City of Bristol College

Members' report and financial statements

For the year ended 31 July 2015

Members' report and financial statements

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Members' Report

Operating and Financial Review

Nature, objectives and strategies

The Members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

Financial highlights

The results for the year show a loss on continuing operations after depreciation of assets at valuation and before joint venture activity, tax and surplus on asset disposals of £10,039k *(2013/14: loss of £7,459k).* During the year, there was a nil loss on joint venture activity and a profit on disposal of fixed assets of £165k, producing a loss before tax of £9,874k *(2013/14: loss of £7,481k).* During the year there was a corporation tax charge of £46k (*2013/14: 102k).* At 31 July 2015 the College had cash balances of £1.7m *(2013/14: £2.3m)* and accumulated reserves (excluding the Pension Reserve) of £27.4m *(2013/14: £36.6m).*

Mission

The College's mission statement is as follows:

Creating lifetime opportunities through outstanding education and training

The College

City of Bristol College is a large further and higher education college situated in the heart of Bristol.

We offer a wide range of academic and vocational qualifications across Bristol, with more than 2,000 courses available from entry to degree level and we provide education and training to more than 20,000 learners.

Public Benefit

City of Bristol College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2014, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England.

The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 15.

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

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

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

Operating and Financial Review *(continued)*

Our Learners

14-19-year-olds: We are the main provider of post-16 education in Bristol with around 5,000 16-18 year old students following College-based or Apprenticeship programmes. We also link with several local schools to provide learning for 14 – 16 year olds.

Adults: Nearly 15,000 adults choose to study with us each year at one of our five main centres, at one of our local community partner venues or in their own workplace.

Apprentices: We are one of the largest further education providers of Apprenticeships in England with around 2,000 of our students aged 16-18 and 19+ studying for an Apprenticeship at the College.

Higher Education students: By working together with universities and awarding bodies, the College has made significant contributions to the delivery of higher education in Bristol. These include developing specialist courses for the region, and generally widening participation in higher education in the area.

International students: A range of courses are available for international students, including International English, A Levels, Access to Higher Education, university level courses, postgraduate diplomas and vocational courses.

Employers: Our employer-focused training helps businesses train and develop their workforce, helping bridge the gap between local jobs and local skills.

Our Staff

It's not only our students who benefit from the College's excellent training and development opportunities. Support is available for staff to reach their full potential. Over the last two years the College has invested in the College senior and middle managers through a focused leadership and management programme.

Our Centres

During 2014/15 the College had five main centres open across Bristol at; Ashley Down, College Green, Parkway/Advanced Engineering Centre, Soundwell and South Bristol Skills Academy, offering excellent facilities including purpose-built, well-equipped classrooms and workshops. The College undertook a full review of its site utilisation which showed usage is lower than sector averages. The College property strategy has been developed to ensure effective utilisation of the College's assets is achieved going forward. After taking due consideration of the demands of the market and the anticipated future needs of employers, the College identified the need to close the Soundwell centre at the end of July 2015 and relocate provision to other sites.

In addition, we have a wide range of community partners allowing us to offer courses in some 20 venues across the City.

Our Role in Bristol and the South West

The College contributes to the prosperity of the City and the wider region as the leading provider of high quality education, training and skills development. An independent study has shown that the College makes a significant contribution to the local economy. A recent review of post 16 provision in Bristol identified the College to be the main provider of good quality Level 1 and below programmes; which gives individuals the opportunity to re-engage with learning.

The City of Bristol College is the largest provider of learning and skills in the City and is increasingly building its provision and resources around the LEP priorities. The College is strategically aligning its estate in order to locate provision close to the established and emerging business and economic developments of the City region. This strategic direction is cognisant of the importance of creating accessible opportunities for the City's population to

Operating and Financial Review *(continued)*

progress from entry level learning through to higher education. The College works in close partnership with major and small employers, the community and higher education providers to ensure that the College provides a solid learning foundation of entry, level 1 and level 2 provision including ESOL and second chance opportunities for young people and adults to gain english and maths qualifications. The College's higher education provision is exclusively skills and work-based with strong links with industry.

Review of Investing in Learning Strategy 2012-2015

The College published a strategic plan for 2012-15, which linked to key priorities for quality, learning experience, property strategy and financial forecasts. The Corporation monitored performance against specific objectives in the Development Plan through key performance indicators that underpinned the strategic aims. Scrutiny was carried out by Committees of the Corporation, primarily; the Curriculum and Quality Committee; Finance and General Purposes Committee; Audit Committee and the Full Board. In addition, two Corporations sub-groups were established to meet regularly to monitor financial and quality recovery action plans which were chaired by Governors attended by the SFA and EFA representatives.

The review of the Investing in Learning Strategy set out in 2012, to improve the quality of teaching learning and assessment for all students, identified that the following targets have been met:

- Clearly defined roles and responsibilities for key staff
- Improved student experience
- Implementation of a new Management Information System
- One teacher and one assessor contract: bringing an end to zero hour contracts
- Corporate Services roles and responsibilities revised to support the new Management Information System
- Creation of local stakeholder groups, led by College Governors
- Creation of effective Centre Manager roles
- A review the College estate
- Development of key partnerships
- Moving the Ofsted inspection grade from "Inadequate" to "Requires Improvement". The College was re-inspected by Ofsted in May 2015 where all of the previous 'inadequate' grades from the February 2014 inspection were improved and the College received a 'good' grade for leadership and management.

Although there is still much to do, the past three years have laid the foundations for a college fit for purpose.

New Investing in Learning Strategic Plan 2015-18

The Corporation has approved and adopted a new Investing and Learning Strategic Plan for 2015-18; the key objectives and areas of focus are detailed below.

College Objective	Areas of Focus
Pursuing excellence in teaching and learning	• Create excellence in Teaching, Learning and Assessment practice • Develop teachers to become managers of learners • Ensure that English and Maths is at the core of the College's curriculum
Investing in learning through robust financial planning	• Provide a curriculum which meets employer's needs • Right size teaching groups • Align campuses to improved transport hubs
Harnessing technology and innovation to transform learning	• Equip staff with the skills needed to transform traditional practice through new technologies

	• Maximise the use of mobile devices for staff and students
Creating a self-evaluative, can-do culture	• Continue to work towards City of Bristol College as a good place to work and learn • Offer outstanding customer service • Work in partnership across the City of Bristol and South Gloucestershire to meet the needs of citizens

The detailed actions required for successfully delivering the key objectives in the Invest in Learning Strategic Plan have been identified in a College Action Plan which is underpinned by the Finance Recovery Action Plan (FRAP) and the Post Ofsted Improvement Action Plan for quality. The Corporation will monitor the performance against plan on a monthly basis through a suite of comprehensive key performance indicators. Additional scrutiny will be undertaken by Committees of the Corporation; primarily the Curriculum and Quality Committee, Business Services and FRAP, Audit and Full Board.

The adoption of the new Investing in Learning Strategic Plan for 2015-18 will be led by the newly appointed Chief Executive and Principal Lee Probert, who took up the post from 1 January 2016, having been Deputy Chief Executive with the Hull College Group and holding a number of senior posts within the Strategic Leadership Team since 2009.

Lee has served as a Director for the Learning and Skills Council national office in Coventry; the Executive Director of the 157 Group; an independent Governor of the University of Worcester; Chair of the Board of Directors of Sirius Academy and is a member of the Teachers' Pension Scheme Pension Board.

Locally, Lee serves on the West of England Local Enterprise Partnership (LEP) Skills Agenda Group; Bristol's Learning City Partnership Board; Trust in Learning Board of Directors; Western Principals Group; Association of Colleges (AoC) Principals' & Chairs' Group and is a member of the South West CBI Council.

The performance against the College Action Plan and the FRAP will be externally scrutinised by the Funding Bodies and the FE Commissioner on a monthly basis through formal Case Conference meetings; attended by the Chair of Corporation, the Principal and Finance Director.

Operating and Financial Review *(continued)*

Financial objectives

In 2014 the Corporation approved a 3 year financial plan, detailed in the College's Financial Recovery Action Plan (FRAP). The main focus of the FRAP was to rebalance the College's financial position and return to a surplus position in 2014/15, by ensuring that income plans are reasonable and achievable and not built upon aspirational growth. In addition the cost base was reduced to a sustainable level, which has a level of flexibility built in to respond to any in-year fluctuations in income.

In the previous year the College had made substantial savings in staff costs through the reshaping of corporate services and curriculum support functions. In addition to introducing new teaching and assessing contracts from 1 September 2014 which would assist in driving up staff utilisation and implementation of more efficient delivery models through effective management.

The success of the financial turnaround plan was reliant upon the College securing a cash advance or loan of £7.4m in March 2015, as financial support from external lending was not an option. The FRAP assumed that all cash advances from the SFA would be repaid in full by August 2015, if the sale proceeds from the sale of the Lawrence Weston site was realised.

It became apparent in January 2015 that the financial position of the College was deteriorating due to a number of factors:

- Recruitment in the autumn term for 16-18 students at the end of October 2014 was 400 lower than anticipated.
- The recruitment of HE students was 60 below plan.
- Income is lower than anticipated mainly from the impact of poor recruitment numbers for adults, apprentices (16-18 and adult) and commercial activity against plan. The underperformance of the adult budget was below contract and will be clawed back from January 2016 by the SFA.
- The implementation of the new teaching and assessing contracts in 2013/14 gave management the ability to address the required skills mix and realign the staffing establishment required to deliver the curriculum plans. The first phase of right sizing the curriculum delivery teams was planned for September 2014 as part of a Learning Review. The timing of Phase 1 of the Learning Review to drive up staff utilisation levels in year and realign skills mix has had a significant impact on the financial forecast with none of the planned savings achieved in year.
- The College has continued to incur exceptional costs for managing historical issues of poor student experience from previous years and intervention work, to lift awarding body sanctions which are now close to resolution.
- Additional expenditure to be included for Phase 2 redundancy of the Learning Review to align pay costs to income for 2015/16 and to cover staff redundancy costs from the termination of the national contract with the Ministry of Justice (MoJ).

The College developed a new 5 year financial plan and detailed FRAP to ensure financial stability going forward. It includes comprehensive medium/longer term financial plans driven by the property strategy and a detailed cashflow to demonstrate the affordability and timings of the repayments of the SFA exceptional financial support. The new financial plans have undergone two external financial reviews, a Financial Prospect Appraisal (FPA) by an FE Advisor and an Independent Business Review (IBR) by KPMG. The outcomes of both reviews have been received by the College in the form of verbal feedback of the report and recommendations made by the FE Advisor and the IBR report from KPMG.

The findings of both the reviews acknowledge that, a comprehensive recovery plan has been developed which incorporates the rightsizing of the College. The plan is based on a reduction in the number of sites and substantial staff savings to realign resources to the projected income levels going forward. This is set out in the FRAP and is supported by a wider College Action Plan.

Operating and Financial Review *(continued)*

The financial turnaround of the College is reliant on:

- Achieving the forecasted income levels;
- Successfully reducing staff costs. The College has already implemented two large restructures in the last year with an extensive £9.7m annualised staff reduction in Summer 2015 and a further £1.5m annualised reduction in the College Leadership Team in December 2015;
- Reducing the operating expenses to forecasted levels;
- Realising capital receipts through the disposal of assets.

It is recognised that in order for the College to increase the pace of change a financial investment is required in the short term to re-base staffing budgets, consolidate the curriculum delivery from September 2015 and rationalise the number of College sites. The College has approval in principle from the Minister for Skills, via the SFA for additional £5.2m Exceptional Financial Support ("EFS"); to be released upon need between December 2015 and April 2016. The total value of £11.5m of EFS is to be converted into a BIS loan upon completion of a inter credit agreement with Barclays Bank and BIS that is currently being re-negotiated at a national level.

The College has developed a fully integrated 5 year financial base model which includes the potential asset sales. The proposed repayment profile of the BIS loan takes into consideration the affordability of supporting the repayments through cash generation from normal operational activities (£1m per year from 2016/17) and providing balloon repayments as and when the College realises the potential £7.5m in asset sales.

The College has a 25 year fixed term loan to be repaid by 2035. The conditions of the loan include a bank covenant, that is tested the College's quarterly financial performance against the FRAP. The College was in breach of one of the covenant tests at the end of January and April 2015, due to the deficit position and was forecasting another breach at 31st July 2015. Barclays agreed to issue a waiver letter for the two breaches to date and to 'not test' any covenants at 31 July 2015, on condition that Governors approve to secure the loan on part of the College estate; that is detailed in the longer term property strategy.

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 which sets out the objectives of treasury management to:-

- provide a means by which the College can meet its commitments;
- ensure that sufficient sums are available at short or no notice to meet foreseeable requirements; and
- earn an acceptable rate of return on surplus funds without undue risk.

Cash flows

In the year ended 31 July 2015 net cash inflow was £2,085k (2013/14 cash outflow £1,727k)

Operating and Financial Review *(continued)*

Curriculum developments

The curriculum offering of the College is under constant review and changes are made to meet the needs of learners and employers. Curriculum design has been a focus of attention particularly in relation to meeting the needs of employers and providing routes to employment. The College has been developing new frameworks both for Apprenticeships and Higher Apprenticeships. The latter is part of a joint initiative with other colleges in the West of England Local Enterprise Partnership area. There has also been a radical change to the curriculum for adults at Foundation level focusing on very short courses for the unemployed and routes into employment. The College continues to focus on the development of its provision to meet LEP and locally agreed priorities such as ESOL, high needs learners, care leavers and english and maths improvement.

The data table below shows the increasing volume of further education provision driven by the LEP priorities in the College. This is without the inclusion of a number of related technical occupational areas such as computing and vocational science.

FE and Apprentice Leavers (%) by LEP Priorities
FE enrolments exclude Excluding Functional Skills, Basic maths / english, GCSE, A/AS level, Access, Non Regulated, ESOL, QCF Units

Subject Sector Tier 2 - LEP (Bristol) Priority		**11/12**	**12/13**	**13/14**	**14/15**	**15/16***
4.1	Engineering	5%	5%	4%	4%	4%
5.2	Building and Construction	4%	3%	6%	6%	6%
9.2	Crafts, Creative Arts and Design	2%	2%	3%	4%	6%
9.3	Media and Communication	2%	2%	1%	2%	3%
15.1	Accounting and Finance	3%	3%	3%	4%	6%
Grand Total		**16%**	**15%**	**17%**	**20%**	**25%**

** Not a full year*

The College has undertaken the significant task of raising english and maths standards of its student intake through GCSE retakes and first attempts.

GCSE English
- 74% increase in enrolment between 13/14 and 14/15 compared with 45% increase against other Colleges
- Improved in-year retention profile compared to 13/14, and higher than other Colleges
- 2% higher achievement in 14/15 compared to other Colleges

GCSE Maths
- 133% increase in enrolment between 13/14 and 14/15 compared with 62% increase against other Colleges
- Higher in-year retention profile for 14/15 compared to other Colleges
- 6% higher achievement in 14/15 compared to other Colleges

MIDES ILR return (which 190 GFE Colleges participate in)

The College has a growing ESOL provision. The 2015/16 figures are in-year and will further increase.

ESOL Volumes (%) of enrolments

	11/12	**12/13**	**13/14**	**14/15**	**15/16***
Leavers	5%	7%	11%	13%	11%

** Not a full year*

Operating and Financial Review *(continued)*

Transparency arrangements

The Corporation has adopted the FE Code of Governance and assesses that it is fully compliant with the provisions of the Code.

The Corporation conducts its business through the following committees: Audit; Curriculum and Quality; Business Services and FRAP (formerly known as Finance and General Purposes); Remuneration; HE and Search and Governance. Each committee has terms of reference which have been approved by the full Corporation.

Full minutes of all meetings (except Remuneration Committee and Confidential Minutes) are available on the College website and from the Clerk to the Corporation at:

City of Bristol College
College Green Centre
St Georges Road
Bristol BS1 5UA

or by post at: PO Box 2887, Bristol, BS2 2BB

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.

Subsidiary Companies

The College has three subsidiary companies.

Any surpluses generated by these subsidiary companies are transferred to the College under Gift Aid.

Name	Nature of business	Surplus / (Deficit) for year after Gift Aid
Partners In Business (West) Limited	Education & Training	£14,845
SBLN Limited	Vocational training and computer related activity	(£651)
South West Apprenticeship Company Limited	Apprenticeship training agency	(£51,951)

Staff and student involvement

The College considers good communication with its staff to be very important and to this end the Principal sends a regular bulletin to all staff and delivers 'Time to Talk' sessions which are for all staff and takes place across each of the centres regularly. These are face-to-face meetings where the Principal gives a short presentation followed by an opportunity for staff to ask questions. The College encourages active staff and student involvement through membership of formal committees.

Taxation

The majority of the College's activities are not chargeable to corporation tax.

Resources

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

Tangible resources used during the year include, College owned sites at Ashley Down, College Green, Parkway, Soundwell and South Bristol Skills Academy.

Operating and Financial Review *(continued)*

Financial

The group has £29.4m of net assets (including a £19.9m pension liability) with long term debt of £12.75m.

Reputation

The College continues to have a good reputation locally despite the grading from the Ofsted inspection. Maintaining a quality brand is essential for the College's success at attracting students and maintaining external relationships.

Principal risks and uncertainties

The College continues to develop and embed internal controls that include; financial, operational and risk management.

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

A risk register is maintained at the College level which is reviewed by the Audit Committee. The register identifies the key risks, the likelihood of them occurring, their potential impact on the College and the actions being taken for them to be reduced and mitigated. Risks are prioritised using a consistent scoring system.

The principle risk factors that affect the College are:

Quality

The College is aware that although its success data has turned a corner and is improving it still remains below national averages in too many areas.

Overall (all ages/duration) excluding functional skills

- Timely success (77.4%) maintained similar levels of success as previous year (77.4%). There was also very similar performance for retention (-0.5%) and achievement (-0.2%) as previous year.
- Long success (74.2%) increased by +2.4%, this was primarily as a result of increased retention of students (+2.3%), although achievement did increase (albeit only +0.4%).
- Both 16-18 (+2.6%) and Adult (+2.2%) learner's long term success increased in a similar direction to the College trend and was also as a result of increased retention (+2.1% for 16-18 and +2.8% for Adults).
- Short courses on the other hand had a greater variance. There was a significant drop in short course enrolment numbers for 16-18 learners (-54%), however, the success rate increased (+9.1%). This was due to an increase in achievement (+9.3%).
- Adult short course enrolments also decreased (-42%) and success decreased (-2.7%) as a result of reduced retention (-2.1%).

Summary: retention improved for long qualifications for all age groups and also improved for 16-18 year olds on short courses but declined for 19+ leaners on short courses; achievement for 16-18 year olds improved on both long and short courses (significantly so on short courses); <1% achievement decline for 19+ learners on long and short courses.

Operating and Financial Review *(continued)*

Functional skills

- Functional skills (all levels, ages, and durations) increased success by +9.5% from previous year, although success is still low at 55.4%. This is primarily to do with achievement of students (+9.2%) across all levels.
- All levels increased from last year. Entry level achieved the highest success (74%) and this was an increase of +3.5% from last year. Level 2 had the highest increase from last year (+20.4%).
- Long functional skills courses showed an increased success (+10.6%) compared with the increase (+0.5%) for short courses.
- Both 16-18 learners (+9.4%) and adult learners (+8.8%) increased success. Adult learners (58.2%) still achieved higher than 16-18 (54.2%)

Higher education

- Success rates are extremely high and significantly exceed higher education norms
- National Student Survey is above national average and places the College in the top 3 providers in the South West
- The College received a positive QAA (Quality Assurance Agency) review of its higher education provision in December, which confirmed that it met UK standards and good practice was identified in relation to working with employers.

Risk is closely monitored by the Executive, senior managers and the Curriculum and Quality Committee and is further mitigated through:

- A College improvement plan which has been implemented focusing on a retention strategy (achievement has improved)
- Interventions into underperforming areas
- The use of external experts such as senior standards officers from awarding bodies and Ofsted inspectors
- Introduction of performance software to standardise and make visible assessment and progress of learners
- Trend analysis is being carried out to focus on potential weaknesses and achieve impact in key areas.
- Regular data and performance meetings with managers using new performance tools and reports
- The introduction of improvement coaches to work with weaker teachers and assessors
- Focused professional development activities
- Strengthened governance with higher levels skills in HR, teaching and learning, higher education, finance and audit
- The recent appointment of dedicated quality managers to funding streams

Finance

The College has acknowledged the need to break the cycle and undertake financial planning on a base model to re-stabilise the financial position. The next stages for the College will be:

- To further develop the curriculum offer and identify areas to support the growth strategy, accelerate the identified property sales and develop the e-learning strategy.
- To develop alternative curriculum delivery models that lead to enhanced learning opportunities for all; whilst achieving financial efficiencies.
- To learn from best practice within the sector that successfully utilises alternative staffing contracts which will enhance the levels of support and the progress learners make.
- To create a structure that provides capacity to deliver the growth plans and focus on developing strategic partnerships to support the delivery of the plans and progression opportunities.
- The curriculum offer for employers and the adult market needs to be flexible and responsive to meet the needs of Bristol.

Operating and Financial Review *(continued)*

Current economic conditions

The current economic conditions have created a highly volatile market resulting in uncertainty for the College; in particular, Government Policy towards the eligibility of funding for learners, who are either unemployed or at risk of redundancy. The risk to the College is that changes to rules on eligibility are not activated quickly enough to enable the needs of these learners to be met. There is a further risk to the College that individuals will not be able to afford the fees.

The College is continuing to be proactive, working with the funding bodies to influence rapid response to redress the impact of the recession.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's web site.

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

Disability statement

The College has implemented an Equality Framework which aims to reduce disadvantages, discrimination and inequalities of opportunity, and which promotes diversity in terms of its learners, workforce, the community and partners as well as in the services it delivers. As part of this the College recognises its legal responsibilities set out in the Equality Act 2010.

The College wants disabled people learning, working and visiting City of Bristol College to be enabled to participate fully by: -

- Removing barriers and changing attitudes that prevent disabled people from getting access to education, employment and services provided by the College and its partners.
- Promoting Disability Equality at all levels within the College.
- Working together with disabled people, organisations of disabled people and disability access groups to achieve equality of opportunity.
- Involving disabled people including our disabled employees and students on employment matters and the services we provide.
- Training its own employees, so they are aware of and have the skills to take positive action in removing barriers placed in the way of disabled people by society.
- Creating a culture where harassment and discrimination against disabled people is unacceptable and will be stopped, should it occur.
- Creating a culture where both learners and employees feel able to declare their disability so that accurate information is available to help us look at such things, reasonable adjustments, priority areas and targets for improvement.
- Act as an example of good practice to other organisations.
- Utilising our Single Equalities Scheme and Action Plan to cover all Faculties, Units and activities within the College.

Operating and Financial Review *(continued)*

Operating and Financial Review *(continued)*

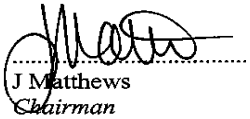
The College aims to remove any identified barriers to obtaining its services and will seek to ensure that the services provided are those that are required.

Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Members' report approval

Approved by order of the members of the Corporation on 17 February 2016 and signed on its behalf by:



J Matthews
Chairman

Professional advisers

Financial statements auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham, B4 6GH
Internal auditors:	RSM Risk Assurance Services LLP Hartwell House 55 – 61 Victoria Street Bristol, BS1 6AD
Bankers:	National Westminster Bank plc 32 Corn Street Bristol BS99 7UG
	Barclays Bank plc Bristol and North Somerset Group PO Box 207 Bristol BS99 7AJ
	Lloyds TSB Canons House Canons Way Bristol, BS99 7LB
Solicitors:	Burges Salmon Narrow Quay House Prince Street Bristol BS1 4AH
	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE
	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL

Statement of Corporate Governance and Internal Control

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2011.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Mr I Bassett	1 August 2014	4 years		Member	Member: Business Services and FRAP; Remuneration
Mr TW Bray	1 August 2012	4 years		Member	Member: Business Services and FRAP; Remuneration
Ms E J Burnell	10 December 2014	4 Years		Member	Member: Main Board
Ms R Campbell	13 December 2012	4 years		Member	Member: Curriculum & Quality
Mr G Channon	1 August 2014	4 years		Member	Member: Curriculum & Quality, Search & Governance and HE Board
Mr P Gaywood (Staff Governor)	13 December 2013	4 years		Member	
Mr R Gaunt	1 November 2012 19 March 2015 (change of category)	4 years		Member	Chair: Audit
Mrs H Goddard	20 October 2011	4 years	09/04/15	Member	Member: Business Services and FRAP; Remuneration
Ms P Grigg	1 August 2014	4 years	18/12/15	Member	Chair: Business Services and FRAP (from 11 Dec 2014); Remuneration
Ms I Purnell (Student Governor)	1 October 2014	1 Year	30/07/15	Member	Member: Curriculum and Quality
Ms J Matthews	13 December 2012	4 years		Member	Chair of the Corporation from 10 December 2014 Curriculum & Quality, Member: Search & Governance, Member of Remuneration; Member of Business Services and FRAP
Ms S Meadows	13 December 2012	4 years		Member	Vice Chair of the Corporation, Curriculum and Quality Committee
Ms L Merilion	3 September 2012		30/11/15	Principal	Member: Business Services and FRAP; Curriculum & Quality and Search & Governance

Statement of Corporate Governance and Internal Control *(continued)*

The Corporation (continued)

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Ms V Moon	1 August 2014	4 years		Member	Member: Audit
Mr B Price	14 December 2012	4 years		Member	Member: Business Services and FRAP
Mr J Scaife (Co-opted)	1 August 2005				Co-opted: Audit
Mr R Shiner	13 December 2012	4 years	02/10/15	Member	Member: Audit and HE Board
Ms H Styles (Staff Governor)	1 January 2014	4 years		Member	Member: Curriculum and Quality
Ms M Berry (Student Governor)	9 December 2015	1 year		Member	Member: Curriculum and Quality
Ms S Eves (Student Governor)	21 October 2015	1 year		Member	Member: Curriculum and Quality
Ms L Anderson	21 October 2015	1 year		Member	Member: Curriculum and Quality
Mr L Menzies (Co-opted)	21 October 2015				Co-opted: Business Services and FRAP
Mr A Riddington (Co-opted)	21 October 2015				Co-opted: Business Services and FRAP
Mr L Probert	1 January 2016			Principal	Member: Business Services and FRAP; Curriculum & Quality and Search & Governance

Mrs C Gledhill acted as the Clerk to the Corporation during 2014/15 with Mr S Davies taking over the role from 22 June 2015.

The following persons acted as directors of the College's wholly owned subsidiaries Partners in Business (West) Limited and SBLN Limited: L Merilion (Principal)

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Company Limited (SWAC): L Merilion (Principal), S Bradley (Director of Finance), C Vertigen (SWAC Operations Director) and Ms M Semak (Vice Principal, Corporate Services).

The following persons acted as directors of the companies in which the College has membership:

Trust in Learning Limited - L Merilion (Principal).

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

Statement of Corporate Governance and Internal Control *(continued)*

The Corporation (continued)

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 & safety and environmental issues. The Corporation meets at least once a term. The Corporation attendance percentage for 2014-15 was 80%.

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 also provided on an ad-hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee which comprises of four members and one co-opted member and is responsible for the selection and nomination of any new non-elected 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.

Remuneration Committee

Throughout the year ending 31 July 2015 the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post holders and the Clerk.

Details of remuneration for the year ended 31 July 2015 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Principal, the Chair and members of the Finance and General Purposes Committee) and one co-opted member is a Chartered Accountant with significant audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least once each term and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of

Statement of Corporate Governance and Internal Control *(continued)*

Audit Committee (continued)

College management. The Committee also receives and considers reports from the SFA and other funding bodies, as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness.

The Corporation has delegated 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 the post holder is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the SFA and other funding bodies. The post holder is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City of Bristol College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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; and
- Clearly defined capital investment control guidelines.

Statement of Corporate Governance and Internal Control *(continued)*

The risk and control framework (continued)

The adoption of formal project management disciplines, where appropriate.

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

As a minimum, the Head of Internal Audit (HIA) annually 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. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the Executive and Senior Leadership Team within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors and regularity auditors in their management letter and other reports.

The Principal has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditors and the College's Risk Register, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive and Senior Leadership receives regular reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded across the college and reinforced by risk awareness training. The Executive, members of the Senior Leadership Team (as appropriate) and Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive and the Audit Committee.

Significant control weaknesses were identified specifically in relation to the following:

- The College's budgeting and financial monitoring processes
- HR/Payroll controls on starters and leavers
- Monitoring and Management of Data Quality and the Funding Position

The Corporation acknowledges these issues, and that management has been requested to actively take urgent steps to enhance the College's systems and control environment in this regard.

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 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control *(continued)*

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

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

We confirm on behalf of the Corporation that ***to the best of its knowledge,*** the Corporation believes it is able to identify any material irregularity or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

Going Concern

As a result of operating deficits incurred in the financial years 2012/13 to 2014/15 the College has sought Exceptional Financial Support ("EFS") from the Skills Funding Agency. These monies were received and as at 31 July 2015 the total EFS stood at £6,449,000. This amount is included in creditors due within one year.

Further EFS of £5m will be required in 2015/16. This has already been scheduled with the Skills Funding Agency, to enable the College to honour its financial obligations and settle all debts as they fall due.

With the above detailed EFS from the Skills Funding Agency and the continued support of the College's bankers, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is further detailed within Note 1 to the financial statements (pages 30-31). For this reason they continue to adopt the going concern basis in preparing the financial statements. However, as set out in Note 1, the current facts indicate there is a material uncertainty that may cast significant doubt on the College's ability to continue as a going concern.

Approved by order of the members of the Corporation on 17 February 2016 and signed on its behalf by:

J Matthews
Chairman

L Probert
Principal & Chief Executive

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Approved by order of the members of the Corporation on 17 February 2016 and signed on its behalf by:

.....
J Matthews
Chairman

Independent auditor's report to the Corporation of City of Bristol College

We have audited the Group and College financial statements ("the financial statements") of City of Bristol College for the year ended 31 July 2015 set out on pages 25 to 56. The financial reporting framework that has been applied in their preparation is applicable law and UK Generally Accepted Accounting Practice.

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

Respective Responsibilities of the Corporation of City of Bristol College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 20, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which are not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's and College's ability to continue as a going concern. The Group made a deficit of £9,920,000 in the year to 31 July 2015 and had net current liabilities of £15,171,000 at that date. The Group and College are reliant on the support of the Skills Funding Agency for Exceptional Financial Support and its bankers for continued provision of existing loan facilities. These conditions, along with the other matters explained in the Statement of Accounting Policies, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and College were unable to continue as a going concern.

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

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

.....
Michael Rowley
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 29 February 2016

Reporting Accountant's Report on Regularity to the Corporation of City of Bristol College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 1 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by City of Bristol College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of City of Bristol College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

.....
Michael Rowley
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 29 February 2016

Consolidated income and expenditure account

for the year ended 31 July 2015

	Note	**2015**	2014
		£'000	£'000
Income			
Funding body grants	*2*	33,517	36,967
Tuition fees and education contracts	*3*	10,297	11,007
Research grants and contracts	*4*	84	82
Other income	5	3,815	3,875
Investment income	*6*	15	26
Total income		47,728	51,957
Expenditure			
Staff costs	*7*	35,258	37,376
Exceptional restructuring costs	*7*	2,938	1,597
Other operating expenses	*9*	14,194	14,640
Depreciation	*13*	4,441	4,813
Interest and other finance costs	*10*	936	990
Total expenditure		57,767	59,416
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		(10,039)	(7,459)
Profit/(Loss) on disposal of assets		165	(22)
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(9,874)	(7,481)
Taxation	*11*	(46)	(102)
Deficit on continuing operations after depreciation of assets at valuation and tax		(9,920)	(7,583)

Statement of consolidated total recognised gains and losses
for the year ended 31 July 2015

	Note	**2015**	2014
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(9,920)	(7,583)
Actuarial (loss)/gain in respect of pension scheme	*22*	(3,786)	1,608
Total recognised losses since the last period		(13,706)	(5,975)

	2015	2014
	£'000	£'000
Reconciliation		
Opening reserves and endowments	25,897	31,872
Total recognised losses for the year	(13,706)	(5,975)
Closing reserves	12,191	25,897

Statement of consolidated historical cost surpluses and deficits
for the year ended 31 July 2015

	Note	**2015**	2014
		£'000	£'000
Deficit on continuing operations before taxation		(9,875)	(7,481)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*21*	125	125
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued disposals	*21*	152	-
Historical deficit for the year before taxation		(9,598)	(7,356)
Taxation		(46)	(102)
Historical cost deficit for the year after taxation		(9,644)	(7,458)

Consolidated balance sheet

as at 31 July 2015

	Note	**2015 £'000**	2014 £'000
Fixed assets			
Tangible assets	*13*	77,505	80,689
Current assets			
Land and buildings for sale		457	610
Stock		81	105
Debtors	*15*	2,936	3,384
Cash at bank and in hand		1,659	2,259
		5,133	6,358
Creditors: Amounts falling due within one year	*16*	(20,304)	(13,615)
Net current liabilities		(15,171)	(7,257)
Total assets less current liabilities		62,334	73,432
Creditors: Amounts falling due after more than one year	*17*	(12,750)	(13,430)
Provisions for liabilities and charges	*19*	(254)	(250)
Net assets excluding pension liability		49,330	59,752
Net pension liability	*23*	(19,929)	(15,793)
Net assets including pension liability		29,401	43,959
Deferred capital grants	*20*	17,210	18,062
Reserves			
Income and expenditure account excluding pension reserve	*22*	27,352	36,645
Pension reserve	*22*	(19,929)	(15,793)
Income and expenditure account including pension reserve		7,423	20,852
Revaluation reserve	*21*	4,768	5,045
TOTAL FUNDS		29,401	43,959

The financial statements on pages 25 to 56 were approved by the Corporation on 17 February 2016 and were signed on its behalf by:

.....
J Matthews
Chair

.....
L Probert
Principal & Chief Executive

College balance sheet

as at 31 July 2015

	Note	**2015 £'000**	2014 £'000
Fixed assets			
Tangible assets	*13*	77,502	80,681
Current assets			
Land and buildings for sale		457	610
Stock		82	105
Debtors	*15*	3,107	3,525
Cash at bank and in hand		1,642	2,230
		5,288	6,470
Creditors: Amounts falling due within one year	*16*	(20,224)	(13,524)
Net current liabilities		(14,936)	(7,054)
Total assets less current liabilities		62,566	73,627
Creditors: Amounts falling due after more than one year	*17*	(12,750)	(13,430)
Provisions for liabilities and charges	*19*	(254)	(250)
Net assets excluding pension liability		49,562	59,947
Net pension liability	*23*	(19,929)	(15,793)
Net assets including pension liability		29,633	44,154
Deferred capital grants	*20*	17,210	18,062
Reserves			
Income and expenditure account excluding pension reserve	*22*	27,584	36,840
Pension reserve	*22*	(19,929)	(15,793)
Income and expenditure account including pension reserve		7,655	21,047
Revaluation reserve	*21*	4,768	5,045
TOTAL FUNDS		29,633	44,154

The financial statements on pages 25 to 56 were approved by the Corporation on 17 February 2016 and were signed on its behalf by:

J Matthews
Chair

L Probert
Principal & Chief Executive

Consolidated cash flow statement
for the year ended 31 July 2015

	Note	**2015** **£'000**	2014 £'000
Cash inflow/(outflow) from operating activities	*24*	2,085	(1,727)
Returns on investments and servicing of finance	*26*	(921)	(964)
Capital expenditure and financial investment	*26*	(1,084)	(891)
Financing outflow	26	(680)	(680)
Decrease in cash	*25*	(600)	(4,262)

Reconciliation of net cash flow to movement in net funds/debt
for the year ended 31 July 2015

	2015 **£'000**	2014 £'000
Decrease in cash in the period	(600)	(4,262)
Cash outflow from repayments of amounts borrowed	680	680
Movement in net funds in period	80	(3,582)
Net funds at 1 August	(11,851)	(8,269)
Net funds at 31 July	(11,771)	(11,851)

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the 2014/15 Accounts Direction.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The financial statements have been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out below. The group made a deficit of £9,920,000 in the year to 31 July 2015 and had net current liabilities of £15,171,000 at that date.

The College continues to be monitored by the Further Education (FE) Commissioner under the intervention process, as set out in 'Rigour and Responsiveness in Skills (April 13)'. In January 2015 the FE Commissioner reviewed the progress against the College's financial turnaround plan and noted a deterioration in the financial position which put extreme pressure on the College's cash balances going forward.

In response to the above, the College has developed a revised Financial Recovery Action Plan (FRAP) to ensure the College is financially stable going forward. The revised FRAP recognises that a radical approach is necessary to increase the speed of recovery to provide a longer term solution and the financial stability of the organisation. Therefore a more comprehensive medium/long term financial plan has been developed that is primarily driven by a rationalisation of the College estate.

As set out in more detail in the Operating and Financial Review the financial plan is based upon a base model and shows that the College returns to an operating cash generating position from 2016/17 onwards. A significant investment is required in the short term to rebase the pay budgets from 2015/16 onwards. The cash positions for 2015/16 and 2016/17 include the capital investment required to relocate curriculum provision from two vacating sites, Soundwell site in July 2015 and Brunel House at Ashley Down in July 2016. The total value of the capital programme is £2m.

The FRAP shows a requirement for further Exceptional Financial Support ("EFS") of £5m from the SFA to support the College's cashflow between December 2015 through to March 2016. This is required to fund the redundancy payments of the December 2015 restructuring exercise and the reduced SFA recurrent grant payments in that period (which have been reduced in order to pay the clawback of the 2014/15 adult single budget underperformance). The additional £5m of support will take the total EFS to a forecasted peak of £11.5m in March 2016. It will then be repaid in stages by July 2020.

The FE Commissioner undertook a Financial Prospect Appraisal in June 2015 and reported that the successful delivery of the FRAP was challenging but that the College could repay the balance of the EFS within a 5 year period mainly through capital asset receipts. The College is in the process of disposing of 3 properties (Soundwell, Brunel House and Lawrence Weston) with the proceeds expected to be realised by April 2017 and then used to repay part of the EFS. The remaining debt will then be repaid from operating cashflows.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Going concern *(continued)*

The College has a 25 year fixed term loan with Barclays Bank, in respect of which the College breached its loan covenants at 31 July 2015 but obtained a written waiver from the bank prior to that date. Further waivers were obtained after the year end and the College has now renegotiated the covenants with the bank in return for the bank taking security over three of the College's sites (College Green, SBSA and Parkway). These covenants will be monitored against the achievement of the FRAP until July 2017, after which it is intended they will revert to their original facility monitoring levels.

It is recognised there is uncertainty around the timing of the property sales, which are required to repay EFS as agreed with SFA and the ability of the College to achieve the budgeted increase in income and cost savings in line with their projections which are required to be achieved to meet the SFA requirements and avoid a covenant breach with the bank. The SFA is fully aware of the position of the College and is kept informed of the College's cash flow and revised financial projections on a monthly basis.

On the basis of the above, the Corporation considers that the Group and College will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment and therefore the Corporation believes that it is appropriate to prepare the financial statements on a going concern basis.

However the facts above indicate there is a material uncertainty that may cast significant doubt on the Group's and College's ability to continue as a going concern. The Group and College may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

Recognition of income

The recurrent grant from the Skills Funding Agency and Education Funding Agency is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the Skills Funding Agency and Education Funding Agency 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Recognition of income *(continued)*

Other discrete Skills Funding Agency and Education Funding Agency grants received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency and Education Funding Agency.

Non-recurrent grants from the Skills Funding Agency and Education Funding Agency or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.
All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

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

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

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

Further details of the pension schemes are given in note 23.

Enhanced Pensions

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Tangible fixed assets:

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years and for the major adaptions to buildings, over the remaining period of their useful life.

Leasehold buildings are depreciated over the period of the lease.

Building refurbishments are depreciated over 10 years.

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

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

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

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

Subsequent expenditure on existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

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 2015. They are not depreciated until they are brought into use.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority has been fully depreciated. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its economic useful life as follows:

Inherited equipment and motor vehicles	-	25% per annum
Computer equipment	-	33.3% per annum
General equipment	-	20% per annum

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

Maintenance of premises

The College has a 10 year planned maintenance programme which is reviewed on an annual basis. The cost of routine planned maintenance expenditure is charged to the income and expenditure account in the period it is incurred. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Leased assets

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

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

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Capitalisation of finance cost

Finance costs directly associated with capital work are capitalised along with other construction costs during the construction phase of fixed assets. Capitalisation of such financing costs will cease when substantially all the activities that are necessary to get the tangible fixed asset ready for use are complete.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Current asset investments are stated at the lower of their original cost and net realisable value.

Notes *(continued)*

Stocks

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

Foreign currency translation

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

Taxation

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

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

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

Deferred taxation

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

Liquid resources

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

Provisions

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

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of learner support funds and adult learning grants. Related income received from the main funding body and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 31), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Notes *(continued)*

2 Funding body grants

	SFA &EFA £'000	HEFCE £'000	TOTAL 2015 £'000	2014 £'000
Recurrent grant	28,016	-	28,016	30,264
Adjustment to funding relating to previous year	-	-	-	(30)
Work based learning	4,087	-	4,087	5,289
Adjustment to funding relating to previous year	-	-	-	44
Releases of deferred capital grants				
Land & buildings (note 20)	685	-	685	540
Equipment (note 20)	90	48	138	125
ESF EUL	236	-	236	250
Other funds	117	-	117	168
Widening participation	-	238	238	317
	33,231	286	33,517	36,967

*The College is the lead partner in a consortium to deliver the Regional Growth Fund in the South West region. The income shown above represents that earned by the College in its capacity both as a provider and as the consortium lead. All other income claimed from the main funding body and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	2015 £'000	2014 £'000
Regional Growth Fund		
Payments to FE College partners	26	122
Net income	26	122

Notes *(continued)*

3 Tuition fees and education contracts

	2015	2014
	£'000	£'000
Tuition fees and charges		
UK higher education students	3,695	3,931
European Union (EU) and United Kingdom	5,613	5,653
Non EU students	64	418
	9,372	10,002
Education contracts		
Local Education Authority	738	787
Higher Education (HE) income	-	115
Other income	187	103
	925	1,005
	10,297	11,007

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £nil (2014 £nil).

4 Research grants and contracts

	2015	2014
	£'000	£'000
Releases from deferred capital grants (non main funding bodies)	84	78
Other grants and contracts	-	4
	84	82

Notes *(continued)*

5 Other income

	2015	2014
	£'000	£'000
Residences, catering and conferences	152	131
Other income generating activities	563	541
Exam fees	138	223
Sale of materials	64	179
Student travel	427	416
Project income	584	430
Overage	208	482
Regional Growth Fund income	-	25
Apprenticeship Training Agency income	1,154	1,064
Other income	525	384
	3,815	3,875

The College has sold land and buildings as part of its accommodation strategy, specifically with respect to the Ashley Down site. The sale and purchase agreement allows for further consideration ('overage') in favour of College should the acquiring developers exceed their current forecast of new houses sold.

During the year the College received £208k of overage consideration *(2014: £482k)*

6 Investment income

	2015	2014
	£'000	£'000
Bank interest receivable	15	26

7 Staff numbers and costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2015	2014
	Number	Number
Teaching departments		
Teaching staff	542	547
Other	140	150
Teaching support services	142	148
Other support services	73	71
Administration and central services	91	117
Premises	40	40
Other	15	12
	1,043	1,085

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

Notes *(continued)*

7 Staff numbers and costs *(continued)*

Staff costs for the above persons were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	28,675	30,558
Social security costs	1,830	1,909
Other pension costs (including FRS 17 adjustments of £321,000; 2014 £434,000)	3,786	3,947
Payroll sub total	34,291	36,414
Contracted out services	967	962
Exceptional restructuring costs	2,938	1,597
	38,196	38,973

The number of staff, including senior post-holders and the Principal, who received annual emoluments in the following ranges was:

	Year ended 31 July 2015		Year ended 31 July 2014	
	Number of senior post-holders	**Number of other staff**	Number of senior post-holders	Number of other staff
£40,001 to £50,000	1	-	-	-
£60,001 to £70,000	-	12	1	9
£80,001 to £90,000	1	2	-	-
£90,001 to £100,000	-	-	2	-
£110,001 to £120,000	1	-	1	-
£170,001 to £180,000	1	-	1	-
	4	14	5	9

Notes *(continued)*

8 Emoluments of senior post holders and members

Senior post holders are defined as the Principal (or chief executive), the Clerk and holders of other senior posts whom the board have selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Board of Governors.

	2015 Number	2014 Number
The number of senior post-holders including the Principal was	**7**	7

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

	2015 £'000	2014 £'000
Salaries	630	646
Benefits in kind	-	-
Pension contributions	83	94
	713	740

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

	2015 £'000	2014 £'000
Salaries	170	170
Benefits in kind	-	-
Pension contributions	24	24
	194	194

Compensation for loss of office paid to former senior post-holders

	2015 £'000	2014 £'000
Compensation paid and payable	-	222
Estimated value of other benefits, including provision for pension benefits	**-**	-
	-	222

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17.
The severance payments were approved by the College's remuneration committee.

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

Notes *(continued)*

9 Other operating expenses

	2015	2014
	£'000	£'000
Teaching departments	2,102	2,533
Teaching support services	890	779
Other support services	728	700
Administration and central services	1,330	1,281
General education (Examinations and marketing)	2,747	2,738
Premises costs - running costs	2,115	1,957
- maintenance	533	465
- rents and leases	216	314
Planned maintenance	163	127
Other income generating activities	459	457
Catering and residence operations	243	230
Franchised provision	2,228	2,768
Other expenses	441	291
	14,194	14,640
Other operating expenses include:		
Operating leases (buildings & equipment)	323	357
Auditors remuneration:		
Financial statements audit *	71	37
Internal audit	32	15
Other services	109	40

* - includes £70,800 in respect of the College *(2014: £25,050.)*

10 Interest payable

	2015	2014
	£'000	£'000
On bank loans and overdrafts:	905	850
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	-	-
On other loans:	2	2
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	-	-
On finance leases		
Pension finance costs	29	138
	936	990

Notes *(continued)*

11 Taxation

Analysis of tax charge:

	2015	2014
	£'000	£'000
United Kingdom corporation tax at 22% *(2013/14: 23%)*	46	102

12 Deficit on continuing operations for the year

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

	2015	2014
	£'000	£'000
College's deficit for the year	(9,882)	(7,568)
Retained by subsidiary undertakings	(38)	(15)
	(9,920)	(7,583)

Notes *(continued)*

13 Tangible fixed assets

The College carries inherited assets at a net book value of £4,767,865 *(2014: £5,045,090).* The assets were valued on incorporation and not updated since. The historic cost of inherited assets is £nil.

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

Group	**Land and Buildings**				
	Land and buildings leasehold	**Land and Buildings freehold**	**Equipment**	**Assets in the course of construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 August 2014	12,979	97,957	15,287	231	126,454
Additions	-	317	692	348	1,357
Transfers	-	181	50	(231)	-
Disposals	-	(954)	(58)	-	(1,012)
At 31 July 2015	12,979	97,501	15,971	348	126,799
Accumulated depreciation					
At 1 August 2014	3,561	28,660	13,544	-	45,765
Charge for the Year	259	3,197	985	-	4,441
Eliminated in respect of disposals	-	(906)	(6)	-	(912)
At 31 July 2015	3,820	30,951	14,523	-	49,294
Net book value					
At 31 July 2015	9,159	66,550	1,448	348	77,505
At 31 July 2014	9,418	69,297	1,743	231	80,689

Notes *(continued)*

13 Tangible fixed assets *(continued)*

Inherited land and buildings were valued at incorporation at depreciated replacement cost by a firm of independent chartered surveyors as at 25 July 1997. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a replacement basis with the assistance of independent professional advice.

If inherited land and building had not been valued, they would have been included at £nil Net Book Value.

Land and buildings with a net book value of £17,209,006 *(2014: £17,853,609)* have been partly financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, the terms of the financial memorandum with the Skills Funding Agency, to surrender the proceeds.

College

	Land and buildings				
	Land and buildings leasehold	**Land and buildings freehold**	**Equipment**	**Assets in the course of construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 August 2014	12,979	97,957	15,270	231	126,437
Additions	-	317	692	348	1,357
Transfer	-	181	50	(231)	-
Disposals	-	(954)	(58)	-	(1,012)
At 31 July 2015	12,979	97,501	15,954	348	126,782
Depreciation					
At 1 August 2014	3,561	28,660	13,535	-	45,756
Charge for year	259	3,197	980	-	4,436
Eliminated in respect of disposals	-	(906)	(6)	-	(912)
At 31 July 2015	3,820	30,951	14,509	-	49,280
Net book value					
At 31 July 2015	9,159	66,550	1,445	348	77,502
At 31 July 2014	9,418	69,297	1,735	231	80,681

Notes *(continued)*

14 Investments

	2015	2014
	£'000	£'000
Investment in subsidiary companies	3	3

The College owns 100% of the issued ordinary shares of South West Apprenticeship College Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity of South West Apprenticeship College Limited is the provision of apprenticeship training.

The College owns 100% of the issued ordinary shares of Partners in Business (West) Limited (formerly HRD Limited) and SBLN Limited. Both companies are incorporated in Great Britain and registered in England and Wales. The principal business activity of Partners in Business (West) Limited is the supply of educational goods and services which are taxable supplies and SBLN Limited is dormant.

15 Debtors

	2015		2014	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	729	637	773	719
Amounts owed by subsidiary undertakings	-	511	-	206
Other debtors	662	500	522	527
Prepayments and accrued income	1,215	1,129	1,949	1,933
Amounts owed by the Skills Funding Agency/EFA	330	330	140	140
	2,936	3,107	3,384	3,525

16 Creditors: Amounts falling due within one year

	2015		2014	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts	680	680	680	680
Payments received on account	509	456	381	381
Trade creditors	1,553	1,549	930	927
Corporation tax	46	46	107	107
Other taxation and social security	1,127	1,116	671	662
Accruals	5,500	5,488	3,431	3,405
Amounts due to funding bodies	9,963	9,963	6,838	6,837
Other creditors	926	926	577	525
	20,304	20,224	13,615	13,524

Notes *(continued)*

17 Creditors: Amounts falling due after more than one year

	2015		2014	
	Group £'000	**College £'000**	Group £'000	College £'000
Bank loans	12,750	12,750	13,430	13,430
	12,750	12,750	13,430	13,430

18 Analysis of borrowings

Bank loans and overdrafts

	2015		2014	
	Group £'000	**College £'000**	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	680	680	680	680
Between one and two years	680	680	680	680
Between two and five years	2,040	2,040	2,040	2,040
In five years or more	10,030	10,030	10,710	10,710
	13,430	13,430	14,110	14,110

A 25 year commercial loan of £17 million was taken in 2010, repayable in instalments by 2035. The rate on this loan is 6.565%.

19 Provisions for liabilities and charges

Group and College

	Enhanced pension provision £'000
At 1 August 2014	250
Expenditure in the period	(18)
Transferred from income and expenditure account	22
At 31 July 2015	254

Notes *(continued)*

20 Deferred capital grants

Group and College

	WIP	Other	Main funding bodies	**Total**
	£'000	**£'000**	**£'000**	**£'000**
As at 1 August 2014	-	271	17,791	18,062
Cash receivable	55	-	-	55
Transfer	(38)	-	38	-
Released to income and expenditure account	-	(84)	(823)	(907)
As at 31 July 2015	17	187	**17,006**	**17,210**

21 Revaluation reserve

Group and College

	2015	2014
	£'000	£'000
At 1 August 2014	5,045	5,170
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(125)	(125)
Depreciation on disposal of revalued assets	(152)	-
At 31 July 2015	4,768	5,045

22 Movement on general reserves

	Group	**College**
	£'000	**£'000**
At 1 August 2014	20,852	21,047
Deficit on continuing operations after depreciation of assets at valuation and tax	(9,920)	(9,883)
Transfer from revaluation reserve to income and expenditure account	152	152
Depreciation on revalued assets	125	125
Actuarial loss in respect of pension scheme	(3,786)	(3,786)
At 31 July 2015	7,423	7,655

Balance represented by

	Group	**College**
	£'000	**£'000**
Income and expenditure account excluding pension reserve	27,352	27,584
Pension reserve	(19,929)	(19,929)
At 31 July 2015	7,423	7,655

Notes *(continued)*

23 Pensions and similar obligations

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2015, by the Teachers' Pension Scheme Regulations 2015. 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.

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.

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 2015. The valuation report was published by the Department for Education (the Department) on 9 June 2015. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- 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 will be applied to future valuations

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

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

https://www.teacherspensions.co.uk/news/employers/2015/06/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

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

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 2015 and the reformed scheme will commence on 1 April 2015.

The Proposed Final Agreement can be found at:
http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The pension costs paid to TPS in the year amounted to £3,308,598 (2014: £3,212,000).

FRS 17
Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.
Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2015 was £2,034,568 *(2014: £2,114,331)* of which employers contributions totalled £1,492,946 *(2014: £1,515,001)* and employees contributions totalled £599,370 *(2014: £685,386).* The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2014 updated to 31st July 2015 by a qualified independent actuary.

	2015	**2014**
Inflation assumption (CPI)	2.2%	2.3%
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensions	2.2%	2.3%
Discount rate for liabilities	3.8%	4.3%

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.
The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS):

Total pension cost for the year	**2015 £000**	2014 £000
Teachers' Pension Scheme: contributions paid	1,984	1,993
Local Government Pension Scheme:		
Contributions paid	1,493	1,515
FRS 17 charge	321	434
Charge to the Income and Expenditure Account (staff costs)	3,798	3,942
Enhanced pension charge to Income and Expenditure Account (staff costs)	22	20
Total Pension Cost	3,820	3,962

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

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 2015	At 31 July 2014
Retiring today		
Males	23.4	23.3
Females	25.9	25.8
Retiring in 20 years		
Males	25.8	25.7
Females	28.8	28.7

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

	Long term rate of return Expected at 31 July 2015	**Value at 31 July 2015**	Long term rate of return expected at 31 July 2014	Value at 31 July 2014
Equities	6.5%	30,123	7.0%	26,857
Bonds	2.5%	4,876	3.2%	4,330
Other bonds	3.6%	6,122	4.1%	5,011
Property	6.1%	4,388	6.2%	3,795
Cash	0.5%	1,192	0.5%	1,703
Other	6.5%	7,477	7.0%	6,958
Total market value of assets		54,178		48,654
Present value of scheme liabilities				
Unfunded		(39)		(38)
Funded		(74,107)		(64,447)
Deficit in the scheme		(19,929)		(15,793)

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	(1,797)	(1,919)
Past service cost	(338)	(312)
Total operating charge	(2,135)	(2,231)

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Analysis of pension finance income/(costs)

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	2,761	2,663
Interest on pension scheme liabilities	(2,790)	(2,801)
Pension finance costs	(29)	(138)

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

	2015	2014
	£'000	£'000
Actuarial (losses)/gains on pension scheme assets	(5,686)	19
Actuarial gains on scheme liabilities	1,900	1,589
Actuarial (loss)/gain recognised in STRGL	(3,786)	1,608

Movement in deficit during year

	2015	2014
	£'000	£'000
Deficit in scheme at beginning of year	(15,793)	(16,829)
Movement in year:		
Current service charge	(1,797)	(1,919)
Contributions	1,814	1,797
Past service costs	(338)	(312)
Net interest/return on assets	(29)	(138)
Actuarial (loss)/gain	(3,786)	1,608
Deficit in scheme at end of year	(19,929)	(15,793)

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	64,447	61,610
Service cost	1,797	1,919
Interest cost	2,790	2,801
Employee contributions	545	599
Actuarial loss/(gain)	5,686	(1,589)
Benefits paid	(1,496)	(1,205)
Curtailments and settlements	338	312
Liabilities at end of period	74,107	64,447
Reconciliation of Assets		
Assets at start of period	48,654	44,781
Expected return on assets	2,761	2,663
Actuarial gain	1,900	19
Employer contributions	1,814	1,797
Employee contributions	545	599
Benefits paid	(1,496)	(1,205)
Assets at end of period	54,178	48,654

The estimated value of employer contributions for the year ended 31st July 2016 is £1,672,000.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £476,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

History of experience gains or losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	(1,900)	4,379	(1,168)	53	2,557
Experience gains and losses on scheme liabilities					
Amount £'000	(5,686)	1,163	2,124	(265)	2,755
Total amounts recognised in statement of total recognised gains and losses					
Amount £'000	(3,786)	(3,216)	3,292	(318)	198

24 Reconciliation of operating deficit to net cash inflow/(outflow) from operating activities

	2015	2014
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(9,920)	(7,583)
Depreciation (note 13)	4,441	4,813
Deferred capital grants released to income (notes 2, 4 and 20)	(907)	(742)
(Profit)/Loss on disposal of tangible fixed assets	(165)	22
Interest receivable (note 6)	(15)	(26)
Interest payable (note 10)	936	990
Pension cost less contributions payable (note 23)	343	454
Decrease/(increase) in stocks	24	(41)
Decrease/(increase) in debtors	448	(338)
Increase in creditors	6,897	722
Increase in provisions	4	2
Net cash inflow/(outflow) from operating activities	2,085	(1,727)

Notes *(continued)*

25 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	**At 31 July 2015 £'000**
Cash at bank and in hand	2,259	(600)	1,659
Debts due after 1 year	(13,430)	680	(12,750)
Debts due within 1 year	(680)	-	(680)
Total	(11,851)	80	(11,771)

26 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	15	26
Interest paid	(936)	(990)
Net cash outflow from returns on investments and servicing of finance	(921)	(964)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,140)	(945)
Sales of tangible fixed assets	-	21
Deferred capital grants received	56	33
Net cash outflow for capital expenditure and financial investment	(1,084)	(891)
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	(680)	(680)
Net cash outflow from financing	(680)	(680)

Notes *(continued)*

27 Capital commitments

	2015		2014	
	Group £'000	**College £'000**	Group £'000	College £'000
Commitments contracted for at 31 July	-	-	-	-
Commitments authorised by not contracted for at 31 July	143	143	51	51

28 Financial commitments

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

	2015		2014	
	Land and buildings £'000	**Equipment £'000**	Land and buildings £'000	Equipment £'000
Expiring within one year	40	13	15	-
Expiring between two and five years inclusive	26	14	51	20
Expiring in over five years	-	-	-	-
	66	27	66	20

29 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 organisations in which a member of the Board of Governors may have an interest 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 £1,000; 5 governors (2014: £1,900; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

No other transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the Skills Funding Agency/EFA and HEFCE are detailed in notes 2, 15, 16 and 20.

Notes *(continued)*

30 Post balance sheet events

There are no post balance sheet events.

31 Amounts Disbursed as Agent

Learner support funds

Access Funds	**2015**	2014
	£'000	£'000
Funding body grants – hardship support	2,182	2,106
Disbursed to students	(2,021)	(1,984)
Administration costs	(84)	(91)
Balance unspent at 31 July, included in creditors	77	31
Interest earned	-	5

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

The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.