Coast College Hastings (SCCH) and Sussex Downs College (SDC) merged on 29th March 2018 to form East Sussex College Group (ESCG)

**Analysis of the principal components of the current year's Statement of Comprehensive income**

	SCCH to merger £'000	SDC to merger £'000	ESCG post merger £'000	Total £'000
Income	15,858	21,876	18,134	55,868
Operating surplus/ (deficit)	(92)	87	(4,930)	(4,935)
Total comprehensive income	(92)	633	2,164	2,705

**Analysis of comparative total comprehensive income to 31st July 2017**

	SCCH £'000	SDC £'000	Total £'000
Total comprehensive income	2,009	2,130	4,139

**Analysis of carrying amounts of net assets at the date of merger**

	SCCH £'000	SDC £'000	Total £'000
Book Value of net assets at merger	3,099	8,849	11,948

There were no significant accounting adjustments made to the net assets of the parties to the merger to achieve consistency of accounting policies

