CITY of BRISTOL COLLEGE

City of Bristol College

Members' report and financial statements

For the year ended 31 July 2019

Professional advisers

Financial statements auditor:	KPMG LLP 66 Queen Square, Bristol, BS1 4BE
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 One Glass Wharf Bristol BS2 0ZX
	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG

Members' report and financial statements

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Members' Report

Operating and Financial Review

The College has had a successful year. It has continued to improve the quality of its delivery and student results (with 2018/19 being the fourth successive year of increase for overall Achievement Rates, as detailed in page 8 and 9 of this report) and it has had its final notice of concern issued by the Education and Skills Funding Agency lifted. Such improvements were also highlighted in the positive visit to the College from the FE Commissioner's team during July. In addition, having secured improvement of its Ofsted grade in May 2017, City of Bristol has been inspected under the new Ofsted framework in November 2019: although the judgement of overall effectiveness remained as 'requires improvement' the report noted 'good' provision in several areas and gave a clear acknowledgement of our continuing improvement and progress. The College appointed a new Principal and Chief Executive, Andy Forbes, in November 2019.

Financial highlights

The College delivered a sector-specific EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) of £2.5m, increased from £2.4m in 2017/18. As a percentage of turnover this compares favourably with sector benchmarks. The EBITDA translates to a group operating deficit of £1,389k in 2018/19 (2017/18: £499k deficit). £1.4m of this related to the annual FRS102 pension charge which is not a cash cost. The underlying trading position is cash generative showing cash generated from operations of £760k (2017/18: £84k) which includes the negative cash impact of £1.3m of items relating to under-performance in 2017/18, when City of Bristol did not meet its Adult Education Budget allocation received from the Education and Skills Funding Agency (ESFA).

Due to this under-performance in 2017/18, the College was in technical breach of the debt service measure included in its covenants on both the Barclays Bank loan and the Government (ESFA) loan as at 31 July 2019. Since that date, a formal waiver has been issued by ESFA and a Reservation of Rights and accompanying Letter of Comfort has been issued by Barclays Bank. These give assurance that, whilst acknowledging the breach, the lenders do not intend to recall the loans and will continue to work alongside the College to monitor and secure ongoing improvements in financial sustainability and success. In addition, the College financial plan confirms debt service covenant compliance for 2019/20. Despite this, due to the breach in year, both of the loans have been reclassified as due in less than one year, giving the balance sheet an overall position of net current liabilities. Had the loans not been reclassified as due in less than one year, the College Balance Sheet would show a position as outlined below:

Balance Sheet (£'000)	**31-Jul-19**	**31-Jul-19 Loans due in < 1 year**	**31-Jul-18**
Fixed Assets	67,421	67,421	68,724
Current Assets	5,704	5,704	8,041
Creditors due within one year:			
Loans	(1,624)	(18,715)	(1,575)
Other	(5,855)	(5,855)	(7,528)
	(7,479)	(24,570)	(9,103)
Net Current liabilities	(1,775)	(18,866)	(1,062)
Creditors due after one year:			
Loans	(17,091)	-	(18,764)
Other	(15,931)	(15,931)	(16,406)
	(33,022)	(15,931)	(35,170)
Provisions	(38,053)	(38,053)	(23,853)
Net Assets	**(5,429)**	**(5,429)**	**8,639**

Operating and Financial Review *(continued)*

Due to the reclassification of bank loans, the financial out-turn would automatically be graded as "inadequate" by the indicators employed by the ESFA monitoring regime. The College has however self-assessed as "requires improvement" (previously called "satisfactory"), which would be the grade if the loans were not classified as due in less than one year. This is consistent with the "satisfactory" received in 2017/18. As noted, financial plans confirm covenant compliance in 2019/20, and the College continues to operate on a Going Concern basis.

Underlying financial sustainability continues to improve and in 2018/19 the College made the sale of land surplus to requirements at Hartcliffe to Bristol Council which increased net assets by £1.2m. The College will enjoy additional financial returns once this land is sold onto developers in 2019/20. In turn this will facilitate a strengthening of the Balance Sheet through investment in new assets and a replenishing of cash reserves, with the College's financial plan set to deliver a "good" financial health rating from ESFA in 2019/20.

Financial Performance 2018/19

In order to compare total operating out-turn with cash-generating trading, a table is presented below. This shows the relationship between Total Deficit for the year and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which is not shown separately on the Statement of Comprehensive Income, but provides a useful measure of underlying cash-based trading.

			2019	2018
			£'000	**£'000**
Total deficit for the year			(1,389)	(499)
Eliminate	Taxation	(note 11)	-	7
	Gains on sale of assets		(920)	(181)
	Depreciation and amortisation	(note 13)	3,060	3,028
	Interest	(note 10)	1,542	1,544
	EBITDA		**2,293**	**3,899**
Eliminate	Grant releases		(711)	(2,100)
Add Back:	FRS102 pension charge		871	644
	Sector EBITDA		**2,453**	**2,443**

Operating and Financial Review *(continued)*

The grant of £711k represents grant receipts released to income spread over the life of the assets for which the grants were made. £1.4m of this total in 2017/18 represents the early release of the remaining part of unused grant, which was originally made to the College on the purchase of Soundwell, released on its sale.

Sector EBITDA has increased from £2.4m in 2017/18 to £2.5m in 2018/19, and the College has improved its cash generation from operating activities despite the negative cash impact of £1.3m in 2018/19 which related to under-performance in 2017/18. Cash balances at year end were £2.8m (2018 £6m), and have fallen due to planned debt repayments and the significant investment in capital for the first time in a number of years.

The investment in capital was possible due to the substantial debt restructure in July 2018, which has significantly improved the College's short and medium term financial position. Investment in the year has included the new Advanced Construction Skills Centre based at the College's Hengrove site, which is due to open in September 2021 as well as improved equipment and facilities across the College sites.

As a result of the impact of 2017/18 under-performance on operating cash generation in 2018/19, the College was in breach of its debt service covenants on both the Barclays Bank loan and the Government loan as at 31 July 2019. A formal waiver from ESFA, and a Reservation of Rights and accompanying Letter of Comfort from Barclays in respect of these breaches have been obtained at the date of signing of these financial statements. Since these were not received until after the balance sheet date, both of the loans have been classified as due in less than one year in the 2018/19 financial statements, although neither loan has been recalled by the lenders. The College financial plan confirms covenant compliance in 2019/20

Total comprehensive deficit income for the year is £14.1m (2018 £7.9m surplus), reflecting actuarial losses in the LGPS pension scheme in excess of £12.6m (2018 £8.4m surplus). The net LGPS pension liability as at July 2019 has increased by £14.2m primarily as a result of the decrease in the long term discount rate used to calculate the overall value.

The College's wider operating environment remains highly competitive, with new entrants to the educational market and strong alternative providers operating in the wider Bristol region. This being the case, the increase in EBITDA and ability to invest represented by these results will prove important in securing increased market share for the future.

Financial Objectives

In July 2019, the College submitted a new three year financial plan to the Education and Skills Funding Agency. The Agency assesses financial health of organisations by the scoring of three key metrics: adjusted current ratio; EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) as % of income and borrowing as % of income. The plan auto-score for the year to July 2019 was good and represents a continued improvement from 2018/19.

		2020	**2021**
Ratios			
1	Adjusted current ratio	0.97	1.09
2	EBITDA as a % of income - education specific	10.71%	11.51%
3	Borrowing as a % of income	43.65%	39.06%
Calculation of grade			
4	Adjusted current ratio	40	50
5	EBITDA as a % of income - education specific	100	100
6	Borrowing as a % of income	40	50
7	**Total points**	**180**	**200**
8	**Financial health grade (automated)**	**Good**	**Good**

Operating and Financial Review *(continued)*

In addition to the ESFA financial health assessment, the College has set a full range of quality and financial KPIs, encompassing short-term and long-term targets which are delivered by the Financial Plan. This full suite of KPIs is monitored by the College and Governors.

KPI	Short-Term Target	Long-Term Target
Operating Surplus EBITDA	2.64% income 11.16% income	2% income 12% income
Salary costs % of income	65% of income	65% of income
Cash days in hand	60	60
Adjusted current ratio	1.0	1.2
Reliance on Agency Income	70%	65%
Financial Health Score	Requires improvement	Good

The College ensures budgets are set and delivered to return an operating surplus and positive net cash inflows each year, delivering a trading surplus for the last 3 years. Despite 2018/19 annual surplus being below budget, the College increased its revenue income base in 2018/19, and is on track to improve from ESFA 'Inadequate' in 2015/16 to ESFA 'Good' in the space of five years, as shown below.

Ratios (EFSA Key Performance Indicators)

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20 Budget**	**2020/21 Plan**
Op surplus as % income	1.3%	1.5%	2.3%	-1.8%	2.3%	3.0%
Staff costs as % income	68.0%	66.9%	66.8%	70.3%	67.0%	66.3%
Borrowing as % income	15.0%	58.0%	56.6%	51.9%	43.7%	39.1%
Cash days in hand	64	21	62	29	17	31
Adjusted current ratio	1.00	0.30	1.10	0.97	0.97	1.09
Financial health	**Inadequate**	**RI**	**RI**	**RI**	**Good**	**Good**

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.

Operating and Financial Review *(continued)*

Cash flows

In the year ended 31 July 2019 net cash outflow was £3,297k (2017/18 cash inflow £1,684k) which includes £1.3m of cash outflow for items relating to the prior financial year. The College has had capital cash outflows of £1.6m which represents the first major investment in College assets in recent years. The College also made debt repayments of £2.5m following the loan restructure in July 2018.

The College continues to monitor its cash flow on a regular basis to ensure that commitments are met and that ongoing financial sustainability is maintained.

The College

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

It offers a wide range of academic and vocational qualifications across Bristol, with more than 1,000 courses available from entry to degree level and provides education and training to over 14,000 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 Department of Education as Principal Regulator for all Further Education Corporations in England.

The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 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:

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

College Centres

The College operates four main centres in Bristol at; Ashley Down, College Green, Parkway/Advanced Engineering Centre and South Bristol Skills Academy, offering excellent facilities including purpose-built, well-equipped classrooms and workshops.

Investment in New Facilities

During the year final grant payments were received from the West of England Local Enterprise Partnership in respect of the Advanced Engineering Centre. This centre, which opened in October 2017, was designed in partnership with the LEP and provides opportunities for training in specialist engineering skills such as composite technologies and CAD design which are increasingly required by employers as an essential component of qualification for modern industry practice.

In 2018/19 the College was also successful in its application to the West of England Combined Authority to create a new £9m construction centre in the South of Bristol which would greatly enhance the geographical range and breadth of the College's offer in both traditional and civil construction training, with the support of local employers. Planning permission has been granted and construction is expected to commence in early 2020 in readiness for completion in April 2021 ahead of the first intake of students in September 2021.

Operating and Financial Review *(continued)*

The College also completed several other projects over the summer period from our capital investment programme as part of curriculum planning. The relocation of our hair, beauty and make up to College Green was completed in readiness for opening in September 2019. This included six new salons and a new entrance to the salons from St George's Road.

Similarly, relocation of our Special Educational Needs sensory group, moved to Ashley Down and was completed and opened for September 2019. This project also included expansion of our internship programme for catering and will feature, later in the year a small café provision as part of the student learning and engagement.

We also saw Travel and Tourism relocate to SBSA, upgrading these facilities with training equipment and a new reception. And our welding workshops at Parkway were upgraded with increased capacity and ensuring we meet new legislation requirements around fume extraction.

Staff

The College employs in the region of 850 well-qualified staff. Following several years of staffing restructure undertaken to re-base costs, staffing was stable in 2018/19 and no significant staffing changes were made. The College has invested in a non-pay benefits package and continues to seek new ways to reward and incentivise staff. It invests in a ring-fenced staff development budget, recognising that staff are its most valuable resources.

Learners

14-19 year-olds: The College is the main provider of post-16 education in Bristol with 3,500 16-18 year old students following College-based or Apprenticeship programmes. The College also links with several local schools to provide learning for 14 – 16 year olds.

Adults: Just over 10,500 adults choose to study with the College each year at one of our four main centres, at one of its local community partner venues or in their own workplace.

Apprentices: The College is a large provider of Apprenticeships with around 1,100 of its 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. There were some 500 students studying on higher education courses with the College in 2018-19.

Employers: The College is in the process of renewing its employer engagement strategy to ensure that all sizes of employers have input into curriculum design and delivery of new programmes. The College works with 1,150 employers in the region and is in many subject sectors the largest provider of work-based training.

Regulatory Activity

The College's final Notice of Concern (financial health) was lifted in April 2019 and represents the end point of all regulatory intervention which was formally in place for the organisation.

Operating and Financial Review *(continued)*

Curriculum developments

During 2017/18, the College commenced a comprehensive review of its current curriculum offer in order to align it more fully with market demand and national curriculum reform. The key aim of this exercise was to improve responsiveness to local training requirements and to ensure that its resources were targeted in areas which were likely to match with the local employment market. The review sought to offer simple routes through from Level 1 to Level 6 courses and offer integrated pathways for vocational, academic and higher education. This has culminated in a redesigned offer for 2018/19, with further reform planned for 2019/20 in preparation for the introduction of T Levels and new collaboration routes for higher education and degree apprenticeships. The College also continues to develop its Level 2, Level 1 and Entry Level offer to improve progression routes and increase participation and achievement at these levels. In response, there are increased application and enrolment numbers for these areas.

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 (formerly known as Finance and General Purposes); Remuneration; 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 upon request from the Clerk to the Corporation at:

Clerk to the Corporation
City of Bristol College
College Green Centre
St Georges Road
Bristol BS1 5UA

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.

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.

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	Trading status
Partners In Business (West) Limited	Education & Training	Trading
SBLN Limited	Vocational training and computer related activity	Dormant
South West Apprenticeship Company Limited	Apprenticeship Training Agency	Trading

Operating and Financial Review *(continued)*

Staff and student involvement

The College considers good communication with its staff to be very important. In addition to existing staff bulletins from the Principal and regular updates across campus, a new full Staff Voice forum has now been launched, which gives the opportunity for representatives of staff from all areas to raise items for discussion and suggest areas for improvement and development.

The College operates a full Student Union in order to engage students more fully with the management of the College. This, together with the Student Voice group, are prime sources of student influence in the operation of the organisation.

Taxation

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

Financial

The group has £32.6m of net assets (excluding the £37.9m pension liability) with long term bank debt of £10.7m and government debt of £8m.

Reputation

The College's reputation continues to improve, as recognised in its recent Ofsted inspection and strengthening results in all major areas. In addition, the College's provision for students with additional support needs is held in high regard by stakeholders.

Principal risks and uncertainties

Based on the strategic plan, the Strategic Leadership Team undertakes a comprehensive review of the key risks to which the College is exposed as part of its Accountability Framework. The Framework identifies 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 monthly reviews evaluate their effectiveness and progress against risk mitigation actions.

An Accountability Framework is therefore generated by the Strategic Leadership Team and maintained at the College level which is reviewed by the Audit Committee. The framework 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 and a "Risk Owner" is identified. The risks are reviewed at relevant committees of governors, and by managers, on an ongoing basis and any movement in the impact assessment (positive or negative) is recorded.

The principal risk factors identified in the Accountability Framework during 2018/19 that affected the College were failure to:

- secure ongoing and improved quality, standards and outcomes resulting in poorer life chances for students;
- engage with appropriately and implement curriculum reforms resulting in our inability to deliver our mission and purpose;
- develop a contextualised HE offer resulting in loss of HE provision;
- attract new and progress current students to meet recruitment targets for 16-18, higher education, adults, apprenticeships and full cost recovery courses;
- effectively manage the College's costs and revenues results in serious financial weakness, financial covenant breach and/or a deterioration of the College's financial health;

Operating and Financial Review *(continued)*

- develop a relevant estates infrastructure and strategy results in an inability to invest in the College's future;
- ensure staff are sufficiently engaged in order to achieve the college's strategic goals;
- execute College strategy resulting in regulatory breaches with: ESFA (Notices of Concern); FE Commissioner (intervention); OfS (withdrawal of registration); Ofsted (Inadequate inspection outcome).

Quality

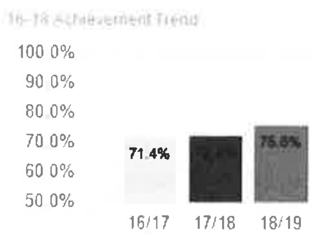
The College has made improvement to all aspects of provision since the January 2016 Ofsted inspection where the college was judged to be 'inadequate'. In May 2017 the College was re-inspected and secured a 'requires improvement' judgement across all lines of enquiry – Leadership and Management; Teaching Learning and Assessment; Personal Development, Behaviour and Welfare; and Outcomes for Learners.

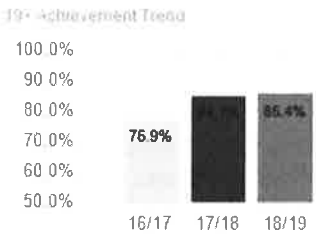
The November 2018 Ofsted monitoring visit highlighted the effective arrangements to improve standards of teaching, learning assessment; the high standards set by leaders and managers; and continued improvements to the use of data to target interventions.

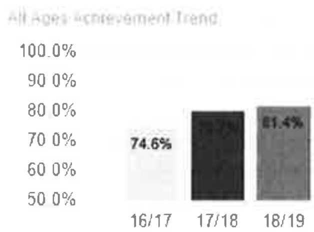
In November 2019 a further inspection was carried out by Ofsted; which, whilst retaining the same overall grade, recognised that leaders and managers at the College are continuing to improve the quality of the curriculum.

The College maintains a strong focus on performance, achieving year on year improvements in student outcomes since 2016 with overall Achievement Rates increasing from 71.6% to 81.4% in four years. Provisional invalidated 2018/19 performance is shown below.

Headline classroom based achievement:







Headline apprenticeship achievement:

Headline apprenticeship Achievement Rate

2016/17		2017/18		2018/19		
Overall Leavers	Overall AR	Overall Leavers	Overall AR	Overall Leavers	Overall AR	National Rate
822	52.7	602	59.6	461	66.6	68.7

Timely apprenticeship Achievement Rate

2016/17		2017/18		2018/19		
Leavers	Timely AR	Leavers	Timely AR	Leavers	Timely AR	National Rate
716	43.6	516	53.5	446	58.1	59.6

Operating and Financial Review *(continued)*

In terms of ongoing quality improvement, the emerging themes in the College's 2018/19 Quality Improvement Plan are:

- Improve progress and achievement of students on 16-19 study programmes, adults on classroom based learning programmes, and apprentices, including equalities groups;
- Improve student and apprentice progression to further learning, employment, or training and employment, particularly from level 2 to 3, and level 3 to HE;
- Improve standards of teaching, learning and assessment so that they are consistently good across all provision types;
- Further improve the development of employability skills and behaviours for students on 16-19 study programmes particularly at level 2 and below;
- Work collaboratively to support rapid improvements to performance in Business, Construction, Engineering and Academic Studies departments.

Monitoring of the cross-college QIP indicates that progress continues to be made against most measures, and actions are yielding sustained impact on delivering improvements to in-year success measures, and particularly the headline FE classroom based retention rate, which at 92.4% remains just above national rates for the first time in at least 4 consecutive years.

Other notable recent achievements include the award of Matrix accreditation for the whole college and the start of the implementation of our new careers strategy. Minimum standards notification for our applied general level 3 qualifications was lifted in March following publication of our improved value added scores for 2017-18.
The quality of apprenticeship provision is improving steadily but more slowly, as a result of the length of a large number of apprenticeship frameworks that span over a 4 year period, thus historical poor performance still affecting current year forecast achievement rates.

The implementation of the revised teaching, learning and assessment (formerly observation policy) has been generally well received by managers and staff, stimulating more engagement and focus on student progress in developing skills, knowledge and employability behaviours over time, and less attention to performing a "textbook" lesson for an observer. Priority areas for continued improvement include enhancing practice in assessment for learning and effective target setting with students and apprentices. A separate report and evaluation is provided for scrutiny.

Department managers continue to try to address the challenges of providing high quality work experience for students on study programmes. Further work is required to achieve greater profile and response to student voice activities for classroom based and work based FE learners.

The College's Higher Education QIP has been designed in line with the cross-college QIP to ensure consistency of approach across the HE teams. As with the cross-College QIP, it highlights overarching themes that require collaborative actions to secure improvement and supports the development of a draft HE strategy 2019-2022. Improving engagement with HE students remains a key priority to support continuous improvement. The response rate to the National Student Survey has increased to 90.4%, an increase from 63% in 2017-18. The HE teams continue to focus on ensuring improvement to student attendance, retention and achievement, and ensuring every student is supported to complete their programme in preparation for the final award boards. The College's HE provision is currently rated as TEF Silver.

Operating and Financial Review *(continued)*

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, and annual report against the public sector equality duty, 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.

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.

Operating and Financial Review *(continued)*

Members' report approval

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf by:

....

P Rilett
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in The English College's Foundation Code of Governance and having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the Further Education sector.

The College is committed to exhibiting best practice in all aspects of Corporate Governance. The College formally adopted The English College's Foundation Code of Governance issued by the Association of Colleges (December 2011) in April 2012 and adopted the revised Senior Post Holder Remueneration Code (December 2018) in July 2019.

The College has not adopted, and therefore does not apply, the UK Corporate Governance Code (2018) but draws upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Further Education sector.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.In the opinion of the Governors, the College complies with/exceeds all the provisions of the English College's Foundation Code of Governance Code including the revised Remuneration Code, and it has complied throughout the year ended 31 July 2019.

Public Benefit

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

The Corporation

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

Governors appointed up to the signing of the accounts with attendance figures for 2018/19 up to 31 July 2019

Name	Date Appointed	Term of Office (years)	Date of Resignation / Retirement	Committees Served	Attendance for 18/19
External Members					
Lis Anderson	15 July 2019 First appointed 21 October 2015	Four (second term)			1/5
Andrea Arlidge	25 March 2019	Four		Curriculum & Quality	2/2
Lynne Baber	22 March 2018	Four	Resigned April 2019	Audit	4/6
Steve Bennett	15 July 2019	Four		Curriculum & Quality	N/A
Max Campbell-Jones	15 July 2019	Four		Audit	N/A
Geoffrey Channon (Vice Chair)	31 July 2017 First appointed 1 August 2013	Four (second term)		Curriculum & Quality (Chair), Remuneration, Search & Governance	13/14

Richard Gaunt (Vice Chair)	25 March 2019 19 March 2015 (change of category from co-opted)	Four (second term)		Business Services (Chair), Remuneration (Chair), Search & Governance	11/12
Daniel Howarth	26 April 2016	Four		Audit (Chair)	6/8
Keith Hutton	14 December 2016	Four		Curriculum & Quality	3/8
Paul Jacobs	26 April 2016	Four	Resigned July 2019	Curriculum & Quality Remuneration	3/8
Peter Rilett (Chair)	29 September 2016	Four		Business Services Curriculum & Quality, Remuneration, Search & Governance	19/19
Zoe Taylor	15 March 2017	Four			4/4
David Williams	15 March 2017	Four		Business Services	5/8
Principal & Chief Executive					
Lee Probert	1 January 2016	Ex Officio	31 May 2019	Business Services Curriculum & Quality Search & Governance	12/12
Richard Harris (Acting Principal and Chief Executive)	31 May 2019	Ex Officio		Business Services Curriculum & Quality Search & Governance	3/3
Staff Governor					
Zahid Gill	15 March 2017	Three (First)		Business Services	7/8
Student Governors					
Ebony Clark	13 December 2018	Duration as student		Curriculum & Quality	5/5
Jarvis Lewis	25 April 2019	Duration as student			0/1
Katharine Patman (Student Governor)	22 March 2017	Duration as student	Ended 8 October 2018	Curriculum & Quality	N/A
Co-opted Members					
Tony Antonius	25 March 2019	Four (first)		Audit	1/1
Ruth Campbell	14 December 2016 (change of category from Governor)	Four (first as co-opted)		Audit	3/4
Luke Menzies	21 October 2015	Four	Retirement 21 October 2019	Audit	4/4
Vanessa Moon	08 May 2016 (change of category from Governor)	Four (first as co-opted)		Search & Governance	4/4

Joe Scaife	1 Aug 2005	Four (fourth)	Resigned December 2018	Audit	2/2

Joanne Ward acted as the Clerk to the Corporation during 2018/19.

The following persons acted as directors of the College's wholly owned subsidiaries Partners in Business (West) Limited and SBLN Limited: Lee Probert (Principal & Chief Executive) (until 16 July 2019). Richard Harris (Acting Principal & Chief Executive) Partners in Business (West) Limited and SBLN Limited (from 16 July 2019).

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Company Limited (SWAC): Lee Probert (Principal & Chief Executive) (until 17 July 2019), Becky Edwards (Executive Director of Finance) (until 14 December 2018), Richard Harris (Acting Principal & Chief Executive) (from 28 February 2019), Luke Menzies (appointed on 12 February 2016) and Miriam Venner (from 4 March 2019 until 24 October 2019).

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

Trust in Learning Limited - Lee Probert (Principal & Chief Executive) (until 22 May 2019). Emma Jarman, Vice Principal, Curriculum and Quality from 10 July 2019.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Curriculum & Quality, Business Services, Audit, Remuneration and Search and Governance.

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 key issues as and when they arise.

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 Chair 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 governors and one co-opted member with releveant experience and is responsible for recommending to the Board potential members for the Corporation's consideration.

During 2018/19 the Committee conducted succesful search activity and an open advertisments for recruiting new governors and succession planning for vacancies including for co-opted members with specialist skills and experience to support committees.

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 expect for the staff member (three years) and student members who are appointed for the duration of their studies.

Members can apply for an additional four year term through the Search & Governance Committee for final decision by the Corporation as a whole.

Corporation performance

The Corporation reviews its performance as a part of an annual self-assessment. For 2018/19 a review has been conducted against the criteria in The English College's Foundation Code of Governance. Individual committee self assessment is undertaken annually alongside the review of the Terms of Reference.

Remuneration Committee

Throughout the year ending 31 July 2019, the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal & Chief Executive and designated senior post holders including the Clerk.

The Corporation adopted the AoC's Senior Staff Remuneration Code at its July 2019 meeting.

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises of four members, the Chair is a full member of the Corporation, and two members are co-opted members. From July 2019, the Committee added an additional full Corporation Member who is is a Chartered Accountant with significant audit experience. In addition, one co-opted member is a Chartered Accountant with significant audit experience.The Chair of the Corporation, the Principal & Chief Executive, members of the Business Services committee and the staff governor are excluded from membership.

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 on the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA 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 as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated day-to-day responsibility to the Principal & Chief Executive,as Accounting Officer, (from 31 May 2019-11 November 2019 to the Acting Principal & Chief Executive),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 ESFA 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 2019 and up to the date of approval of the annual report and financial statements.

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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, 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.
- The adoption of formal project management disciplines, where appropriate.

The College's internal auditors operate in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal auditors 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.

Financial Notices of Concern

The one remaining Financial Notice of Concern issued by the Skills Funding Agency that was in place at the start of the year was lifted in April 2019.

Review of effectiveness

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

- The work of the internal auditors;

- The work of the Strategic 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 input of the Audit Committee, including the annual report of the Audit Committee to the Corporation.

The Principal & Chief Executive 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 andotehr sources of assurance including the College's Risk Register, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Principal & Chief Executive and Strategic Leadership Team receive regular reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded across the college and reinforced by risk awareness training. The Principal & Chief Executive, members of the Strategic 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 Strategic Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended July 2019 by considering documentation from the Strategic Leadership Team and the internal auditors, and taking into account of events since 31 July 2019.

Based on the advice of the Audit Committee and the Principal & Chief Executive, the Corporation is of the opinion that the college has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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

....	....
P Rilett	A Forbes
Chair	*Principal & Chief Executive*

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the college's grand funding agreements and contract with ESFA, Corporation through its Accounting Officer, is required to prepare financial statementsand an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education SFA's college accounts direction 2and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College of the college and its surplus / deficit of income over expensture for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from ESFA grant funding agreements and contracts and any other conditions they may be prescribed from time to time. 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 from ESFA are not put at risk.

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf by:

P Rilett
Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF CITY OF BRISTOL COLLEGE

Opinion

We have audited the financial statements of City of Bristol College ("the College") for the year ended 31 July 2019 which comprise the Consolidated Statements of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the college breached certain loan covenants as at 31 July and is working with current lenders to waive the 31 July 2019 breach and future planned breaches. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the College's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 19, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Jonathan Brown

Jonathan Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

Date: 19 December 2019

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

In accordance with the terms of our engagement letter dated 1 October 2015 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by City of Bristol College during the period 1 August 2017 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills 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 the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of City of Bristol College and the Education and 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 Education 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 the Education 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 Post-16 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 2017 to 31 July 2019 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 Post-16 Audit Code of Practice issued by the Education and Skills 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 limited assurance conclusion on regularity consistent with the requirements of the Post-16 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 2017 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Brown

Jonathan Brown
For and on behalf of KPMG LLP, Reporting Accountant
66 Queen Square
Bristol
BS1 4BE

19 December 2019

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
INCOME					
Funding body grants	2	26,967	26,967	26,736	26,736
Tuition fees and education contracts	3	8,048	8,048	8,674	8,674
Other grants and contracts	4	61	61	251	251
Other income	5	2,302	1,386	2,360	1,327
Investment income	6	9	9	5	5
Total income		**37,387**	**36,471**	**38,026**	**36,993**
EXPENDITURE					
Staff costs	7	24,119	23,226	23,504	22,509
Restructuring costs	7	159	159	81	81
Other operating expenses	9	10,807	10,795	10,542	10,519
Depreciation	13	2,921	2,921	2,949	2,948
Amortisation	14	139	139	79	79
Interest and other finance costs	10	1,551	1,551	1,544	1,544
Total expenditure		**39,696**	**38,791**	**38,699**	**37,680**
Deficit before other gains and losses		**(2,309)**	**(2,320)**	**(673)**	**(687)**
Gain on disposal of assets		920	920	181	182
Deficit for the year before tax		**(1,389)**	**(1,400)**	**(492)**	**(505)**
Taxation	11	-	-	(7)	(7)
Deficit for the year	12	**(1,389)**	**(1,400)**	**(499)**	**(512)**
Actuarial gain in respect of pensions schemes		(12,679)	(12,679)	8,387	8,387
Total Comprehensive (deficit)/Income for the year		**(14,068)**	**(14,079)**	**7,888**	**7,875**

The accompanying notes 1 to 29 form part of these financial statements.

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
Group	**£'000**	**£'000**	**£'000**
Balance at 1 August 2017	**(3,442)**	**4,193**	**751**
Income from the income and expenditure account	(499)	-	(499)
Other comprehensive income	8,387	-	8,387
Transfers between revaluation and income and expenditure reserves	453	(453)	-
Total comprehensive income for the year	**8,341**	**(453)**	**7,888**
Balance at 31 July 2018	**4,899**	**3,740**	**8,639**
Deficit from the income and expenditure account	(1,389)	-	(1,389)
Other comprehensive income	(12,679)	-	(12,679)
Transfers between revaluation and income and expenditure reserves	380	(380)	-
Total comprehensive deficit for the year	**(13,688)**	**(380)**	**(14,068)**
Balance at 31 July 2019	**(8,789)**	**3,360**	**(5,429)**
College			
Balance at 1 August 2017	**(3,197)**	**4,193**	**996**
Deficit from the income and expenditure account	(512)	-	(512)
Other comprehensive income	8,387	-	8,387
Transfers between revaluation and income and expenditure reserves	453	(453)	-
Total comprehensive income for the year	**8,328**	**(453)**	**7,875**
Balance at 31 July 2018	**5,131**	**3,740**	**8,871**
Deficit from the income and expenditure account	(1,400)	-	(1,400)
Other comprehensive income	(12,679)	-	(12,679)
Transfers between revaluation and income and expenditure reserves	380	(380)	-
Total comprehensive deficit for the year	**(13,699)**	**(380)**	**(14,079)**
Balance at 31 July 2019	**(8,568)**	**3,360**	**(5,208)**

Consolidated and College Balance sheets

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed assets					
Tangible fixed assets	13	67,327	67,325	68,567	68,567
Intangible fixed Assets	14	94	94	157	157
Investments		-	3	-	3
		67,421	**67,422**	**68,724**	**68,727**
Current assets					
Stocks		65	65	39	39
Trade and other receivables	16	2,839	3,026	1,905	2,093
Cash and cash equivalents	21	2,800	2,760	6,097	6,066
		5,704	**5,851**	**8,041**	**8,198**
Less: Creditors – amounts falling due within one year	17	(24,570)	(24,496)	(9,103)	(9,031)
Net current liabilities		(18,866)	(18,645)	(1,062)	(833)
Total assets less current liabilities		48,555	48,777	67,662	67,894
Less: Creditors – amounts falling due after more than one year	18	(15,931)	(15,931)	(35,170)	(35,170)
Provisions					
Defined benefit obligations	20	(37,862)	(37,862)	(23,652)	(23,652)
Other provisions	20	(191)	(191)	(201)	(201)
Total net assets		**(5,429)**	**(5,208)**	**8,639**	**8,871**
Unrestricted reserves					
Income and expenditure account		(8,789)	(8,568)	4,899	5,131
Revaluation reserve	22	3,360	3,360	3,740	3,740
Total unrestricted reserves		**(5,429)**	**(5,208)**	**8,639**	**8,871**

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 12 December 2019 and were signed on its behalf on that date by:

P Rilett
Chair

A Forbes
Accounting Officer

Consolidated statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Deficit for the year		(1,389)	(499)
Adjustment for non cash items			
Depreciation and amortisation		3,060	3,028
Decrease in stocks		(26)	16
(Increase)/decrease in debtors		(934)	(565)
Decrease in creditors due within one year		(723)	(1,778)
(Decrease)/increase in creditors due after one year		(711)	(2,103)
Decrease in provisions		(10)	(17)
Pensions costs less contributions payable		871	644
Taxation		-	7
Adjustment for investing or financing activities			
Investment income	6	(9)	(5)
Interest payable	10	1,551	1,544
Taxation paid		-	(7)
Gains on sale of fixed assets		(920)	(181)
Net cash flow from operating activities		760	84
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	3,992
Investment income		9	5
Payments made to acquire fixed assets		(1,547)	(2,698)
Payments made to acquire intangible assets		(76)	(43)
Deferred Capital Grants received		72	2,292
		(1,542)	3,548
Cash flows from financing activities			
Interest paid		(891)	(768)
Repayments of amounts borrowed		(1,624)	(1,180)
		(2,515)	(1,948)
Increase in cash and cash equivalents in the year		(3,297)	1,684
Cash and cash equivalents at beginning of the year	21	6,097	4,413
Cash and cash equivalents at end of the year	21	2,800	6,097

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 *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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 are prepared on a going concern basis notwithstanding that the College reported an operating loss for the year ended 31 July 2019 of £2.3 million and has net current liabilities as at 31July 2019 of £18.9 million, due to the following reasons.

The position of net current liabilities arises from the reclassification of Bank and Government loans as falling due within one year, arising from a breach of covenant in 2018/19. This breach was caused by under-performance against AEB allocation in 2017/18 and the subsequent impact on cash in 2018/19. Both of these loans have certain covenants that are tested on an annual basis and the College was in breach of its covenants on both loans as at 31 July 2019. A waiver was subsequently obtained with regards to the Government loan but, as at the date of approval of the accounts, the College had not received a similar waiver regarding the Barclays loan. The College remains in discussions with Barclays regarding obtaining a formal waiver for the breach as at 31 July 2019 and it is likely that these discussions will be completed after the end of Q1 2020. The bank has however provided the Board with a letter of support indicating its willingness to continue to lend, although the letter also highlights that this is not legally binding. The College is also forecasting to breach one of the covenants on the Government (ESFA) loan in 2019/20, however there is ongoing negotiation with the ESFA to reset this covenant during 2020. Discussions with both lenders continue, and the College continues to work closely with both lenders to provide assurance in respect of the robustness of the financial plans for 2019/20 and 2020/21. The lenders continue to be supportive of the College on the basis of the College providing this assurance.

The College has prepared financial forecasts for itself and its subsidiaries (together the "Group") for the 2019/20 and 2020/21 financial years, including monthly cash flow forecasts and an analysis of going concern. These show that the Group is expected to return to positive cash flows and increases in cash and cash equivalents by the end of the 2019/20 financial year. They also show that the Group is expected to have adequate financial resources and liquidity to properly manage its affairs and undertake planned operations throughout this period and to stay within the currently agreed facilities. Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

However, the financial forecasts of the College assume the continued availability of both the Barclays and Government banking facility and are therefore dependent on the formal waiver of the Barclays loan covenant breach as at 31 July 2019, and the renegotiation of the covenants on the government loan, both expected during 2020. These key assumptions, which reflect external matters outside the College's control, indicate the existence of a material uncertainty that may cast significant doubt on the college's ability to continue as a going concern and that the college may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business. It is the College's expectation that forecasts for 2019/20 and beyond, together with assurances received from lenders, provide sufficient certainty for the accounts to be prepared on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1 Statement of accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Recognition of income

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

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

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

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

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

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

Post-retirement benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

1 Statement of accounting policies *(continued)*

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

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

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.

Further details of the pension schemes are given in note 25.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by 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.

Non-current Assets - 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.

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.

1 Statement of accounting policies *(continued)*

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 2019. They are not depreciated until they are available for use.

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.

Intangible assets

Software Licences	-	20% per annum

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.

1 Statement of accounting policies *(continued)*

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.

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 and contingent liabilities

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

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

1 Statement of accounting policies *(continued)*

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 27), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2018 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
ESFA				
Recurrent grant	23,487	23,487	21,999	21,999
Work based learning	2,444	2,444	2,213	2,213
Releases of deferred capital grants				
Land & buildings	652	652	1,989	1,989
Equipment	-	-	25	25
Other funds	53	53	53	53
	26,636	**26,636**	**26,279**	**26,279**
OfS (HEFCE)				
Recurrent grant	216	216	308	308
Releases of deferred capital grants				
Equipment	29	29	35	35
Widening participation	86	86	114	114
	331	**331**	**457**	**457**
	26,967	**26,967**	**26,736**	**26,736**

In 2018-19 releases of SFA & EFA deferred capital grants for land and buildings of £1.989m includes a one-off grant release on the sale of the Soundwell site of £1.4m.

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Tuition Fees and charges				
UK higher education students	2,144	2,144	3,165	3,165
EU and UK	3,701	3,701	4,016	4,016
Non EU students	-	-	2	2
	5,845	**5,845**	**7,183**	**7,183**
Education contracts				
Local education authority	2,203	2,203	1,491	1,491
Other income			-	-
	2,203	**2,203**	**1,491**	**1,491**
Total	**8,048**	**8,048**	**8,674**	**8,674**

4 Research grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Releases from deferred capital grants (non main funding bodies)	30	30	52	52
Other grants and contracts	31	31	199	199
Total	**61**	**61**	**251**	**251**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residences, catering and conferences	22	22	30	30
Other income generating activities	654	654	362	362
Exam fees	19	19	22	22
Sale of materials	2	2	2	2
Student travel	175	175	225	225
Project income	2	2	17	17
Apprenticeship Training Agency income	917	0	1,033	0
Other income	511	512	669	669
Total	**2,302**	**1,386**	**2,360**	**1,327**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank interest receivable	9	9	5	5

7 Staff costs - Group and College

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

	Year ended 31 July	
	2019	**2018**
Staff Numbers		
Teaching staff	313	322
Teaching - other	11	21
Teaching support services	136	126
Other support services	54	38
Administration and central services	71	65
Premises	27	30
Other	-	7
	612	**609**

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
Staff costs	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	18,517	17,648	18,386	17,416
Social security costs	1,514	1,502	1,502	1,486
Other pension costs (including FRS102 adjustments)	4,083	4,071	3,609	3,600
Payroll sub total	**24,114**	**23,221**	**23,497**	**22,502**
Contracted out services	5	5	7	7
Exceptional restructuring costs	159	159	81	81
	24,278	23,385	23,585	22,590

Key management personnel

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of the College, The Principal & Chief Executive, The Vice Principal, Curriculum and Quality and the Vice Principal, Finance and Professional Services.

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

	2019	**2018**
	No.	**No.**
The number of key management personnel including the Accounting Officer was:	4	4

The above figures include the total number of individuals who held key management posts which remained at 3 during the year.

8 Emoluments of Key management personnel, Accounting Officer and other higher paid staff (continued)

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

	Key Management Personnel		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000	-	-	5	5
£65,001 to £70,000	-	-	2	1
£70,001 to £75,000	-	-	1	1
£85,001 to £90,000	1	1	-	-
£100,001 to £105,000	-	1	-	-
£105,001 to £110,000	-	1	-	-
£115,001 to £120,000	1	-	-	-
£125,001 to £130,000	1	-	-	-
£145,001 to £150,000	1	1	-	-
	4	4	8	7

The above table includes all individuals whose maximum annualised pay fell within the above ranges, whether or not they remained in post throughout the year.

The number of key management personnel whose actual emoluments received (gross of any salary sacrifice arrangements and excluding any employer pension costs) are as follows:

	2019	2018
	No.	No.
£15,001 to £20,000	-	1
£30,001 to £35,000	1	-
£50,001 to £55,000	1	-
£60,001 to £65,000	-	1
£85,001 to £90,000	-	1
£105,001 to £110,000	1	-
£130,001 to £135,000	1	-
£145,001 to £150,000	-	1
	4	4

Key management personnel compensation is made up as follows:

	Year ended 31 July	
	2019	2018
	£'000	£'000
Salaries	324	320
Benefits in kind	-	-
Pension contributions	60	59
	384	379

8 Emoluments of Key management personnel, Accounting Officer and other higher paid staff (continued)

Highest Paid Individual

Lee Probert, the Principal & Chief Executive and accounting officer, was the highest paid individual until his end date of employment on 31 May 2019. The above emoluments include amounts payable to the principal (who was also the highest paid senior post-holder) as follows:

	Year ended 31 July	
	2019	**2018**
	£'000	**£'000**
Salaries	130	150
Benefits in kind	-	-
Pension contributions	21	25
	151	**175**

From 1 June 2019 the accounting officer and highest paid individual was Richard Harris,the Acting Principal & Chief Executive, who received salary of £21,667 and pension contributions of £5,417 between 1 June 2019 and 31 July 2019.

The governing body adopted the AoC's Senior Staff Remuneration Code at the 25 July 2019 meeting and will assess pay in line with its principles in the future. The remuneration package for Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking data to provide objective guidance. This data includes sector comparisons taking into account responsibilities, turnover and geography. The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of their performance taking into account the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2019	**2018**
Principal's and CEO's basic salary as a multiple of the median of all staff	5.2	5.4
Principal and CEO's total remuneration as a multiple of the median of all staff	6.4	6.4

The ratio has been calculated by calculating the basic salary and total remuneration of the two (2018 one) Principal and CEOs for the time they held this post. The median pay excludes agency and casual workers and is based on July salary costs.

Compensation for loss of office paid to former key management personnel

	Year ended 31 July	
	2019	**2018**
	£'000	**£'000**
Compensation paid to the former key management personnel	-	60
Estimated value of other benefits, including provisions for pension benefits	-	-
	-	**60**

The severance payment was approved by the College's remuneration committee.

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

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching departments	2,407	2,406	1,999	1,999
Teaching support services	1,013	1,013	1,208	1,208
Other support services	48	48	79	79
Administration and central services	934	929	1,157	1,140
General education (Examinations and marketing)	1,170	1,170	1,193	1,193
Premises costs - running costs	1,643	1,643	1,615	1,615
Premises costs - maintenance	374	374	450	450
Premises costs - rents and leases	349	343	303	297
Planned maintenance	380	380	212	212
Other income generating activities	0	0	-	-
Catering and residence operations	46	46	58	58
Franchised provision	2,366	2,366	2,224	2,224
Other expenses	77	77	44	44
	10,807	**10,795**	**10,542**	**10,519**

Other operating expenses include:				
Operating leases (buildings and equipment)	442	432	385	373
Auditors remuneration				
Financial statements audit	38	35	39	36
Other services	-	-	-	-
	480	**467**	**424**	**409**

10 Interest payable - Group and College

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	891	891	768	768
Other interest payable:				
Pension finance costs	660	660	776	776
	1,551	**1,551**	**1,544**	**1,544**

11 Taxation - Group only

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
United Kingdom corporation tax at 19%	-	-	7	7
Total	**-**	**-**	**7**	**7**

12 Deficit on continuing operations for the year

	Year ended 31 July	
	2019	**2018**
	£'000	**£'000**
College's deficit for the year	1,400	512
Retained by subsidiary undertakings	(11)	(13)
	1,389	499

13 Tangible fixed assets

Group	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 2018	12,979	83,038	12,683	422	109,122
Additions	0	140	19	1,865	2,023
Transfer	0	314	510	(824)	0
Disposals	0	(404)	(539)	0	(943)
At 31 July 2019	12,979	83,088	12,672	1,463	110,202
Accumulated depreciation					
At 1 August 2018	4,597	23,667	12,291	-	40,555
Charge for the year	259	2,253	409	-	2,921
Elimination in respect of disposals	0	(64)	(537)	-	(601)
At 31 July 2019	4,856	25,856	12,163	-	42,875
Net book value at 31 July 2019	8,123	57,232	509	1,463	67,327
Net book value at 31 July 2018	8,382	59,371	392	422	68,567

College	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 2018	12,979	83,038	12,683	422	109,122
Additions	-	140	15	1,865	2,020
Transfer	-	314	510	(824)	-
Disposals	-	(404)	(539)	-	(943)
At 31 July 2019	12,979	83,088	12,669	1,463	110,199
Accumulated depreciation					
At 1 August 2018	4,597	23,667	12,291	-	40,555
Charge for the year	259	2,253	409	-	2,921
Elimination in respect of disposals	-	(64)	(538)	-	(602)
At 31 July 2019	4,856	25,856	12,162	-	42,874
Net book value at 31 July 2019	8,123	57,232	507	1,463	67,325
Net book value at 31 July 2018	8,382	59,371	392	422	68,567

The net book value of equipment includes £224,000 (2018 - £Nil) in respect of assets held under finance leases.The depreciation charge for the year for these assets was £Nil (2018 - £Nil).

14 Intangible fixed assets

Group and College	**Software Licenses £'000**	**Total £'000**
Cost or valuation		
At 1 August 2018	533	533
Additions	76	76
Transfer	-	-
Disposals	(167)	(167)
At 31 July 2019	442	442
Accumulated depreciation		
At 1 August 2018	376	376
Charge for the year	139	139
Elimination in respect of disposals	(167)	(167)
At 31 July 2019	348	348
Net book value at 31 July 2019	94	94
Net book value at 31 July 2018	157	157

15 Non current Investments

	Year ended 31 July	
	2019	**2018**
	£'000	**£'000**
Investments in subsidiary companies	3	3

The College owns 100 per cent of the issued ordinary shares of South West Apprenticeship College Limited, Partners in Business (West) Limited, and SBLN Limited. All companies are incorporated in England and Wales. The principal business activity of South West Apprenticeship College Limited is the provision of apprenticeship training. SBLN Limited and Partners in Business Limited are dormant.

16 Debtors

	Year ended 31 July		**Year ended 31 July**	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade debtors	1,208	1,173	666	619
Amounts owed by group undertakings	-	230	-	246
Other debtors	63	55	59	48
Prepayments and accrued income	918	918	944	944
Amounts owed by funding bodies	650	650	236	236
Total	**2,839**	**3,026**	**1,905**	**2,093**

17 Creditors: amounts falling due within one year

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	10,710	10,710	680	680
Obligations under finance leases	74	74		
Payments received on account	113	75	133	93
Trade creditors	1,731	1,727	638	634
Corporation tax	-	-	-	-
Other taxation and social security	781	754	429	404
Holiday pay Accrual	525	525	726	726
Other Accruals	536	533	3,522	3,521
Amounts due to funding bodies	-	-	-	-
Loans from Government	8,005	8,005	895	895
Deferred income - government capital grants	696	696	710	710
Other creditors	1,399	1,397	1,370	1,368
Total	**24,570**	**24,496**	**9,103**	**9,031**

18 Creditors: amounts falling due after one year

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	-	-	10,710	10,710
Obligations under finance leases	150	150		
Loans from Government	-	-	8,054	8,054
Deferred income - government capital grants	15,781	15,781	16,406	16,406
Total	**15,931**	**15,931**	**35,170**	**35,170**

19 Maturity of debt

a) Bank loans and overdrafts

Loans and overdrafts are repayable as follows:

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	18,715	18,715	1,575	1,575
Between one and two years	-	-	1,575	1,575
Between two and five years	-	-	4,725	4,725
In five years or more	-	-	12,465	12,465
Total	18,715	18,715	20,340	20,340

19 Maturity of debt (continued)

A 25 year commercial loan of £17 million was taken in 2010, repayable in instalments by 2035. The rate on this loan is 7.1%. In 2018 the College restructured its remaining debt of £8.949 million with the Department for Business Innovation and Skills and is now payable to the government over a period of 10 years. Interest is accruing at a rate of 1.5%.

The College has loan facilities with Barclays Bank plc and the Government. Both of these loans have certain covenants that are tested on an annual basis. The College was in breach of its covenants on both loans as at 31 July 2019. A waiver was subsequently obtained with regards to the Government loan but, as at the date of approval of the accounts, the College has not received a similar waiver regarding the Barclays loan. The College remains in discussions with Barclays regarding obtaining a formal waiver for the breach as at 31 July 2019 but it is likely that these discussions will not be completed until the end of Q1 2020. Financial projections show that the college will comply with Barclays' covenants going forwards, but will breach the Government (ESFA) banking covenants as at 31 July 2020 without a reset of the terms of that covenant; the College is in ongoing discussion with the ESFA around such a reset and expects these discussions to be concluded early in 2020. Discussions with both lenders continue, and the college continues to work closely with both lenders to provide assurance in respect of the robustness of the financial plans for 2019/20 and 2020/21. The lenders continue to be supportive of the college on the basis of the college providing this assurance. There is however an acknowledged material uncertainty that is reflected in the basis of preparation and going concern disclosure which is set out in note 1 to the accounts.

b) Finance leases

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

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	74	74	-	-
Between one and five years	150	150	-	-
In five years or more	-	-	-	-
Total	224	224	-	-

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

20 Provisions

Group and College	Defined benefit obligations	Other Pension obligations	Total
	£'000	£'000	£'000
At 1 August 2018	23,652	201	23,853
Additions in the period	14,210	-	14,210
Expenditure in the period	-	(10)	(10)
At 31 July 2019	37,862	191	38,053

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

21 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	6,097	(3,297)	-	2,800
Total	**6,097**	**(3,297)**		**2,800**

22 Revaluation reserve

Group and College	Year ended 31 July 2019 £'000	2018 £'000
At 1 August	3,740	4,193
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(40)	(40)
Depreciation on disposal of revalued assets	(340)	(413)
At 31 July	**3,360**	**3,740**

23 Capital commitments

	Group and College 2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	-

24 Lease Obligations

	Group and College 2019 £'000	2018 £'000
Annual Lease payments falling due		
Land and buildings		
Not later than one year	21	21
Later than one year and not later than five years	-	21
later than five years	-	-
	21	42
Other		
Not later than one year	72	65
Later than one year and not later than five years	37	60
later than five years	-	-
	109	125

25 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Bath & North East Somerset Local Government Pension Scheme (LGPS) for non-teaching staff.

Total pension cost for the year		**2019** **£'000**		**2018** **£'000**
Teachers' Pension Scheme: contributions paid	1,604			1,552
Local Government Pension Scheme:				
Contributions paid	1,640		1,593	
FRS 102 (28) charge	839		613	
Charge to the Statement of Comprehensive Income		2,479		2,206
Total Pension Cost for Year		**4,083**		**3,758**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.
Contributions amounting to £732,439 (2018:£ 332,944) were payable to the schemes on 31 July 2019 and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Bath & North East Somerset Local Authority. The total contribution made for the year ended 31 July 2019 was £2,037,963 (2018: £1,890,578), of which employer's contributions totalled £1,631,899 (2018: £1,494,512) and employees' contributions totalled £406,064 (2018: £396,065). The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary

	At 31 July 2019	**At 31 July 2018**
Rate of increase in salaries	3.7%	3.6%
Future pensions increases	2.3%	2.2%
Discount rate for scheme liabilities	2.2%	2.9%
Inflation assumption (CPI)	2.2%	2.1%

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 2019 years	**At 31 July 2018 years**
Retiring today		
Males	23.70	23.60
Females	26.20	26.10
Retiring in 20 years		
Males	26.30	26.20
Females	29.00	28.80

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	33,387	26,236
Government Bonds	-	7,764
Other Bonds	7,776	8,233
Property	3,924	6,225
Other	25,397	15,930
Cash	856	2,543
Total market value of assets	**71,340**	**66,931**
Actual return on plan assets	**4,678**	**4,361**

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

	2019 £'000	2018 £'000
Fair value of plan assets	71,340	66,931
Present value of plan liabilities	(109,174)	(90,556)
Present value of unfunded liabilities	(28)	(27)
Net pensions liability (Note 19)	**(37,862)**	**(23,652)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,934	2,081
Past service cost	465	-
Curtailments	80	(125)
Total	**2,479**	**1,956**

Amounts included in investment income

	2019 £'000	2018 £'000
Net interest expense	(660)	(776)
	(660)	**(776)**

Local Government Pension Scheme (Continued)

Amounts recognised in Other Comprehensive Income

	2019 £'000	2018 £'000
Return on pension plan assets	2,740	2,735
Experience gains arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(15,419)	5,652
Amount recognised in Other Comprehensive Income	**(12,679)**	**8,387**

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(23,652)	(30,619)
Movement in year:		
Current service cost	(1,934)	(2,081)
Past service cost	(465)	-
Employer contributions	1,640	1,593
Administrative expenses	(32)	(31)
Curtailments	(80)	(125)
Net interest on the defined liability	(660)	(776)
Actuarial gain or loss	(12,679)	8,387
Net defined benefit liability as at 31 July	**(37,862)**	**(23,652)**

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	90,583	93,103
Current Service cost	1,934	2,081
Past Service cost	465	-
Interest cost	2,598	2,402
Contributions by Scheme participants	401	397
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	15,419	(5,652)
Estimated benefits paid	(2,278)	(1,873)
Curtailments and settlements	80	125
Defined benefit obligations at end of period	**109,202**	**90,583**
Reconciliation of Assets		
Fair value of plan assets at start of period	66,931	62,484
Interest on plan assets	1,938	1,626
Return on plan assets	2,740	2,735
Administrative expenses	(32)	(31)
Employer contributions	1,640	1,593
Contributions by Scheme participants	401	397
Estimated benefits paid	(2,278)	(1,873)
Assets at end of period	**71,340**	**66,931**

These accounts show a past service cost of £465,000 in respect of the McCloud judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just over 0.4% of the total scheme liability as at 31 July 2019. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.75% pa lower, then the past service cost disclosed here would be expected to reduce by 50%.

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £140; expenses were claimed by 2 governors (2018: £562; expenses were claimed by 2 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 (2018: None).

27 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Funding body grants – discretionary learner support	1,193	1,489
	1,193	1,489
Disbursed to students	(1,098)	(1,159)
Administration costs	(53)	(54)
Balance unspent as at 31 July, included in creditors	274	276

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

28 Contingent Assets

As at the balance sheet date the College has a contingent asset of circa £0.8m in relation to the sale of the Land and Hartcliffe that was sold during the year. The asset will realise as at the point that the land is sold onwards to a developer, however there is insufficient certainty to recognise an asset at the balance sheet date.

29 Events after the reporting period

Subsequent to note 28 above, and following a period of judicial review, the sale of surplus land at Hartcliffe was completed on 29 November 2019. There is an agreed formula for the receipt due to the College and this is calculated at £781,571. The receipt will be recognised in the 2019/20 reporting year.