USP College

USP College

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:

Daniel Pearson, Principal and CEO; and Accounting officer
John Revill, Vice Principal Partnerships Funding & Business Planning
Steven Hendy, Chief Operating Officer
David Dolling, Vice Principal Quality & Curriculum
Colleen Marshall, Vice Principal Curriculum Operations
Clare White, Vice Principal Corporate Services
Kerry Birch, Vice Principal of Human Resources & Communication
Sue Davis, Vice Principal Curriculum – to August 2018
Alison Ross, Vice Principal Student Services, Marketing & Liaison – to November 2017

Board of Governors

A full list of Governors is given on page 17 of these financial statements.

Mr C Robinson acted as Clerk to the Corporation from 15 June 2017 until 31 January 2018.

Mrs Sue Glover was appointed Clerk to the Corporation from 5 February 2018.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Marlborough House
Victoria Road South
Chelmsford

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich

Bankers:

Barclays Bank Plc
Priory Place
Level 3
New London Road
Chelmsford

Lloyds Bank Plc
1 Legg Street
Chelmsford
Essex

Solicitors:

Birketts LLP
Brierly Place
New London Road
Chelmsford

Bates Wells Braithwaite
10 Queen Street Place
London

CONTENTS

Members' Report

Nature, Objectives and Strategies:

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

Legal status

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

The Corporation was incorporated as South East Essex Sixth Form College. On 21 July 1995, the Secretary of State granted consent to the Corporation to change the College's name to Seevic College.

The College did not exercise its right to designate as a Sixth Form College in 2010 and now identifies itself as a General Further Education College.

On 1 August 2017 Seevic College merged with Palmers College. As part of this category B merger the Seevic College name remained until April 2018 when the college rebranded as USP College (Unified Seevic Palmers College).

On the 12 November 2018 the Secretary of State granted consent to the Corporation to change the College's name to Unified Seevic Palmers College (USP College).

Mission

Following the merger between Seevic College and Palmers College, Governors reviewed its strategy and in 2017/18 adopted a new Strategic Plan based on Career Focused Learning. This new plan adopted the new College Pledge and its key strategic aims, as follows:

College Pledge – *By 2025 we will train 15,000 young people with the skills to stand out against their competitors to gain aspirational and exciting careers*

Strategic Aim

1. Our students will be inspired towards ambitious careers through exciting continuous professional development giving them the edge to succeed
2. Our environment will inspire and stimulate excellence and provide the space to grow
3. Our people will be high performing self-motivated, accountable and creative in their thinking and actions
4. Our focused financial priorities will be targeted to enable the College to support progressive and ambitious change
5. Our College will pro-actively engage with people, places and thinking that stimulate progressive approaches to work

In 2017/18 the College revised its key values and behaviours. The College actively encourages these as follows:

- Respect
- Accountability
- Resilience

Members' Report (continued)

Public Benefit

USP College is an exempt charity under the Part 3 of the Charities Act 2011 and its principal regulator is the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 17.

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

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

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

The delivery of other public benefits is covered throughout the Members Report.

Implementation of strategic plan

In 2017/18 the College adopted a strategic plan for the period 1 August 2017 to 31 July 2018. This strategic plan included property and financial plans. During 2017/18 a new Strategic Plan was approved by Governors and will take the College forward into 2018/19 and beyond. During 2017/18 the Corporation continued to monitor the performance of the College against the original plan. The College's strategic objectives are to:

- Focus our resources on all that enhances our Academic, Professional and Technical routes
- Develop partnerships with employers and community organisations
- Increase the provision of outstanding teaching and learning
- Support our students to develop life and work skills with resilience and drive
- Develop a strong reputation for meeting local needs
- Develop new ways of working to maintain financial viability
- Promote a safe and inclusive professional environment
- Make an operating surplus to ensure the College is able to invest and remain financially strong

The College is on target for achieving these objectives.

The College's specific objectives for 2017/18 were:

- Student attendance, punctuality, retention, achievement and value added
- Teaching that embodies high expectations and focus on individual need
- Reputation - placing USP College back at the top of the list of local post-16 providers, with a strong Sixth Form
- Recruitment - maintaining healthy enrolment levels in the face of increasing competition and falling year 11 numbers
- Teamwork and morale - develop aspiring new leaders
- Business development - reducing our dependency on EFA 16-18 funding by growing apprenticeships and higher education
- A Community College - grow our foundation learning provision

The College is on target for achieving these objectives with actual performance of specific targets highlighted under performance indicators below.

Members' Report (continued)

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus (achieved after exceptional items and pension adjustment)
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's short term liquidity
- to fund continued capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies with actual performance against key indicators stated below.

Performance Indicators

The College uses a number of KPIs internally as well as the measure assessed externally such as Financial Health and these are set out in the strategic plan. The targets and the College's performance in 2017/18 against them are set out in the following table:

Key performance indicators	Target	Actual for 17/18
Operating surplus/EBITDA as a % of income	>5%	13%
Staff costs as a % of income	<68%	64%
Operating cash flow	£795k	£707k
Cash days in hand	>25 days	44 days
Borrowing as a % of income	<20%	17%
Current ratio	1.6:1	1.5:1
Reliance on ESFA income	<85%	87%
Financial Health Score	Good	Good

Other key performance indicators	Target	Actual for 17/18
Attendance	92%	87%
Punctuality	100%	97.5%
Retention	100%	91.6%
Value added (AS, A2, Voc)	0.1	-0.01
Achievement Rate	86%	86%
Meeting or exceeding expectations	85%	90%

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a "Good" financial health grading for 17/18. The current rating of Good is considered an acceptable outcome.

The financial plan submitted to the ESFA for 2018/19 and beyond presents the financial forecast for the College. The underlying financial health score for 2018/19 is Good and Good for 2019/20.

Members' Report (continued)

Financial Position

Financial results

The College generated a surplus in the year of £1,818k (2016/17: deficit £306k), with total comprehensive income of £5,468k (2016/17: deficit of £2,646k). The total comprehensive income in 2017/18 is stated after accounting for the acquisition of Palmers College and the re-measurement of the Defined Benefit pension scheme.

The College's underlying operating position after exceptional items is summarised as follows:

	£,000
Total Comprehensive Income for the year	£5,468
Less: Pension Re-measurement & Employer Contribution	(£4,512)
Add: Pension Interest Cost & Current Service Cost	£2,091
Sub-Total	**£3,047**
Add: Exceptional Restructuring	£ 679
Less: Gain on acquisition – Palmers College	(£ 3,311)
Add: Post-merger costs	£ 369
Underlying Operating Surplus	**£ 784**

The College has accumulated income and expenditure reserves of £7,950k (2016/17: £2,387k) and cash and short term investment balances of £2,772k (2016/17: £2,119k). The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £880k (2016/17: £354k). This was split between additions to land and buildings of £139k, equipment purchased of £458k and assets under construction of £283k.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 87% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Acquisition of Palmers College

On 1st August 2017, Seevic College merged with Palmer's College. On that date, the Corporation of Palmer's College was dissolved and its Assets and Liabilities were transferred to the Corporation of Seevic College. There was no consideration given.

Accordingly, the College considers that this is a public benefit entity combination that is in substance a gift and, as such, it is accounted for using the acquisition method of accounting (in accordance with Section 34 of FRS102). Therefore, the College has recognised a gain of £3,311k in the Statement of Comprehensive Income and Expenditure as at the 31 July 2018 as the total net assets of Palmers College at the date of acquisition 1 August 2017.

Members' Report (continued)

Cash flows and liquidity

At £975k (2016/17 £718k), net cash outflow from operating activities resulted from pension costs adjustments but showed £1,388k when pension is excluded which is deemed to be strong.

During the year the College refinanced the existing loans held by Seevic College and Palmers College directly following the merger (£2.9m secured loan). In addition, a further £1m revolving credit facility was approved to support the College following the merger, these funds were subsequently drawn down in July 2018.

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

Reserves Policy

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

As at the balance sheet date total reserves of £12.491m (2017: £7.023m) were held which included Income and Expenditure reserves of £7.950m (2017: £2.387m) and Revaluation Reserves of £4.541m (2017: £4.636m).

It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Current and Future Development and Performance

Financial Health

The financial health score for 2017/18 has been confirmed by the EFSA as Good with the forecast underlying score for 2018/19 being Good. The financial health score has been based on the submission made by USP College of its three-year financial plan.

The USP College bankers have supported the College through the merger demonstrated with the approval of loan re-financing and an additional revolving credit facility.

In addition, a further loan has been agreed in principle of up to £2m to support the College further through capital investment at both the Seevic Campus and the Palmers Campus in 2018/19.

Student numbers

In 2017/18, the College has delivered activity that has produced £18,375k in funding body main allocation funding (2016/17 – £11,473k). The College had 3,708 funded and nil non-funded 16-18 students.

In order to mitigate the risk to student recruitment, the College has introduced stronger progression routes to retain current students and has focused on building positive relationships with external organisations including local schools. In addition, the College continues to make improvements to both marketing and quality.

Student achievements

Students continue to prosper at the College. Achievement rates rose to 85.6% in 2017/18 from 85.2% in 2016/17. Whilst it is too early to predict success rates for 2018-19 it is expected that this upward trend will continue.

Members' Report (continued)

Current and Future Development and Performance (continued)

Vocational students achieved between 0.12 and 0.8 (value added) of a grade higher than expected. English and Maths achievements and pass rates were above the national average rates. Achievement gaps between groups of students is goods and diminishing with positive and sustained destinations for a majority of levels three students.

Curriculum developments

The Seevic Campus, for the past academic year, has promoted a clear and open curriculum offer to all students and levels. The Academic and Professional offer begins with Foundation Learning e.g. nationally recognised Supported Internship Programme and offers opportunities up to HE within the Campus e.g. Early Years Degree. The plan, where appropriate, was replicated at the Palmer's Campus.

The Curriculum offer will always be one that is informed by the Local Enterprise Partnership (LEP) priorities and the strategic direction of the College but, fundamentally, a curriculum that suits and meets the individual student needs and their "next steps" and career aspirations.

In addition, the continued growth in 2017/18 of the Colleges Learning Companies has seen the engagement of employers to bring student work to life.

The College career focused learning strategy has seen the implementation of student continuous professional development days for 2018/19 to further develop our students guide their career aspirations.

In 2018/19 the College will focus on delivering its Strategic Plan that promotes Career Focused Learning and will include the implementation of student continuous professional development days to help guide our students to their career aspirations

At USP College our mission is to connect young people to great career pathways, through exciting work and learning opportunities. We have researched the job opportunities in the UK and have a good understanding of regional career options in Essex. We have combined this knowledge, with our expertise in training, working with Employers to shape professional education into the form of career pathways using the latest SELEP Skills Strategy.

Our Career Focused Learning philosophy centres around 5 career paths as follows, linked to our strategic aims:

1 Creative & Digital
2 Health Care & Medical
3 Early Years, Childcare & Education
4 Financial & Professional Services
5 Life & Sport Sciences

USP College is committed to maintaining a Career Portal, with our staff trained to support students find career information, investigate the skills required to be successful, work with employers and provide progression routes that include qualifications and university opportunities.

Our new career package will focus on students acquiring the skills required to enter into a chosen career or industry. Career packages will be built on national and regional career opportunities in our region and across the UK. The key components and principles of our career packages include:

- An academic or professional (vocational) cluster of qualifications and skills designed with career as the start and end point of its design;
- A direct route to higher study and employment with multiple entry points for students to follow, giving them clear progression towards career goals. All packages will be within our chosen sectors of specialism

Members' Report (continued)

Current and Future Development and Performance (continued)

Curriculum developments - continued

- All USP packages will be based specifically on aspirational careers or professions as opposed to jobs
- USP career packages will be catering for professions requiring a range of professional and academic skills.
- All USP students will engage in a substantial CPD programme designed to support one of our specialist sector areas and fully compliment qualification based studies.

We want to ensure our students recognise the importance of developing their skills throughout their lifetime, with the expectation that our 'gig economy' will lead to most young people having 5 or more career changes in their lifetime.

All curriculum provision includes the opportunity for English and Maths Development through the College's "It's all about M&E strategy" and opportunities for Work Experience and Placements through a dedicated support team. Further enhancement to the student journey is the innovation of the College Learning Companies (e.g. Live Creative) that provides rich and meaningful client briefs for local and national businesses.

It is imperative to note that all students have access to this curriculum offer at USP College for this academic year.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 88 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

USP College was approached by the Governing Board of ITEC Learning Technologies Ltd, an educational training provider, with the intention of gifting ownership of this organisation to the college.

USP College, following approval by the Governing Body submitted an application to take over this company and subsequently carried out necessary due diligence as part of this process. USP College along with two other establishments made formal representation to the Governing Board of ITEC Learning Technologies Ltd to take control of this establishment.

On the 11 October 2018 USP College received formal notification that they had been successful with their application and are now in the process of completing the gift of the share capital of ITEC Learning Technologies Ltd as a subsidiary of USP College.

Future prospects

As with last year, the financial plan for the merged college has made some assumptions for further savings and efficiencies to be made post-merger. However, the intention during 2018/19 is to identify additional income where appropriate and further cost savings as the college aims to rationalise key systems and processes.

Members' Report (continued)

The College expects, as a result of these efficiency measures, to increase its contribution and reduce its dependency on the funding bodies.

With the impending takeover of ITEC Learning Technologies Ltd a review of its financial performance and budgeting will be carried out with expected profits gifted to USP College. This review will form part of the on-going budget review of USP College and will be reflected in a new three-year financial plan that is expected to be submitted to the ESFA in 2019.

Resources

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

Tangible resources include principal College Campuses for:

- Seevic Campus, Benfleet – freehold
- Palmers Campus, Grays – long leasehold on the Buildings only

Financial

The College has £12.491m of net assets (including £8.622m pension liability) and long term debt of £3.682m. Tangible resources include the two College Campuses in Benfleet and Grays.

People

The College employs 375 people (expressed as full time equivalents), of whom 181 are teaching staff.

Reputation

The College has a good reputation locally and nationally but seeks to make further improvements at both its Campuses to match goal of being an outstanding college.

Maintaining a quality brand is essential for the College's success at attracting students and external relationships and this will be aided as the College promotes its new strategic plan linked to Career Focused Learning.

Principal Risks and Uncertainties

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

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

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

Members' Report (continued)

Principal Risks and Uncertainties (continued)

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

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

- Failure to meet 16-18 student recruitment target
- Failure to achieve financial income target
- Poor financial management effecting the going concern status of the College
- Risks associated with breaching bank loan covenants
- Effective monitoring of Corporate Governance
- Failure to respond to Government Funding changes
- Failure to meet Apprenticeships recruitment targets
- Risks associated with inadequate Campuses security
- Inadequate systems and procedures relating to Health & Safety
- Failure to address negative reputational damage impacting on recruitment

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2017/18 87% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding

- Possible reduction to 16-18 year olds funding following poor prior year recruitment
- Apprenticeships reforms and recruitment
- Devolution of the adult education budget
- Apprenticeships Levy effect on the marketplace
- The recruitment and retaining of key staff who can innovate and support key college areas, including English and Maths
- The November 2018 Government budget review

This risk is mitigated in a number of ways:

- Implementation of the new College Strategic Plan linked to Career Focused Learning
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies
- Detailed monitoring of curriculum delivery, including strong self-assessment, key management training and robust lesson observations
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies ensuring regular dialogue takes place
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Income diversity and focused grant funding
- Positive change to the local area demographic

Members' Report (continued)

Principal Risks and Uncertainties (continued)

- Collaboration with other partner colleges and working closely with other external partners
- Working with partners to achieve apprenticeships targets

2 Tuition Fee Policy

Ministers have confirmed that the fee assumptions remain at 50%. In line with the majority of other colleges, USP College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Essex Pension Fund.

4 Failure to maintain the financial viability of the college

The College's current financial health grade is classified as Good as described above. This is largely the consequence of reasonable earnings before interest, tax depreciation and amortisation and reporting net surplus after excluding pension liability adjustments and the acquisition of Palmers College. Notwithstanding that, the continuing challenge of the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies and improved finance systems

Stakeholder Relationships

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

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

Members' Report (continued)

Stakeholder Relationships (continued)

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

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value the differences in race, gender, sexual orientation, disability, religion or belief and age within our College. 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 is published on the College's Intranet site.

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

Equality (continued)

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, 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.
d) 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.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. 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.
f) Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard College format.
g) 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.

Members' Report (continued)

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 Corporation on 18 December 2018 and signed on its behalf by:

Gordon Haines
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 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 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which Seevic College formally adopted in December 2015. USP College, as the now the merged College of Seevic College and Palmer's College, agreed to continue adopting the Code.

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.

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

	Date of Appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Attendance
Paul Bennett	31/05/2015 Reappointed 01/05/2018	31/05/2018 31/07/2019		Ordinary Member	Risk and Audit Corporation	14 out of 17
Carol Skewes	14/07/2010 Reappointed 11/03/2014 01/05/2018	29/07/2018 31/07/2019		Ordinary Member	Corporation	6 out of 9
Alex Dobinson	11/03/2014 Reappointed 01/05/2018	14/03/2018 31/07/2019		Ordinary Member	Risk & Audit Corporation	12 out of 13
Shri Footing	25/09/2014 Reappointed 25/09/2018	24/09/2018 31/07/2019		Ordinary Member	Corporation	5 out of 9
Phillip Lennon	28/01/2016 Reappointed 30/01/2018 25/09/2018	27/01/2018 30/01/2019 31/01/2022		Ordinary Member	Risk & Audit (Chair) Remuneration (Chair) Corporation	14 out of 14
Daniel Pearson	01/05/2016			Principal	Corporation Search & Governance	11 out of 11
Michelle Lucas	10/10/2017	09/10/2021	01/05/2018	Ordinary Member	Corporation	2 out of 5
Robert Avery	01/08/2017	31/07/2021	01/11/2017	Ordinary Member	Corporation	1 out of 1
Graeme Loveland	01/08/2017	31/07/2021		Ordinary Member	Interim Chair of Corporation (chair from 01/08/17 to 12/12/17) Corporation Remuneration	6 out of 10
Gordon Haines	07/11/2017	06/11/2021		Ordinary Member	Chair of Corporation (chair from 07/11/17) Search & Governance (Chair) Remuneration	12 out of 12
Roger Key	01/08/2017	31/07/2019		Ordinary Member	Corporation	9 out of 9
Ritchie Naylor	01/08/2017	31/07/2019		Staff Member	Corporation	4 out of 9
Julie Snelling	17/07/2018	31/07/2022		Staff Member	Corporation	1 out of 1
Jack Smith	18/10/2016	18/10/2018	31/07/2018	Student Member	Corporation	4 out of 7
Daryl Cortez	01/08/2017 Reappointed 17/07/2018	31/07/2019 30/04/2019		Student Member	Corporation	4 out of 9
Elisha Deller	17/07/2018	30/04/2019		Student Member	Corporation	0

Chris Robinson was appointed Clerk to the Corporation from 15 June 2017 until 31 January 2018. Mrs Sue Glover was appointed Clerk to the Corporation from 5 February 2018.

Graeme Loveland was appointed interim Chair of Corporation until 12 December 2017. Gordon Haines became Chair of Corporation from 12 December 2017.

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met on 9 occasions during 2017/18.

The Colleges of Palmer's and Seevic merged on the 1 August 2017, with Seevic College taking over the assets and liabilities of Palmer's College. The newly merged College of Seevic-Palmer's (now USP College) adopted a 'carver' model of governance, whereby the board considers all major matters, as opposed to delegation to sub-committees. The Board continues to operate with the statutory Risk and Audit Committee and the support of a Search and Governance Committee.

For 2018/19 the Corporation agreed to revert back to the traditional governance model post year-end.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

USP College
Runnymede Chase
Benfleet
Essex
SS7 1TW

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

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

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

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

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

Appointments to the Corporation

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

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

Corporation performance

The Governing Body plays a key role in challenging the senior management to ensure that the College aims are achieved. The Governors are particularly focused on a holistic approach to Governance and timely and accurate reporting ensures that Governors are able to challenge effectively. Through this approach, the Board has been able to take assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

The Board reviewed its performance for 2017/18 in September as part of the annual self-assessment review taking into consideration its self-assessment. The Board will also consider its individual performance through 1 to 1 meetings with the Chair during the autumn term. Further assurance is gained from both external parties (Ofsted and FE Commissioner visits) and the College Key Performance Indicators, which are reported to the Board. These indicators cover all aspects of the College's operations including teaching and learning, student outcomes, satisfaction and leadership and management. The KPIs form a sound basis from which managers and Governors can judge performance and progress. The targets in the strategic plan are based on the most accurate comprehensive data from within and outside the sector (where appropriate) and targets are set to be both challenging and achievable.

Remuneration Committee

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2018 are set out in note 5 to the financial statements.

Risk and Audit Committee – Overall attendance 100%

The Risk and Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

The Risk and 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 committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Risk and 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 Risk and Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in USP College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- regular reviews by the Corporation 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.

USP College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

The risk and control framework (continued)

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Risk and Audit Committee.

At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The senior management 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 management team and the Risk and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Risk and Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Risk and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2018.

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

Going concern

After making appropriate enquiries, the Corporation 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.

This conclusion is supported by a number of factors including:

- Financial projections for the next two years which demonstrate that the College remains in good financial health throughout the period
- Approximately 80% of income for the next twelve months is contracted under the lagged funding methodology and therefore not subject to claw back
- Good cash reserves
- Positive cash flows generated from continuing operations
- No onerous capital expenditure requirements
- Regular monitoring and review of the College budget and financial position

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:

Gordon Haines
Chair

Daniel Pearson
Accounting Officer

Statement of Regularity, Propriety and Compliance with Funding body terms and conditions of funding

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

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

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

Daniel Pearson
Accounting Officer

18 December 2018

Gordon Haines
Chair of Governors

18 December 2018

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

The Corporation is responsible for keeping proper accounting records which are sufficient to show and explain the Colleges transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and 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 other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:

Gordon Haines
Chair

Independent auditor's report to the Corporation of USP College

Opinion

We have audited the financial statements of USP College for the year ended 31 July 2018 which comprise the statement of comprehensive income and expenditure, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's surplus of income over expenditure for the year then ended; and
- 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors 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 other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Independent auditor's report to the Corporation of USP College - continued

Responsibilities of the Corporation of USP College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 24, the Corporation is responsible for the preparation of 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 is 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 either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 13 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Date: 19 December 2018

Statement of Comprehensive Income and Expenditure

	Notes	2017/18 £'000	2016/17 £'000
INCOME			
Funding body grants	2	19,194	11,961
Tuition fees and education contracts	3	1,837	1,491
Other income	4	2,023	1,090
Total income		**23,054**	**14,542**
EXPENDITURE			
Staff costs	5	16,292	9,513
Restructuring costs	5	679	300
Other operating expenses	6	5,874	3,609
Depreciation	8	1,567	1,009
Interest and other finance costs	7	379	130
Total expenditure		**24,791**	**14,561**
Deficit before other gains and losses		**(1,737)**	**(19)**
Loss on disposal of assets		-	(3)
Exceptional income	2	244	(284)
Gain on assets and liabilities acquired on the merger with Palmers College	19	3,311	-
Surplus / (Deficit) for the year		**1,818**	**(306)**
Re-measurement of net defined pension liability	18	3,650	(2,340)
Total Comprehensive Income for the year		**5,468**	**(2,646)**

Balance sheet as at 31 July 2018

	Notes	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		30,884		19,012
			30,884		**19,012**
Current assets					
Stocks		8		5	
Debtors	9	725		312	
Cash at bank and in hand	14	2,772		2,119	
		3,505		**2,436**	
Less: Creditors – amounts falling due within one year	10	(3,250)		(4,581)	
Net current assets / (liabilities)			**255**		**(2,145)**
Total assets less current liabilities			**31,139**		**16,867**
Creditors – amounts falling due after more than one year	11		(10,026)		(3,937)
Provisions for liabilities					
Defined benefit pension scheme	13		(8,622)		(5,907)
Total net assets			**12,491**		**7,023**
Unrestricted Reserves					
Income and expenditure account			7,950		2,387
Revaluation reserve			4,541		4,636
Total reserves			**12,491**		**7,023**

The financial statements on pages 27 to 51 were approved and authorised for issue by the Corporation on 18 December 2018 and were signed on its behalf on that date by:

Gordon Haines
Chair

Daniel Pearson
Accounting Officer

College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31 July 2016	**4,939**	**4,730**	**9,669**
Deficit from the income and expenditure account	(306)	-	(306)
Other comprehensive income	(2,340)	-	(2,340)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income for the year	(2,552)	(94)	(2,646)
Balance at 31 July 2017	**2,387**	**4,636**	**7,023**
Surplus from the income and expenditure account	1,818	-	1,818
Other comprehensive Income	3,650	-	3,650
Transfers between revaluation and income and expenditure reserves	95	(95)	-
Total comprehensive income for the year	5,563	(95)	5,468
Balance at 31 July 2018	**7,950**	**4,541**	**12,491**

Statement of Cash Flows

For the Year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Surplus for the year		5,468	(306)
Adjustment for non-cash items			
Gain on acquisition of Palmers		(3,311)	-
Depreciation		1,567	1,009
Increase in stocks		(3)	1
Increase in debtors		(228)	(123)
(Decrease) in creditors due within one year		(2,154)	342
(Decrease) in creditors due after one year		(467)	(630)
Pensions costs less contributions payable		(2,421)	340
Interest payable	7	87	82
Loss on disposals		-	3
Net cash flow from operating activities		**(1,462)**	**718**
Investing activities			
Purchase of tangible fixed assets	8	(880)	(354)
		(880)	**(354)**
Financing activities			
Interest paid	7	(87)	(82)
Repayments of borrowings		(2,240)	(283)
Proceeds of new borrowings		3,900	-
Repayment of obligations under finance leases		25	-
Cash on acquisition of Palmers College		1,397	-
		2,995	**(365)**
Increase in cash and cash equivalents in the year		**653**	**(1)**
Cash and cash equivalents at beginning of the year	14	2,119	2,120
Cash and cash equivalents at end of the year	14	2,772	2,119

Notes to the Accounts

For the Year ended 31 July 2018

1. Statement of accounting policies and estimation techniques

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

General Information

USP College is a corporation 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 Runnymede Chase, Benfleet, Essex SS7 1TW. 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). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The 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 £1,000 except where otherwise stated.

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report.

The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College had £3.6m of loans outstanding with bankers on terms negotiated in 2017 secured by a floating charge on the College estate. The outstanding loan amount is made up of the balance owing on a new re-financing loan (following the merger) for £2.9m along with an additional revolving credit facility of £1m. This revolving credit facility was obtained to support the College post-merger during 2017/18.

The College's forecasts and financial projections indicate that it will be able to operate within this new facility and associated covenants for at least the next two years.

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.

Notes to the Accounts (continued)

1. Accounting Policies

Recognition of income

Revenue grant funding

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

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

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

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

Capital grant funding

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

Fee Income and education contracts

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

Investment Income

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

Agency arrangements

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

Retirement benefits

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

Notes to the Accounts (continued)

Accounting for Retirement benefits (continued)

Teachers' Pension Scheme (TPS)

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

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

Essex Local Government Pension Fund (LGPS)

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

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

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

Short term Employment benefits

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

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense, when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

- Land & Buildings – 25 - 50 years
- Demountable buildings – 20 years

Notes to the Accounts (continued)

Accounting for Non-current Assets – Tangible fixed assets (continued)

- Buildings Only – 10 years
- Leasehold – over life of lease

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- Computer Equipment 3-4 years
- Software 2 years
- Other Equipment 4 years
- Fixtures and Fittings & Motor Vehicles 5 years

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

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 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 August 2014.

Notes to the Accounts (continued)

Inventories

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

Cash and cash equivalents

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

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

2. Statement of accounting policies and estimation techniques

Financial Instruments

Financial liabilities and assets

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

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

Taxation

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

The College is not registered in respect of Value Added Tax and consequently it is unable to recover 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, management have made the following judgements:

- ***Tangible fixed assets***

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

Notes to the Accounts (continued)

Statement of accounting policies and estimation techniques (continued)

- ***Fair Value of Palmers' Campus***

The College has assessed the fair value of the lease interest acquired in the college combination with Palmer College on 1 August 2017 at £11,271k, using assumptions and indicative valuation ranges for the property as derived from a formal valuation performed by an external, professional General Practice Valuer, prepared on a Depreciated Replacement Cost ("DRC") basis and in accordance with the RICS Valuation – Professional Standards issued in January 2014. The key assumptions are around the current replacement cost for an equivalent modern asset, the depreciation adjustments and special assumptions embedded in the valuation to reflect the specialised nature of the asset.

- ***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 for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, 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.

- ***Church Walk House***

Following the College's review of their Church Walk House premises, the useful economic life was shortened and as such there was an increase in Depreciation of £155k and an equal accelerated Deferred Capital Grant release.

2 Funding body grants

	2018 £'000	2017 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	642	930
Education and Skills Funding Agency – 16 -18	17,733	10,543
Higher Education Funding Council	13	30
Specific grants		
Employer Incentive	25	84
Workplacement Funding	63	-
Education and Skills Funding Agency	309	11
Releases of government capital grants	653	363
Total	**19,438**	**11,961**

Education and Skills Funding Agency includes the release of income of £244k shown as exceptional income within the Statement of Comprehensive Income and Expenditure following confirmation from the ESFA that these funds would not be clawed back.

Notes to the Accounts (continued)

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Tuition fees	920	617
Education contracts	917	874
Total	**1,837**	**1,491**

4 Other income

	2018	2017
	£'000	£'000
Catering and residences	606	576
Miscellaneous income	1,386	514
Non-Government Capital Grant	31	-
Total	**2,023**	**1,090**

William Palmers Trust granted the college £100k of Non-Government Capital Grants towards the key capital projects at the Palmers Campus, of which £31k was spent on installation of CCTV at the Palmers Campus.

5 Staff costs and key management personnel remuneration

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

	2018	2017
	No.	No.
Teaching staff	181	133
Non-teaching staff	194	120
	375	**253**

Staff costs for the above persons

	2018	2017
	£'000	£'000
Wages and salaries	11,512	7,224
Social security costs	1,044	654
Other pension costs	2,790	1,314
Payroll sub total	**15,346**	**9,192**
Contracted out staffing services	946	321

Notes to the Accounts (continued)

5. Staff costs (continued)

		16,292	**9,513**
Restructuring costs:	Contractual	579	126
	Non contractual	100	174
Total Staff costs		**16,971**	**9,813**

A general pay award of 1.5% was made in 2017/18 (No pay award was made during 2016/17).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal & CEO, the Chief Operating Officer, Vice Principal Partnerships Funding & Business Planning, Vice Principal Quality and Curriculum, Vice Principal Curriculum Operations, Vice Principal Corporate and the Vice Principal Human Resources & Communication. Staff costs include compensation paid to key management personnel for loss of office which include the Vice Principal Curriculum up to August 2018 and the Vice Principal Student Services, Marketing & Liaison up to November 2017.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	9	7

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	4	2	-	-
£70,001 to £80,000 p.a.	2	1	-	-
£80,001 to £90,000 p.a.	2	1	-	-
£90,001 to £100,000 p.a.	-	1	-	-
£100,001 to £110,000 p.a.	-	1	-	-
£120,001 to £130,000 p a	-	1	-	-
£140,001 to £150,000 p.a.	1	-	-	-
	9	7	-	-

Notes to the Accounts (continued)

5 Staff costs (continued)

Key management personnel total (including the Accounting officer) compensation is made up as

	2018	2017
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	667	514
Benefits in kind	9	17
Employers National Insurance	84	63
	760	594
Pension contributions	94	64
Total emoluments	854	658

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2018	2017
	£'000	£'000
Salaries	138	120
Benefits in kind	7	1
	145	121
Pension contributions	19	10
Total	164	131

Compensation for loss of office paid to former key management personnel

	2018	2017
	£'000	£'000
Compensation paid to a former post-holder	10	76
Total	**10**	**76**

One former post-holder was paid for loss of office. This severance payment was approved by the College's Remuneration Committee.

Notes to the Accounts (continued)

5 Staff costs (continued)

Governors' Remuneration

The Accounting officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

6 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	1,776	1,308
Non-teaching costs	2,008	1,226
Premises costs	1,721	1,075
Merger Costs	369	284
Total	**5,874**	**3,893**

Post-Merger Costs incurred during 2017/18 of £369k relate mainly to Legal Costs, Post-merger Consultancy and Loan re-financing costs.

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration		
Financial statements audit	39	22
Internal audit	26	26
Other services provided by the financial statements auditor		
Hire of assets under operating leases – Land & buildings	50	50
Hire of assets under operating leases – Equipment (Note 16)	268	9

7 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	87	82
Loan guarantee release	-	(30)
	87	52
Net Interest on pension finance costs (note 18)	292	78
Total	**379**	**130**

Notes to the Accounts (continued)

8 Tangible fixed assets

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	25,018	1,187	2,994	-	29,199
Acquired on merger with Palmers	-	15,285	5,014	-	15,272
Additions	139	-	458	283	880
Finance Lease	-	-	69	-	69
Disposals	-	-	-	-	-
At 31 July 2018	**25,157**	**16,472**	**8,535**	**283**	**45,420**
Depreciation					
At 1 August 2017	6,948	706	2,533	-	10,187
Acquired on merger with Palmers	-	3,699	4,041	-	7,740
Charge for the year	874	407	286	-	1,567
Finance Lease	-	-	35	-	35
Disposals	-	-	-	-	-
At 31 July 2018	**7,822**	**4,812**	**6,895**	**-**	**19,529**
Net book value at 31 July 2018	**17,335**	**11,660**	**1,606**	**283**	**30,884**
Net book value at 31 July 2017	18,070	481	461	-	19,012

The value of land not depreciated at 31 July is £2,200k (2017: £2,200k).

Land and buildings were valued in 1994 at depreciated replacement cost by surveyors employed by Essex County Council. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent advice.

Land and buildings with a net book value of £4,532k at 31 July 2018 (2017: £4,636k) have been funded from local education authority sources through for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the council, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included in the balance sheet at £nil cost, £nil aggregate depreciation and £nil net book value.

Assets held under Finance Lease relate to Gym Equipment purchased for the Palmers Campus Sports Centre.

Notes to the Accounts (continued)

9 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	158	113
Prepayments and accrued income	452	151
Amounts owed by the ESFA	115	48
Total	**725**	**312**

10 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and other borrowings	438	2,022
Obligations under finance lease	17	-
Trade creditors	228	192
Other taxation and social security	482	300
Accruals and deferred income	794	718
Holiday pay accruals	432	292
Deferred income - government capital grants	472	347
Amounts owed to the ESFA	387	710
Total	**3,250**	**4,581**

11 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans and other borrowings	3,244	-
Obligations under finance lease	8	-
Deferred income - government capital grants	6,774	3,937
Total	**10,026**	**3,937**

12 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	438	2,022
Between one and two years	414	-
Between two and five years	2,830	-
Total	**3,682**	**2,022**

Notes to the Accounts (continued)

(a) Bank loans and overdrafts (continued)

Bank loans due in one year or less for 2017 are previously negotiated loans that were re-financed post year-end following the merger between Seevic College and Palmers College. The outstanding loans at year-end 2017 of £2,022k were repaid on 2 August 2017.

A new re-financing loan of £2.90m was approved and subsequently received on 2 August 2017 following the merger. This is secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate margin on this loan is 1.95% above the 3 month LIBOR floating base rate.

A revolving credit facility of £1m was approved in August 2017 and subsequently drawn down in July 2018. This is secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate margin on this loan is 1.80% above the 3 month LIBOR floating base rate.

An existing interest free SALIX loan taken out by Palmer's College has been taken over by USP

(b) Finance Leases

Total minimum future minimum lease payments are payable:

	2018	2017
	£'000	£'000
In one year or less	17	-
Between one and two years	8	-
Total	**25**	**-**

Finance lease obligations are secured on the assets to which they relate. This finance lease for Gym equipment at Palmer's campus was entered into in 2015/16. It was included in the 2016/17 accounts for Palmer's College at £43k.

13 Provisions

	Defined benefit obligations	Total
	£'000	£'000
At 1 August 2017	5,907	5,907
Transferred from Palmers Sixth Form College(note 19)	5,136	5,136
Amounts utilised	(862)	(862)
Additions in period charged to income & expenditure accounts	(1,559)	(1,559)
At 31 July 2018	**8,622**	**8,622**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 18.

Notes to the Accounts (continued)

14 Cash and cash equivalents

	At 1 August 2017	Cash flows	Palmers Acquisition	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,119	(744)	1,397	2,772
Total	**2,119**	**(744)**	**1,397**	**2,772**

15 Capital and other commitments

	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	283	-

16 Lease obligations

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

	2018	2017
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	0	50
Later than one year and not later than five years	-	-
	0	50
Other		
Not later than one year	145	9
Later than one year and not later than five years	160	-
	305	9
Total lease payments due	**305**	**59**

17 Events after the reporting period

USP College was approached by the Governing Board of ITEC Learning Technologies Ltd, an educational training provider, with the intention of gifting ownership of this organisation to the college.

USP College, following approval by the Governing Body submitted an application to take over this company and carried out necessary due diligence as part of this process. USP College along with two other establishments made formal representation to the Governing Board of ITEC Learning Technologies Ltd to take control of this establishment.

On the 11 October 2018 USP College received formal notification that they had been successful with their application and are now in the process of completing the gift of ITEC Learning Technologies Ltd as a subsidiary of USP College.

Notes to the Accounts (continued)

18 Defined benefit obligations

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

Total pension cost for the year		**2018**		**2017**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		933		589
Local Government Pension Scheme:				
Contributions paid	862		431	
Additional contributions	58		34	
FRS 102 (28) charge	937		260	
Charge to the Statement of Comprehensive Income		1,857		725
Total Pension Cost for Year within staff costs		**2,790**		**1,314**

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Notes to the Accounts (continued)

18 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be assessed 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.

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £933k (2017: £589k).

Notes to the Accounts (continued)

18 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ("GMP") equalisation between men and women which is required as a result of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the Published (January 2018) outcome of the Government Consultation Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council Local Authority. The total contributions made for the year ended 31 July 2018 were £1,115k, of which employer's contributions totalled £862k and employees' contributions totalled £253k. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% 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.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.35%	3.65%
Future pensions increases	2.35%	2.70%
Discount rate	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.70%
Commutation of pensions to lump sums	50%	60%

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

	At 31 July 2018	At 31 July 2017
	years	years
Retiring today		
Males	22.3	22.2
Females	24.8	24.7
Retiring in 20 years		
Males	24.5	24.3
Females	27.1	27.0

Notes to the Accounts (continued)

18 Defined benefit obligations (continued)

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

	Fair Value	
	2018	2017
	£'000	£'000
Equities	14,587	7,641
Gilts	1,224	730
Other bonds	1,339	457
Property	2,043	1,136
Cash	780	362
Other assets	2,936	1,391
Total fair value of plan assets	**22,909**	**11,717**
Weighted average expected long term rate of return	**10.0%**	**9.0%**
Actual return on plan assets	**2,007**	**1,492**

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

	2018	2017
	£'000	£'000
Fair value of plan assets	22,909	11,717
Present value of plan liabilities	(31,531)	(17,624)
Net pensions liability	**(8,622)**	**(5,907)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,652	691
Past service cost	147	-
Total	**1,799**	**691**

Amounts included in interest and other finance costs		
Net interest income	284	78
Administrative costs	8	2
	292	**80**

Notes to the Accounts (continued)

18 Defined benefit obligations (continued)

Amount recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Adjustment to prior year	169	-
Return on pension plan assets	1,443	1,235
Other actuarial gains on assets	-	100
Experience losses arising on defined benefit obligations	-	(777)
Changes in assumptions underlying the present value of plan liabilities	2,038	(2,898)
Amount recognised in Other Comprehensive Income	**3,650**	**(2,340)**

Movement in net defined benefit liability during year

	2018 £'000	2017 £'000
Net defined benefit liability in scheme at 1 August	(5,907)	(3,227)
Movement in year:		
Current service cost	(1,799)	(691)
Employer contributions	862	431
Past service cost	-	-
Interest on the defined (liability)/asset	(284)	(78)
Administrative charges	(8)	(2)
Liability taken on with merger of Palmers College	(5,136)	-
Actuarial gain or loss	3,650	(2,340)
Net defined benefit liability at 31 July	**(8,622)**	**(5,907)**

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,624	12,883
Palmers Transfer in at start of period	14,119	-
Current service cost	1,652	691
Interest cost	848	335
Contributions by Scheme participants	253	164
Experience gains and losses on defined benefit obligations	-	777
Changes in financial/demographic assumptions	(2,038)	2,898
Estimated benefits paid	(1,074)	(124)
Past Service cost	147	-
Defined benefit obligations at end of period	**31,531**	**17,624**

Notes to the Accounts (continued)

18 Defined benefit obligations (continued)

	2018 £'000	2017 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	11,717	9,656
Palmers Transfer in at start of period	9,152	-
Interest on plan assets	564	257
Return on plan assets	1,443	1,235
Other actuarial gains	-	100
Administration expenses	(8)	(2)
Employer contributions	862	431
Contributions by Scheme participants	253	164
Estimated benefits paid	(1,074)	(124)
Fair value of plan assets at end of period	**22,909**	**11,717**

19 Business acquisition and mergers

Palmers College – 6th Form College

On 1st August 2017, Seevic College merged with Palmer's College. On that date, the Corporation of Palmer's College was dissolved and its Assets and Liabilities were transferred to the Corporation of Seevic College. There was no consideration given.

Accordingly, the College considers that this is a public benefit entity combination that is in substance a gift and, as such, it is accounted for using the acquisition method of accounting (in accordance with Section 34 of FRS102).

The following amounts are therefore recognised in the accounts for the year ended 31st July 2018:

	£'000
Tangible Fixed Assets	12,525
Total Fixed Assets	**12,525**
Trade and other receivables	185
Cash and cash equivalents	1,397
Total current assets	**1,582**
Creditors - amounts falling due within one year	(2,356)
Net Current Liabilities	**(774)**
Total assets less current liabilities	**11,751**
Creditors - amounts falling due after more than one year	(3,304)
Provisions	
Defined Benefit Obligations	(5,136)
Total Net Assets	**3,311**
Gain recognised in Statement of Comprehensive Income and Expenditure	**3,311**

Notes to the Accounts (continued)

20 Related party transactions

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

The total expenses paid to or on behalf of the governors during the year was £611; 1 governor (2017: £392; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending governor meetings and training events in their official capacity.

No governor has received any remuneration or waived payments from the College during the year (2018: None). The total value of gifts given to governors amounted to £nil (2017: none).

As a consequence of its representation on the Corporation, the William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 102 "Related Party Disclosures". The College occupies land and buildings at Chadwell Road, Grays (the Palmers Campus) under a 125 year lease held from the Trust. The Trust has charged a peppercorn rent for the College's occupancy in 2017/18. The College has paid maintenance and improvement costs connected with this site of £170k (2017: £129k paid by Palmer's college) without seeking reimbursement from the Trust. However, the Trust has provided financial support for students local to Grays and has contributed £100k towards Security Enhancements at the Palmers Campus. During the year, the college received £31k from William Palmers Trust towards various projects.

The lease was provided from 1st August 2017. Prior to that, Palmer's College occupied the site by informal agreement only.

21 Amounts disbursed as agent

Learner Support Funds	**2018**	**2017**
	£'000	**£'000**
Funding body grants – bursary support	337	259
Other Funding body grants – free school meals	94	62
	431	321
Disbursed to students	(380)	(299)
Administration costs	(20)	(10)
Balance unspent as at 31 July, included in creditors	**31**	**12**

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 are therefore excluded from the Statement of Comprehensive Income.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF USP COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 13 October 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by USP College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

Basis for conclusion

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

We are independent of the USP College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of USP College for regularity

The Corporation of USP College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of USP College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF USP COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY - continued

We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

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

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Date: 19 December 2018