

## **City of Bristol College**

### **Members' report and financial statements**

For the year ended 31 July 2018

## **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

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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 (as detailed in page 8 and 9 of this report), whilst also further strengthening its financial position. It has formally exited Administered Status and is no longer under the intervention of the FE Commissioner's office. Having secured improvement of its Ofsted grade in May 2017, it has received positive reports of progress and anticipates improving all key outcomes further at its next inspection.

#### Financial highlights

The College made a group operating deficit of £499k in 2017/18 (2016/17: £450k 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.

Now that the annual operating position of the College has been much improved, the focus of College's management team in 2017/18 has been to improve the long-term solvency of the organisation and increase ability to invest in the asset base. To this end, the College's Balance Sheet has been considerably strengthened by: maintenance of the improved operating performance in a competitive environment; the restructure of its long term government debt; and by the sale of a significant asset, the former Soundwell site, which realised £4.25m in March 2018. Following these actions, cash balances have improved to £6m at year end and total net assets have strengthened to £8.6m (2016/17: £0.751m).

The financial out-turn will automatically be graded as "Satisfactory" by the indicators employed by the Education and Skills Funding Agency (ESFA) monitoring regime for the first time in a number of years.

#### Financial Performance 2017/18

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.

			£000
Total Deficit for the Year			-499
Eliminate:	Taxation	(note 11)	7
	Gains on sale of assets		-181
	Depreciation	(note 13)	3,028
	Interest	(note 10)	1,544
<b>EBITDA</b>			<b>3,899</b>
Eliminate:	Grant releases		-2,100
Add back:	FRS102 charge (pay)		644
<b>Sector EBITDA</b>			<b>2,443</b>

## Operating and Financial Review (continued)

The grant of £2.1m 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.

With EBITDA therefore at close to £4m (sector EBITDA: £2.4m), the College continues to be strongly cash generative. Cash balances at year end were in excess of £6m, representing a 200% improvement on those held in July 2016.

The College concluded a substantial debt restructure in July 2018, which has significantly improved its current ratio and cash flows in the medium term. The restructure was funded by a successful application to the Government Restructure Fund, which was set up following Area Review of colleges to support the implementation of review recommendations. Government debt of £8.949m remained payable as of 31 July 2018, but this debt will now be repaid over a ten year period in equal tranches, in contrast with the previous BIS Loan of the same value, which was repayable over a three year period in variable amounts linked to asset sales. The longer repayment period, and the even profile of repayments, of the restructured debt will greatly assist the College in managing its cash flows and allow receipts from asset sales to be retained as working capital or reinvested. The improved cash profile both improves solvency and allows for greater investment in the asset base over the ensuing 3-5 year period. Cash generated in 2017/18 has been utilised in funding increased delivery activity, which has generated additional trading margin and greatly reduced the end-of-year current liability for claw back.

Total comprehensive income for the year is £7.9m, reflecting actuarial gains in the LGPS pension scheme in excess of £8m. The net LGPS pension liability as at July 2018 has decreased by £7m.

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 strengthened liquidity and ability to invest represented by these results will prove important in securing increased market share for the future.

### Financial Objectives

In July 2018, 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 2018 was Satisfactory.

		2018	2019	2020
<b>Ratios</b>				
1	Adjusted current ratio	1.09	1.43	1.27
2	EBITDA as a % of income - education specific	7.27%	11.36%	12.38%
3	Borrowing as a % of income	56.12%	49.49%	44.29%
<b>Calculation of grade</b>				
4	Adjusted current ratio	50	70	60
5	EBITDA as a % of income - education specific	70	100	100
6	Borrowing as a % of income	10	30	40
7	<b>Total points</b>	<b>130</b>	<b>200</b>	<b>200</b>
8	<b>Financial health grade (automated)</b>	<b>Satisfactory</b>	<b>Good</b>	<b>Good</b>

## **Operating and Financial Review (continued)**

In addition, the College has set a full range of quality and financial KPIs, encompassing short-term and long-term targets. This full suite of KPIs is being monitored by the College Governors.

The College has set the following Financial Objectives/KPIs, which are delivered by the Financial Plan.

KPI	Short-Term Target	Long-Term Target
Operating Surplus	2.64% income	2% income
EBITDA	11.16% 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	Satisfactory	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.

### **Cash flows**

In the year ended 31 July 2018 net cash inflow was £1,684k (2016/17 cash outflow £2,075k) after including the sale of the Soundwell site. As previously noted, there was a cash inflow of £4.25m from the sale in year. A strategic decision was taken to utilise some of the cash inflow to increase expenditure on in-year delivery to adult students. This will ensure that the College delivers a much bigger proportion of its Adult Budget allocation, leading to an improved reputation in this area, far lower claw back, and therefore enhanced and stable cash balances in 2018/19 and onwards.

### **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 1,500 courses available from entry to degree level and provides education and training to 14,200 learners.

## **Operating and Financial Review (continued)**

### **Public Benefit**

City of Bristol College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1<sup>st</sup> 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 12 to 14.

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**

A new extension the Advanced Engineering Centre opened in October 2017, funded by the Local Enterprise Partnership, offering excellent new facilities for composite technologies and CAD design. This new centre was designed in partnership with the LEP and will provide opportunities for training in these specialist engineering skills which are increasingly required by employers as an essential component of qualification for modern industry practice. The College works in partnership with a number of major employers in the city, including Airbus and DAF, and these additional facilities will both add further value to these existing important partnerships and provide the ability to increase its offer to a wider group of employers.

At 31 July 2018, the College had also submitted an 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. The application has been given "Pipeline" status and prioritised for capital investment.

## Operating and Financial Review *(continued)*

### 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 2017/18 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:** Nearly 9,500 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 1,172 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 660 students studying on higher education courses with the College in 2017-18.

**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 has had its administered status formally lifted in 2017/18. In addition, it is no longer monitored by the office of the FE Commissioner. It remains in the final stages of the Fresh Start monitoring regime pending the lifting of its final Notice of Concern (Financial Health), which is due to be achieved in March 2019. This will represent the end point of all regulatory intervention which was formerly 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 on the College website and from the Clerk to the Corporation at:

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

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

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

### **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.

<b>Name</b>	<b>Nature of business</b>	<b>Trading status</b>
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

### **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

## Operating and Financial Review *(continued)*

gives the opportunity for representatives of staff from all areas to raise items for discussion and suggest areas for improvement and development.

In 2017/18, the College reinstated 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 £32.5m of net assets (excluding the £23.9m pension liability) with long term bank debt of £11.4m and government debt of £8.9m.

### Reputation

The College's reputation continues to improve, supported by its improved Ofsted Grade 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 2017/18 that affected the College were:

1. Cash flow Management
2. Achievement of Budget Targets
3. Delivering the Estates Strategy
4. Student Recruitment
5. Delivering the Quality Improvement Plan
6. Workforce Management
7. Competition
8. Regulatory Compliance
9. Apprenticeship Reform
10. Reputation Management
11. Delivering the HE Strategy

## Operating and Financial Review (*continued*)

### *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.

Throughout 2017/18 the College has used enhanced quality assurance measures to improve the monitoring of student progress through the timely use of data to inform interventions. As a result, student attendance, retention and achievement have improved across all provision. 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.

Self – assessment for 2017-18 has identified the key strengths as:

- Leaders and managers set high expectations that foster a culture of ambition and pride across the organisation
- Decisive and effective actions have improved the student experience, quality of education, and student retention and achievement in all provision types over a sustained period
- Highly effective governance and partnership work enables strong employer, civic and community engagement that benefits students and their learning
- Leaders, managers and staff have secured robust and sustainable financial recovery to benefit the student experience
- Comprehensive arrangements to safeguard students and apprentices
- Frequent and purposeful use of the College's core values of integrity, respect, ambition and pride supports students and apprentices to make good gains in developing personal and social behaviours for learning and employment
- Students and apprentices gain a good range of employability skills, through a wide range of stimulating and diverse work-related curriculum and enrichment opportunities facilitated by collaborative employer and industry links, particularly at level 3 and above
- Increasingly good use of clear and stretching qualifications-based targets and progress feedback ensures most students and apprentices understand the progress they are making and what they need to do to improve
- Good use of industry standard and high quality learning resources in many areas ensures teachers and assessors set clear expectations to students and apprentices in the development specialist and technical skills
- Increasingly effective learning and pastoral support enables many students and apprentices to overcome significant barriers to learning and engagement
- Significant improvements in achievement for adult classroom based students and timely achievement for all age apprentices
- Improved and above national rate progress and achievement of high grades on GCSE English and maths programmes.
- Good progress and achievement by Creative, Digital and Computing students and students with SEN
- Students and apprentices demonstrate good specialist and industry standard technical skills

## **Operating and Financial Review (continued)**

### **Classroom Based Learning**

- Achievement rates have improved in all areas, 16-18 study programme has improved by 5.3% and adult programmes by 9.3% since 2015-16
- Retention rates have improved by 6.6% points for 16-18 year olds and 5.4% for adults
- Attendance has improved by 3.2 percentage points
- High grades for GCSE English and maths are 5% above the national rate

### **Apprenticeships**

- Leaders and managers have been effective in improving overall and timely achievement over two consecutive years
- There has been 9.5 percentage point improvement in timely achievement in 2017- 18
- There has been a 6.8 percentage point improvement in overall achievement since 2016-17
- Sustained improvements to communications and responsiveness to employers has led to significant improvements to employer satisfaction rates, +16%

### **Higher Education**

- City of Bristol College has successfully gained Office for Student registration
- Pass rates for validated programmes are good at 87%
- The College offers value for money to encourage students from non-traditional HE background who aspire to higher education
- Strong links with employers enhance the student experience
- While module reports indicate good levels of satisfaction with the quality of teaching, learning and assessment the results of the national student perception survey were disappointing
- Employability and career progression outcomes for students are strong.

**Members' report approval**

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:



**P Rilett**  
*Chair*

## **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.

## Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- 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 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of Corporate Governance and in particular the College has adopted and complied with the English College's Foundation Code of Governance. We have not adopted, and therefore do not apply, the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English College's Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on April 2012.

### 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:

Name	Date Appointed	Term of Office (years)	Date of Resignation / Retirement	Committees Served	Attendance for 17/18
Lis Anderson	21 October 2015	Four		Curriculum & Quality (in 17/18)	25%
Lynne Baber	22 March 2018	Four		Audit (for 18/19)	100%
Geoffrey Channon (Vice Chair)	31 July 2017 First appointed 1 August 2013	Four (second term)		Curriculum & Quality (Chair) Remuneration Search & Governance	92%
Richard Gaunt (Vice Chair)	19 March 2015 (change of category from co-opted)	Four		Business Services (Chair) Remuneration (Chair)	100%
Daniel Howarth	26 April 2016	Four		Audit (Chair)	88%
Keith Hutton	14 December 2016	Four		Curriculum & Quality	50%

Paul Jacobs	26 April 2016	Four		Curriculum & Quality Remuneration	70%
Peter Rilett (Chair)	29 September 2016	Four		Business Services Curriculum & Quality Remuneration Search & Governance	100%
Zoe Taylor	15 March 2017	Four			75%
Martina Veale	15 March 2017	Four	Resigned 8 February 2018	Curriculum & Quality	25%
David Williams	15 March 2017	Four		Business Services	75%
Lee Probert (Principal and Chief Executive)	1 January 2016	Ex Officio		Business Services Curriculum & Quality Search & Governance	100%
Zahid Gill (Staff Governor)	15 March 2017	Three (First)		Business Services	100%
Charlotte Cliffe (Student Governor)	14 December 2017	Duration as student	Term ended 31 July 2018		0%
Katharine Patman (Student Governor)	22 March 2017	Duration as student		Curriculum & Quality (for 18/19)	100%
<b>Co-opted Members</b>					
Joe Scaife	1 Aug 2005	Four (fourth)		Audit	100%
Ruth Campbell	14 December 2016 (change of category from Governor)	Four (first as co-opted)		Audit	100%
Luke Menzies	21 October 2015	Four		Audit (for 17/18 and 18/19)	50%
Vanessa Moon	08 May 2016 (change of category from Governor)	Four (first as co-opted)		Search & Governance	100%

Mrs J Ward was appointed as the Clerk to the Corporation in October 2017 and acted as the Clerk to the Corporation during 17/18.

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) (from January 2016).

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Company Limited (SWAC): Lee Probert (Principal & Chief Executive) (from January 2016), Becky Edwards (Executive Director of Finance) (from 20 May 2016) and Luke Menzies (from 03 January 2016).

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

Trust in Learning Limited - Lee Probert (Principal & Chief Executive) (from January 2016).

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.

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 three members and one co-opted member and is responsible for the selection and nomination of any new non-elected member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

### **Corporation performance**

The Corporation reviews its performance as a part of an annual self-assessment.

### **Remuneration Committee**

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal & Chief Executive and designated senior post holders including the Clerk. Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

### **Audit Committee**

The Audit Committee comprises of five members, the Chair is a full member of the Corporation, and three members are co-opted members. The Chair of the Corporation, the Principal & Chief Executive, members of the Business Services committee and the staff governor are excluded from membership. One co-opted member is a Chartered Accountant with significant audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least once each term and provides a forum for reporting 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.

## **Internal Control**

### **Scope of responsibility**

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

The Corporation has delegated day-to-day responsibility to the Principal & Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which 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 2018 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

The system of internal control is based on a framework of regular management information, 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 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**

As of 31 July 2018, the College had one remaining Financial Notice of Concern issued by the Skills Funding Agency as part of its ongoing monitoring and management of the financial health of the sector. This was a Notice of Concern for Financial Health, which is expected to be lifted, following publication of the Statutory Accounts, in spring 2019. All other notices of concern were lifted following the College's successful delivery of required outcome measures.

## **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 and 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 2018 meeting, the Corporation carried out the annual assessment for the year ended July 2018 by considering documentation from the Strategic Leadership Team and the internal auditors, and taking into account of events since 31 July 2018.

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".

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

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

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 Skills Funding Agency's terms and conditions of funding under the College's financial memorandum/funding agreement.

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  
Chair



L Probert  
Principal & Chief Executive

## Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

Approved by order of the members of the Corporation on 13 December 2018 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 2018 which comprise the Consolidated and College Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College 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 2018, 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.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Corporation is responsible for the other information, which comprises the Members' Report 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 2017 to 2018 (March 2018) 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 18, 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.

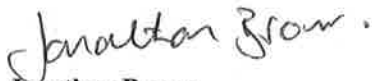
#### **Auditor's responsibilities**

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](http://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**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

13 December 2018

## **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 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the 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 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

13 December 2018

## Consolidated and College Statements of Comprehensive Income

		Year ended 31 July		Year ended 31 July	
		2018	2018	2017	2017
	Notes	Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	26,736	26,736	25,472	25,472
Tuition fees and education contracts	3	8,674	8,674	10,054	10,054
Other grants and contracts	4	251	251	30	30
Other income	5	2,360	1,327	2,241	1,352
Investment income	6	5	5	4	4
<b>Total income</b>		<b>38,026</b>	<b>36,993</b>	<b>37,801</b>	<b>36,912</b>
<b>EXPENDITURE</b>					
Staff costs	7	23,504	22,509	24,320	23,423
Restructuring costs	7	81	81	595	595
Other operating expenses	9	10,542	10,519	9,593	9,598
Depreciation	13	2,949	2,948	3,028	3,027
Amortisation	14	79	79	69	69
Interest and other finance costs	10	1,544	1,544	1,674	1,674
<b>Total expenditure</b>		<b>38,699</b>	<b>37,680</b>	<b>39,279</b>	<b>38,386</b>
<b>Deficit before other gains and losses</b>		<b>(673)</b>	<b>(687)</b>	<b>(1,478)</b>	<b>(1,474)</b>
Gain on disposal of assets		181	182	1,028	1,028
<b>Deficit for the year before tax</b>		<b>(492)</b>	<b>(505)</b>	<b>(450)</b>	<b>(446)</b>
Taxation	11	(7)	(7)	0	0
<b>Deficit for the year</b>	12	<b>(499)</b>	<b>(512)</b>	<b>(450)</b>	<b>(446)</b>
Actuarial gain in respect of pensions schemes		8,387	8,387	4,595	4,595
<b>Total Comprehensive Income for the year</b>		<b>7,888</b>	<b>7,875</b>	<b>4,145</b>	<b>4,149</b>

## Consolidated and College Statement of Changes in Reserves


<b>Group</b>	<b>Income and Expenditure account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
<b>Balance at 1 August 2016</b>	<b>(7,766)</b>	<b>4,372</b>	<b>(3,394)</b>
Deficit from the income and expenditure account	(450)	0	(450)
Other comprehensive income	4,595	0	4,595
Transfers between revaluation and income and expenditure reserves	179	(179)	0
<b>Total comprehensive income for the year</b>	<b>4,324</b>	<b>(179)</b>	<b>4,145</b>
<b>Balance at 31 July 2017</b>	<b>(3,442)</b>	<b>4,193</b>	<b>751</b>
Deficit from the income and expenditure account			
Other comprehensive income	(499)	0	(499)
Transfers between revaluation and income and expenditure reserves	8,387	0	8,387
	453	(453)	0
<b>Total comprehensive income for the year</b>	<b>8,341</b>	<b>(453)</b>	<b>7,888</b>
<b>Balance at 31 July 2018</b>	<b>4,899</b>	<b>3,740</b>	<b>8,639</b>
<b>College</b>			
<b>Balance at 1 August 2016</b>	<b>(7,525)</b>	<b>4,372</b>	<b>(3,153)</b>
Deficit from the income and expenditure account	(446)	0	(446)
Other comprehensive income	4,595	0	4,595
Transfers between revaluation and income and expenditure reserves	179	(179)	0
<b>Total comprehensive income for the year</b>	<b>4,328</b>	<b>(179)</b>	<b>4,149</b>
<b>Balance at 31 July 2017</b>	<b>(3,197)</b>	<b>4,193</b>	<b>996</b>
Deficit from the income and expenditure account	(512)	0	(512)
Other comprehensive income	8,387	0	8,387
Transfers between revaluation and income and expenditure reserves	453	(453)	0
<b>Total comprehensive income for the year</b>	<b>8,328</b>	<b>(453)</b>	<b>7,875</b>
<b>Balance at 31 July 2018</b>	<b>5,131</b>	<b>3,740</b>	<b>8,871</b>

## Consolidated and College Balance sheets

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets	13	68,567	68,567	72,629	72,628
Intangible fixed Assets	14	157	157	193	193
Investments		-	3	0	3
		<b>68,724</b>	<b>68,727</b>	<b>72,822</b>	<b>72,824</b>
<b>Current assets</b>					
Stocks		39	39	55	55
Trade and other receivables	16	1,905	2,093	1,340	1,538
Cash and cash equivalents	21	6,097	6,066	4,413	4,381
		<b>8,041</b>	<b>8,198</b>	<b>5,808</b>	<b>5,974</b>
<b>Less: Creditors – amounts falling due within one year</b>	17	(9,103)	(9,031)	(11,980)	(11,903)
<b>Net current liabilities</b>		<b>(1,062)</b>	<b>(833)</b>	<b>(6,172)</b>	<b>(5,929)</b>
<b>Total assets less current liabilities</b>		<b>67,662</b>	<b>67,894</b>	<b>66,650</b>	<b>66,895</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	18	(35,170)	(35,170)	(35,062)	(35,062)
<b>Provisions</b>					
Defined benefit obligations	20	(23,652)	(23,652)	(30,619)	(30,619)
Other provisions	20	(201)	(201)	(218)	(218)
<b>Total net assets</b>		<b>8,639</b>	<b>8,871</b>	<b>751</b>	<b>996</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		4,899	5,131	(3,442)	(3,197)
Revaluation reserve	22	3,740	3,740	4,193	4,193
<b>Total unrestricted reserves</b>		<b>8,639</b>	<b>8,871</b>	<b>751</b>	<b>996</b>

The financial statements on pages 23 to 49 were approved and authorised for issue by the Corporation on 13 December 2018 and were signed on its behalf on that date by:

  
P Rilett  
Chair

  
L Probert  
Accounting Officer

## Consolidated statement of Cash Flows

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(499)	(450)
<b>Adjustment for non cash items</b>			
Depreciation		3,028	3,097
Decrease in stocks		16	6
(Increase)/decrease in debtors		(565)	1,595
Decrease in creditors due within one year		(1,778)	(5,776)
(Decrease)/increase in creditors due after one year		(2,103)	4,911
Decrease in provisions		(17)	(19)
Pensions costs less contributions payable		644	1,423
Taxation		7	-
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(5)	(4)
Interest payable	10	1,544	1,674
Taxation paid		(7)	(10)
<b>Gains on sale of fixed assets</b>		(181)	(1,028)
<b>Net cash flow from operating activities</b>		<u>84</u>	<u>5,419</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		3,992	1,167
Investment income		5	4
Payments made to acquire fixed assets		(2,698)	(2,450)
Payments made to acquire intangible assets		(43)	-
		<u>1,256</u>	<u>(1,279)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(768)	(1,674)
Repayments of amounts borrowed		(1,180)	(2,180)
Deferred Capital Grants received		2,292	1,789
		<u>344</u>	<u>(2,065)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u><u>1,684</u></u>	<u><u>2,075</u></u>
<b>Cash and cash equivalents at beginning of the year</b>	21	4,413	2,338
<b>Cash and cash equivalents at end of the year</b>	21	6,097	4,413

## 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 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### ***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 of the college are prepared on a going concern basis, notwithstanding net current liabilities of £1.062m (2017: £6.2m), which the governors believe is appropriate for the following reasons: following debt restructure, the cash flow forecast prepared for the 12 months to July 2019 shows average cash balances in excess of £5m, with no single month forecast to retain cash balances below £3m. There are no longer any single large government debt repayments linked to asset sales due over the year to July 2019, as all government debt repayments due are now spread over a ten year period and follow conventional equal quarterly payments, aligning with the College's commercial debt. In addition, £1.2m of debt included in current liabilities as of July 2018 is due to be credited as part of a land transaction which will take place in 2018/19. This transaction is forecast to restore net current liabilities to a net current asset position by July 2019.

## **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 2018.

### ***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.



## 1 Statement of accounting policies (continued)

### *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 adaptations 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.

#### *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 2018. They are not depreciated until they are available for use.

## 1 Statement of accounting policies (continued)

### **Equipment**

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

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

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

### **Intangible assets**

Software Licences	-	20% per annum
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### **Maintenance of premises**

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

### **Leased assets**

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

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

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

### **Capitalisation of finance cost**

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

### **Investments**

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

### **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.

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

### ***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.

### ***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.

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

### ***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 2017 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>SFA &amp; EFA</b>				
Recurrent grant	21,999	21,999	21,596	21,596
Work based learning	2,213	2,213	2,768	2,768
Releases of deferred capital grants				
Land & buildings	1,989	1,989	511	511
Equipment	25	25	28	28
Other funds	53	53	94	94
	<b>26,279</b>	<b>26,279</b>	<b>24,997</b>	<b>24,997</b>
<b>HEFCE</b>				
Recurrent grant	308	308	441	441
Releases of deferred capital grants				
Equipment	35	35	34	34
Widening participation	114	114	-	-
	<b>457</b>	<b>457</b>	<b>475</b>	<b>475</b>
	<b>26,736</b>	<b>26,736</b>	<b>25,472</b>	<b>25,472</b>

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	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Tuition Fees and charges</b>				
UK higher education students	3,165	3,165	3,603	3,603
EU and UK	4,016	4,016	4,404	4,404
Non EU students	2	2	4	4
	<b>7,183</b>	<b>7,183</b>	<b>8,011</b>	<b>8,011</b>
<b>Education contracts</b>				
Local education authority	1,491	1,491	2,009	2,009
Other income	-	-	34	34
	<b>1,491</b>	<b>1,491</b>	<b>2,043</b>	<b>2,043</b>
<b>Total</b>	<b>8,674</b>	<b>8,674</b>	<b>10,054</b>	<b>10,054</b>

**4 Research grants and contracts**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Releases from deferred capital grants (non main funding bodies)	52	52	30	30
Other grants and contracts	199	199	0	0
<b>Total</b>	<b>251</b>	<b>251</b>	<b>30</b>	<b>30</b>

**5 Other income**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residences, catering and conferences	30	30	100	100
Other income generating activities	362	362	338	338
Exam fees	22	22	40	40
Sale of materials	2	2	8	8
Student travel	225	225	240	240
Project income	17	17	146	146
Apprenticeship Training Agency income	1,033	0	910	0
Other income	669	669	459	480
<b>Total</b>	<b>2,360</b>	<b>1,327</b>	<b>2,241</b>	<b>1,352</b>

**6 Investment income**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank interest receivable	5	5	4	4

## 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	
	2018	2017
	£'000	£'000
Staff Numbers		
Teaching staff	322	327
Teaching - other	21	64
Teaching support services	126	129
Other support services	38	34
Administration and central services	65	80
Premises	30	35
Other	7	7
	<b>609</b>	<b>676</b>

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
Staff costs	£'000	£'000	£'000	£'000
Wages and salaries	18,386	17,416	19,047	18,171
Social security costs	1,502	1,486	1,591	1,579
Other pension costs (including FRS102 adjustments)	3,609	3,600	3,659	3,650
Payroll sub total	<b>23,497</b>	<b>22,502</b>	<b>24,297</b>	<b>23,400</b>
Contracted out services	7	7	23	23
Exceptional restructuring costs	81	81	595	595
	<b>23,585</b>	<b>22,590</b>	<b>24,915</b>	<b>24,018</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. This is defined as senior posts where the Articles of Government of the College reserve to the Board of Governors the appointment or promotion to these posts.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4

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	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000	0	0	6	8
£70,001 to £80,000	0	0	1	0
£80,001 to £90,000	1	1	0	0
£100,001 to £110,000	2	1	0	0
£140,001 to £150,000	1	1	0	0
£170,001 to £180,000	0	0	0	0
	<u>4</u>	<u>3</u>	<u>7</u>	<u>8</u>

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

	Year ended 31 July	
	2018	2017
	£'000	£'000
Salaries	320	400
Benefits in kind	-	-
Pension contributions	59	78
	<u>379</u>	<u>478</u>

Lee Probert, the Principal & Chief Executive, was the highest paid individual. The above emoluments include amounts payable to the principal (who was also the highest paid senior post-holder) as follows:

	Year ended 31 July	
	2018	2017
	£'000	£'000
Salaries	150	150
Benefits in kind	-	-
Pension contributions	25	25
	<u>175</u>	<u>175</u>



**Compensation for loss of office paid to former key management personnel**

	<b>Year ended 31 July</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid to the former key management personnel	60	34
Estimated value of other benefits, including provisions for pension benefits	-	3
	<b>60</b>	<b>37</b>

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**

	<b>Year ended 31 July</b>		<b>Year ended 31 July</b>	
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teaching departments	1,999	1,999	2,164	2,163
Teaching support services	1,208	1,208	553	553
Other support services	79	79	89	89
Administration and central services	1,157	1,140	971	981
General education (Examinations and marketing)	1,193	1,193	1,244	1,244
Premises costs - running costs	1,615	1,615	1,517	1,517
Premises costs - maintenance	450	450	426	426
Premises costs - rents and leases	303	297	54	50
Planned maintenance	212	212	279	279
Other income generating activities	-	-	236	236
Catering and residence operations	58	58	93	93
Franchised provision	2,224	2,224	1,501	1,501
Other expenses	44	44	466	466
	<b>10,542</b>	<b>10,519</b>	<b>9,593</b>	<b>9,598</b>

Other operating expenses include:

Operating leases (buildings and equipment)	385	373	115	102
Auditors remuneration				
Financial statements audit	39	36	38	35
Other services	-	-	-	-
	<b>424</b>	<b>409</b>	<b>153</b>	<b>137</b>

**10 Interest payable - Group and College**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>On bank loans, overdrafts and other loans:</b>				
Repayable within five years, not by instalments	768	768	817	817
<b>Other interest payable:</b>				
Pension finance costs	776	776	857	857
	<u>1,544</u>	<u>1,544</u>	<u>1,674</u>	<u>1,674</u>

**11 Taxation - Group only**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.67%	7	7	-	-
Total	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>

**12 Deficit on continuing operations for the year**

	Year ended 31 July	
	2018	2017
	£'000	£'000
College's deficit for the year	512	446
Retained by subsidiary undertakings	(13)	4
	<u>499</u>	<u>450</u>

### 13 Tangible fixed assets

Group	Land and buildings			Assets in the	Total
	Leasehold	Freehold	Equipment	Course of Construction	
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2017	12,979	91,936	12,944	1,971	119,830
Additions	-	7	51	2,640	2,698
Transfer	-	3,848	341	(4,189)	-
Disposals	-	(12,753)	(653)	-	(13,406)
<b>At 31 July 2018</b>	<b>12,979</b>	<b>83,038</b>	<b>12,683</b>	<b>422</b>	<b>109,122</b>
<b>Accumulated depreciation</b>					
At 1 August 2017	4,338	30,291	12,572	-	47,201
Charge for the year	259	2,317	373	-	2,949
Elimination in respect of disposals	-	(8,941)	(654)	-	(9,595)
<b>At 31 July 2018</b>	<b>4,597</b>	<b>23,667</b>	<b>12,291</b>	<b>-</b>	<b>40,555</b>
<b>Net book value at 31 July 2018</b>	<b>8,382</b>	<b>59,371</b>	<b>392</b>	<b>422</b>	<b>68,567</b>
<b>Net book value at 31 July 2017</b>	<b>8,641</b>	<b>61,645</b>	<b>372</b>	<b>1,971</b>	<b>72,629</b>

College	Land and buildings			Assets in the	Total
	Leasehold	Freehold	Equipment	Course of Construction	
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2017	12,979	91,936	12,925	1,971	119,811
Additions	-	7	51	2,640	2,698
Transfer	-	3,848	341	(4,189)	-
Disposals	-	(12,753)	(634)	-	(13,387)
<b>At 31 July 2018</b>	<b>12,979</b>	<b>83,038</b>	<b>12,683</b>	<b>422</b>	<b>109,122</b>
<b>Accumulated depreciation</b>					
At 1 August 2017	4,338	30,291	12,554	-	47,183
Charge for the year	259	2,317	372	-	2,948
Elimination in respect of disposals	-	(8,941)	(635)	-	(9,576)
<b>At 31 July 2018</b>	<b>4,597</b>	<b>23,667</b>	<b>12,291</b>	<b>-</b>	<b>40,555</b>
<b>Net book value at 31 July 2018</b>	<b>8,382</b>	<b>59,371</b>	<b>392</b>	<b>422</b>	<b>68,567</b>
<b>Net book value at 31 July 2017</b>	<b>8,641</b>	<b>61,645</b>	<b>371</b>	<b>1,971</b>	<b>72,628</b>

## 14 Intangible fixed assets

<b>Group and College</b>	<b>Software Licenses £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>		
At 1 August 2016	490	490
Additions	43	43
Transfer	-	-
Disposals	-	-
<b>At 31 July 2018</b>	<b>533</b>	<b>533</b>
<b>Accumulated depreciation</b>		
At 1 August 2017	297	297
Charge for the year	79	79
Elimination in respect of disposals	-	-
<b>At 31 July 2018</b>	<b>376</b>	<b>376</b>
<b>Net book value at 31 July 2018</b>	<b>157</b>	<b>157</b>
<b>Net book value at 31 July 2017</b>	<b>193</b>	<b>193</b>

## 15 Non current Investments

	<b>Year ended 31 July</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
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. The principal business activity of Partners in Business (West) Limited is the supply of educational goods and services which are taxable supplies. SBLN Limited is dormant.

## 16 Debtors

	<b>Year ended 31 July</b>		<b>Year ended 31 July</b>	
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade debtors	666	619	345	314
Amounts owed by group undertakings	-	246	-	247
Other debtors	59	48	129	114
Prepayments and accrued income	944	944	866	863
Amounts owed by funding bodies	236	236	-	-
<b>Total</b>	<b>1,905</b>	<b>2,093</b>	<b>1,340</b>	<b>1,538</b>

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

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	680	680	680	680
Payments received on account	133	93	247	202
Trade creditors	638	634	527	522
Corporation tax	-	-	-	-
Other taxation and social security	429	404	660	636
Holiday pay Accrual	726	726	772	772
Other Accruals	3,522	3,521	3,716	3,712
Amounts due to funding bodies	-	-	1,520	1,520
Loans from Government	895	895	1,994	1,994
Deferred income - government capital grants	710	710	708	708
Other creditors	1,370	1,368	1,156	1,157
<b>Total</b>	<b>9,103</b>	<b>9,031</b>	<b>11,980</b>	<b>11,903</b>

**18 Creditors: amounts falling due after one year**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	10,710	10,710	11,390	11,390
Loans from Government	8,054	8,054	7,455	7,455
Deferred income - government capital grants	16,406	16,406	16,217	16,217
<b>Total</b>	<b>35,170</b>	<b>35,170</b>	<b>35,062</b>	<b>35,062</b>

**19 Analysis of borrowings**

Loans and overdrafts are repayable as follows:

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	1,575	1,575	2,674	2,674
Between one and two years	1,575	1,575	5,180	5,180
Between two and five years	4,725	4,725	4,995	4,995
In five years or more	12,465	12,465	8,670	8,670
<b>Total</b>	<b>20,339</b>	<b>20,339</b>	<b>21,519</b>	<b>21,519</b>

A 25 year commercial loan of £17 million was taken in 2010, repayable in instalments by 2035. The rate on this loan is 6.565%. In 2016 the College entered into a loan for £11.45 million with the Department for Business Innovation and Skills however during the year this loan was restructured and is now payable to the government over a period of 10 years. Interest is accruing at a rate of 1.5%.

## 20 Provisions

<b>Group and College</b>	<b>Defined benefit obligations</b>	<b>Other Pension obligations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2017	30,619	218	30,837
Additions in the period	(6,967)	-	(6,967)
Expenditure in the period	-	(17)	(17)
<b>At 31 July 2018</b>	<b>23,652</b>	<b>201</b>	<b>23,853</b>

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

	<b>At 1 August 2017</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	4,413	1,684	-	6,097
<b>Total</b>	<b>4,413</b>	<b>1,684</b>	<b>-</b>	<b>6,097</b>

## 22 Revaluation reserve

### Group and College

	<b>Year ended 31 July</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 August 2017</b>	4,193	4,372
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(40)	(40)
Depreciation on disposal of revalued assets	(413)	(139)
<b>At 31 July 2018</b>	<b>3,740</b>	<b>4,193</b>

## 23 Capital commitments

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	-	1,092

## 24 Lease Obligations

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Annual Lease payments falling due</b>		
<b>Land and buildings</b>		
Not later than one year	21	30
Later than one year and not later than five years	21	43
later than five years	-	-
	<u>42</u>	<u>73</u>
<b>Other</b>		
Not later than one year	65	78
Later than one year and not later than five years	60	122
later than five years	-	-
	<u>125</u>	<u>200</u>

## 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.

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total pension cost for the year</b>		
Teachers' Pension Scheme: contributions paid	1,552	1,692
Local Government Pension Scheme:		
Contributions paid	1,593	1,479
FRS 102 (28) charge	613	566
Charge to the Statement of Comprehensive Income	2,206	2,045
	<u>3,758</u>	<u>3,737</u>
<b>Total Pension Cost for Year</b>		

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 2012 and of the LGPS 31 March 2016.

Contributions amounting to £332,944 (2017:£ 359,556) were payable to the scheme on 31 July 2018 and are included in creditors.

### Teachers' Pension Scheme

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

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

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

### **Scheme Changes**

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

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

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

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

The Employer and Employee pension costs paid to TPS in the year amounted to £2,302,161 (2017: £2,577,576)

### **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 2018 was £1,890,578 (2017: £1,933,440), of which employer's contributions totalled £1,494,512 (2017: £1,514,769) and employees' contributions totalled £396,065 (2017: £418,671). The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 7.5% for employees, depending on salary.

## Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	3.7%
Future pensions increases	2.2%	2.2%
Discount rate for scheme liabilities	2.9%	2.6%
Inflation assumption (CPI)	2.1%	2.2%
Commutation of pensions to lump sums		

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

	At 31 July 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	23.60	23.50
Females	26.10	26.00
<i>Retiring in 20 years</i>		
Males	26.20	26.00
Females	28.80	28.70

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

	Fair Value at 31 July 2018 £'000	Fair Value at 31 July 2017 £'000
Equities	26,236	31,554
Government Bonds	7,764	7,311
Other Bonds	8,233	4,874
Property	6,225	5,436
Other	15,930	12,309
Cash	2,543	1,000
<b>Total market value of assets</b>	<b>66,931</b>	<b>62,484</b>
 <b>Actual return on plan assets</b>	 <b>4,361</b>	 <b>3,952</b>

### Local Government Pension Scheme (Continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets	66,931	62,484
Present value of plan liabilities	(90,556)	(93,074)
Present value of unfunded liabilities	(27)	(29)
<b>Net pensions liability (Note 19)</b>	<b>(23,652)</b>	<b>(30,619)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,081	1,988
Curtailments	(125)	-
<b>Total</b>	<b>1,956</b>	<b>1,988</b>

### Local Government Pension Scheme (Continued)

Amounts included in investment income

Net interest income	(776)	(824)
	<b>(776)</b>	<b>(824)</b>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,735	2,812
Experience gains arising on defined benefit obligations	-	5,586
Changes in assumptions underlying the present value of plan liabilities	5,652	(3,803)
<b>Amount recognised in Other Comprehensive Income</b>	<b>8,387</b>	<b>4,595</b>

## **Local Government Pension Scheme (Continued)**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(30,619)	(33,791)
Movement in year:		
Current service cost	(2,081)	(1,988)
Employer contributions	1,593	1,422
Administrative expenses	(31)	(33)
Curtailments	(125)	-
Net interest on the defined liability	(776)	(824)
Actuarial gain or loss	8,387	4,595
<b>Net defined benefit liability as at 31 July</b>	<b><u>(23,652)</u></b>	<b><u>(30,619)</u></b>

### **Asset and Liability Reconciliation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	93,103	91,851
Current Service cost	2,081	1,988
Interest cost	2,402	2,278
Contributions by Scheme participants	397	422
Experience gains and losses on defined benefit obligations	-	(5,586)
Changes in financial assumptions	(5,652)	3,803
Estimated benefits paid	(1,873)	(1,846)
Curtailments and settlements	125	193
<b>Defined benefit obligations at end of period</b>	<b><u>90,583</u></b>	<b><u>93,103</u></b>

### **Reconciliation of Assets**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	62,484	58,060
Interest on plan assets	1,626	1,454
Return on plan assets	2,735	2,812
Administrative expenses	(31)	(33)
Employer contributions	1,593	1,615
Contributions by Scheme participants	397	422
Estimated benefits paid	(1,873)	(1,846)
<b>Assets at end of period</b>	<b><u>66,931</u></b>	<b><u>62,484</u></b>

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

## 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 £562; expenses were claimed by 2 governors (2017: £1,174; 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 (2017: None).

## 27 Amounts disbursed as agent

Learner support funds

	2018 £'000	2017 £'000
Funding body grants – discretionary learner support	1,489	1,248
	<u>1,489</u>	<u>1,248</u>
Disbursed to students	(1,159)	(1,093)
Administration costs	(54)	(74)
<b>Balance unspent as at 31 July, included in creditors</b>	<u>276</u>	<u>81</u>

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

## 28 Events after the reporting period

There are no events after the reporting period.