City of Bristol College

Members' Report and Financial Statements

For the year ended 31 July 2017

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 Narrow Quay House Prince Street Bristol BS1 4AH
	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE

Members' Report

Operating and Financial Review

Legal status

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

Financial highlights

The financial out-turn for 2016/17 is an improvement on prior year, considerable work having been undertaken to restructure the cost base of the college and improve financial control. Income for the year has reduced by £5m from 2015/16 and total savings of £6m have been effected in expenditure lines during the period, which has led to a net improvement of £1.064m in the underlying operating position.

The results for the year show a group deficit on operations before other gains and losses of £1,478k *(2015/16: deficit of £2,436k)*. During the year, there was a profit on disposal of fixed assets of £1,028k *(2015/16: £1,234k)*, producing an operating deficit of £450k *(2015/16: operating deficit of £1,202k)*. At 31 July 2017 the College had cash balances of £4.4m *(2015/16: £2.3m)*. Balance Sheet reserves have been impacted by the decrease in net pension liability.

	2016/17	2015/16
	£000	£000
Operating Deficit	(450)	(1,202)
Gain on disposal of fixed assets	(1,028)	(1,234)
Consolidated deficit before other gains and losses	(1,478)	(2,436)
Restructuring costs	595	1,953
FRS102 pension charge	1,423	1,024
Release of DCGs on disposal of assets	-	(1,065)
Underlying operating surplus/(deficit) for the year	540	(524)

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 14,400 learners.

Members' report and financial statements

Contents

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 1st September 2014, is regulated by the Department of Education as Principal Regulator for all Further Education Corporations in England.

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

As part of its ongoing Property Strategy, the College has reduced its estate to comprise four main centres open across 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. The Soundwell site was closed in the summer of 2015 and is currently being held for re-sale.

A new purpose-built extension to the Advanced Engineering Centre is due to open in October 2017. This extension will house new state-of-the art facilities to support training in degree level apprenticeship and employer training which will service the needs of the large and internationally famous engineering sector which locates its business in Bristol. The College already has longstanding relationships with major engineering employers and this facility will enhance its ability to secure new provision, as well as offer improved facilities for existing clients.

Operating and Financial Review *(continued)*

Staff

The College employs in the region of 1,000 well-qualified staff. In order to re-base the cost structure to ensure a sustainable operating position, significant restructuring programmes were undertaken in 2015/16 and 2016/17, which have resulted in a fall in the overall number of Full-Time Equivalent (FTE) staff employed by the College. These were accompanied by a number of new control measures for recruitment and monitoring of staff costs. The latest financial plans protect a substantial annual investment in training and development for the staff body. In addition, the College is investing in a new non-pay benefits package and continues to seek new ways to reward and incentivise staff, recognising that they are its most valuable resource.

Learners

14-19-year-olds: The College is the main provider of post-16 education in Bristol with 4,000 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 7,500 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 1,500 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.

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 560 employers in the region and is in many subject sectors the largest provider of work-based training.

Regulatory Activity

As part of the outcome of Area-based Review, the College is operating a Fresh Start approach which allows it to continue operating as an independent organisation. The Fresh Start approach acknowledges the College's ability to secure a turnaround in financial position and quality, with a view to coming out of administered status.

The College is monitored both by the Education and Skills Funding Agency and by the Further Education Commissioner. As of July the College was on track to have its administered status lifted in spring 2018, subject to the decision of the Commissioner following a visit to determine final progress in November 2017.

Operating and Financial Review *(continued)*

Financial Objectives

In July 2017, 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 2017 was Inadequate; however, this was upgraded to Satisfactory following moderation by the ESFA, reflecting the forecast underlying trading position.

			2017	2018	2019
Ratios					
1	Adjusted current ratio		0.53	0.49	0.73
2	EBITDA as a % of income - education specific		8.03%	12.24%	13.77%
3	Borrowing as a % of income		57.97%	51.48%	36.72%
Calculation of grade					
4	Adjusted current ratio		10	0	30
5	EBITDA as a % of income - education specific		80	100	100
6	Borrowing as a % of income		10	20	50
7	**Total points**		**100**	**120**	**180**
8	**Financial health grade (automated)**		**Inadequate**	**Satisfactory**	**Good**
9	**College self-assessment**		**Satisfactory**	**Satisfactory**	**Good**

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	Break-even	3% of income
Salary costs % of income	66% of income	65% of income
Cash days in hand	15	60
Reliance on Agency Income	70%	65%
Financial Health Score	Satisfactory	Good

Under the financial plan, the short-term targets will be delivered in FY18 and the long-term target in FY19 (where salary costs include agency costs but exclude restructure costs).

Operating and Financial Review *(continued)*

Financial Performance 2016/17

The out-turn operating position, before actuarial losses from the pension scheme, is once more improved on previous years, with an operating deficit (before income from property sales) of £1.5m compared with a deficit of £2.4m for 2015/16. EBITDA is also improved at £3.3m compared with £2.7m in 2015/16.

This improvement has been achieved despite a fall in income for the year because of good cost control and further expenditure savings of £5.6m for the year. The College has achieved total savings of £20m over a two year period, successfully rebasing its costs whilst also delivering a steady improvement in quality and student outcomes.

The Balance Sheet position, although not yet strong, is improving. Included within current liabilities is £1.6m of repayments due to HM Treasury within one year. This has continued to depress the current ratio. However, there was a total increase in cash of £2.08m in 2016/17.

The net LGPS pension liability as at July 2017 has decreased by £3.2m, which is largely attributable to a strong stock market performance leading to actuarial gains in year.

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 2017 net cash inflow was £2,075k (2016/17 cash outflow £679k).

Operating and Financial Review *(continued)*

Curriculum developments

At the end of 2016/17, 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 is to improve responsiveness to local training requirements and to ensure that its resources are targeted in areas which are likely to match with the local employment market and yield the largest income streams. In addition, the review will seek to provide clarity for prospective students in offering simple routes through from Level 1 to Level 6 courses in line with the Sainsbury report on technical education. This full review will continue to be undertaken throughout 2017/18, culminating in a redesigned offer for 2018/19.

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.

Subsidiary Companies

The College has three subsidiary companies.

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

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

Staff and student involvement

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

In 2016/17, the College instigated the setting up of a Student Union (to commence full operation in autumn 2017) in order to engage students more fully with the management of the College. This, together with the existing Student Voice group, are prime new sources of student influence in the operation of the organisation and future planning.

Operating and Financial Review *(continued)*

Taxation

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

Financial

The group has £31.3m of net assets (excluding the £30.6m pension liability) with long term bank debt of £12.07m.

Reputation

The College continues to hold a strong reputation in certain fields, such as engineering. Its general reputation has been varied but is also improving, which is further aided and attested to by the improved Ofsted Grade. In addition, the College's provision for students with additional support needs is held in high regard by stakeholders and this provision continues to grow.

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 currently identified in the Accountability Framework that affect the College are:

1.	Cash flow Management
2.	Achievement of Budget Targets
3.	Delivering the Estates Strategy
4.	Student Recruitment
5.	Delivering the Post-Inspection Action 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.

Key strengths are:

- Strong and visible leadership and a culture of ambition and high expectations are continually reinforced along with the College values.
- Strong collaborative partnerships with a range of key stakeholders
- Governance is strong and effectively challenge leaders
- Good guidance and support for students within and outside the classroom
- Good use of staff industry skills and experience in the development of students' practical and occupational skills
- Good work experience opportunities and engagement with employers for students on full-time study programmes and apprentices
- Improved and above national rate high grades for students studying GCSE English and maths

The section below draws on progress for Classroom based learning and work based learning (mainly apprenticeships)

Classroom Based Learning

- Achievement rates have improved in all areas
- Pass rates are at the national rate
- High grades for GCSE English and maths are 9% above the national rate
- Attendance rates improved across all areas

Apprenticeships

- The full Ofsted inspection in May 2017 recognised the improvements made and confirmed that apprenticeship provision is well managed through the introduction of specialist management and recruitment team. The improvement initiatives introduced are having an impact, most notably on improved recruitment and retention.
- Apprenticeship achievement rates for overall and timely in 16/17 have stabilised
- During 16/17 82% of apprentices progressed to a positive destination.
- The College has supported businesses to navigate the impact of the apprenticeship reforms for both non levy and levy employers and undertaken tendering activity to secure levy paying employers.

Higher Education

- Success rates remain high and significantly exceed higher education norms
- Overall student satisfaction saw a small decrease from 83% to 80% in 2017 in the National Student Survey (NSS); however, student satisfaction was above the sector-wide benchmark in seven out of the eight categories within the survey. Overall satisfaction of stage 1 students completing the Student Perception Questionnaire (SPQ) for the Plymouth University validated programmes remained strong with a slight increase from 86.8% to 87.5%
- The College was awarded TEF Silver in June 2017 following its submission to Teaching Excellence Framework (TEF). The Panel highlighted teaching that provides high levels of rigour and stretch with excellent employer links and employment outcomes, student access to appropriate resources which enhance learning and excellent use of assessment and feedback.
- The HEFCE Annual Provider Review 2016-17 of the College found that it is meets requirement and that qualification standards are reliable and reasonably comparable to those across the UK; the student academic experience is of high quality; Student outcomes are generally good or excellent

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.

Members' report approval

Approved by order of the members of the Corporation on 11 December 2017 and signed on its behalf by:

....
P Rilett
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The English College's Foundation Code of Governance and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. 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 2017. 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 of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served	2016-17 Attendance
Ms L Anderson	21 October 2015	4 Years		Member	Curriculum & Quality	62%
Mr I Bassett	1 August 2014	4 Years	11 December 2017	Member	Business Services Remuneration	100%
Mrs E J Dalley	10 December 2014	4 Years	11 December 2017	Member	Member: Main Board	100%
Ms R Campbell	17 December 2012	4 Years	11 December 2017	Member	Audit, Curriculum & Quality	100%
	11 December 2017 (change of category)			Co-opted Governor	Audit Committee	
Mr G Channon	1 August 2014	4 Years		Member	Vice Chair of the Corporation Chair Curriculum & Quality, Search & Governance	87%
Ms L Christopher (student governor)	11 December 2017	1 Years		Member	Remuneration	66%
						90%
Mr R Gaunt	1 November 2012	4 Years		Member		

	19 March 2015 (change of category)				Vice Chair: Corporation Chair: Audit Chair: Business Services (September 2016)	
Mr Z Gill (Staff Governor)	15 March 2017	4 Years		Member	Business Services Search & Governance	100%
Mr D Howarth	26 April 2016	4 Years		Member	Chair: Audit (from September 2016)	100%
Mr K Hutton	11 December 2017	4 Years		Member	Curriculum & Quality	75%
Mr P Jacobs	26 April 2016	4 Years		Member	Curriculum & Quality	80%
Ms J Matthews	17 December 2012	4 Years	11 December 2017	Member	Chair of the Corporation (from 10 December 2014) Curriculum & Quality Search & Governance Remuneration Business Services	100%
Mr L Menzies (Co-opted)	21 October 2015	4 Years		Co-opted Member	Business Services Audit Committee	75%
Ms V Moon	1 August 2014 08 May 2016 (change of category)	4 Years	08 May 2016	Co-opted Member (from 08 May 2016)	Search & Governance (Co-opted)	0%
Mr L Probert	1 January 2016			Principal & Chief Executive	Business Services; Curriculum & Quality Search & Governance	100%
Mr B Price	17 December 2012	4 Years	11 December 2017	Member	Business Services	100%
Mr A Riddington	21 October 2015 26 April 2016 (change of category)	4 Years	11 December 2017	Member	Business Services	0%
Mr P Rilett	11 November 2016	4 Years		Member	Curriculum & Quality Search & Governance Remuneration Business Services (Corporation Chair from 11 December 2017)	87%
Mr J Scaife (Co-opted)	1 August 2005	4 Years		Co-opted Member	Audit (Co-opted)	100%
Ms H Styles (Staff Governor)	1 January 2014	4 Years	11 December 2017	Member	Curriculum & Quality	100%
Ms Z Taylor	15 March 2017	4 Years		Member		100%
Ms M Veale	15 March 2017	4 Years		Member	Curriculum & Quality	100%
Mr D Williams	15 March 2017	4 Years		Member	Business Services	100%
Ms M Berry (Student Governor)	9 December 2015	1 Years	9 December 2016	Member		0%
Ms S Eves	21 October 2015	1 Years	21 October 2016	Member		0%

(Student Governor)

Mr S Davies acted as the Clerk to the Corporation during 2016/17. (Resigned July 2017). Ms J Ward was appointed as the Clerk to the Corporation in October 2017.

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 four members and one co-opted member and is responsible for the selection and nomination of any new non-elected member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Corporation reviewed its performance as a part of the Annual Self-Assessment at its meeting in December 2016. The Corporation continues to make progress and has identified actions for improvement.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal & Chief Executive, designated senior post holders and the Clerk.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

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

The Audit Committee meets at least once each term and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of 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 2017 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 2017 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 has an internal audit service, which operates in accordance with the requirements of the requirements of the ESFA's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.
As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Financial Notices of Concern

As of 31 July 2017, 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 2018. The Notice of Concern for Financial Control was lifted in March 2017. 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 2017 meeting, the Corporation carried out the annual assessment for the year ended July 2017 by considering documentation from the Strategic Leadership Team and the internal auditors, and taking into account of events since 31 July 2017.

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".

Going Concern

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

The financial statements of the college are prepared on a going concern basis, notwithstanding net current liabilities of £6.172m, which the Directors believe is appropriate for the following reasons. The College has produced a long term four year cash flow forecast, as well as a detailed one year forecast and financial plan. These plans, including all repayments due under the current BIS Loan, show a positive cash flow for the next four years. The College has submitted an application for a debt restructure to the Transaction Unit in order to further improve cash flow. However, the financial plans show a positive cash flow regardless of whether the Transaction Unit approves the restructuring of the BIS loan.

The College is forecasting to breach one of the covenants of their loan with Barclays Bank during 2018 as a result of a delay in the sale of the old Soundwell campus. Barclays are aware of the situation and continue to be fully supportive of management's plans and have been working with the College to renegotiate the future covenants, albeit want to wait until a decision regarding the BIS loan restructure has been made. Management expect any restructuring and the resetting of the Barclays covenants to be completed by March 2018.

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

Approved by order of the members of the Corporation on 11 December 2017 and signed on its behalf by:

....	....
P Rilett	L Probert
Chair	*Principal & Chief Executive*

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 2016 to 2017 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 inappropriatc 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 11 December 2017 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 2017 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 2017, 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 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education 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 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Jonathan Brown

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

11 December 2017

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 financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by City of Bristol College during the period 1 August to 31 July 2017 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 jointly by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which 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 to 31 July 2017 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 jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a 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 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Brown

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

11 December 2017

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
INCOME					
Funding body grants	2	25,472	25,472	30,812	30,812
Tuition fees and education contracts	3	10,054	10,054	9,318	9,318
Other grants and contracts	4	30	30	27	27
Other income	5	2,241	1,352	2,586	1,633
Investment income	6	4	4	8	11
Total income		**37,801**	**36,912**	**42,751**	**41,801**
EXPENDITURE					
Staff costs	7	24,320	23,423	26,817	25,864
Restructuring costs	7	595	595	1,953	1,953
Other operating expenses	9	9,593	9,598	11,310	11,307
Depreciation	13	3,028	3,027	3,433	3,430
Amortisation	14	69	69	55	55
Interest and other finance costs	10	1,674	1,674	1,619	1,619
Total expenditure		**39,279**	**38,386**	**45,187**	**44,228**
Deficit before other gains and losses		**(1,478)**	**(1,474)**	**(2,436)**	**(2,427)**
Gain on disposal of assets		1,028	1,028	1,234	1,234
Deficit for the year	12	**(450)**	**(446)**	**(1,202)**	**(1,193)**
Actuarial gain / (loss) in respect of pensions schemes		4,595	4,595	(12,838)	(12,838)
Total Comprehensive Income for the year		**4,145**	**4,149**	**(14,040)**	**(14,031)**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2015	**5,878**	**4,768**	**10,646**
Deficit from the income and expenditure account	(1,202)	0	(1,202)
Other comprehensive income	(12,838)	0	(12,838)
Transfers between revaluation and income and expenditure reserves	396	(396)	0
Total comprehensive income for the year	**(13,644)**	**(396)**	**(14,040)**
Balance at 31st July 2016	**(7,766)**	**4,372**	**(3,394)**
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
Total comprehensive income for the year	**4,324**	**(179)**	**4,145**
Balance at 31st July 2017	**(3,442)**	**4,193**	**751**
College			
Balance at 1st August 2015	**6,110**	**4,768**	**10,878**
Deficit from the income and expenditure account	(1,193)	0	(1,193)
Other comprehensive income	(12,838)	0	(12,838)
Transfers between revaluation and income and expenditure reserves	396	(396)	0
Total comprehensive income for the year	**(13,635)**	**(396)**	**(14,031)**
Balance at 31st July 2016	**(7,525)**	**4,372**	**(3,153)**
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
Total comprehensive income for the year	**4,328**	**(179)**	**4,149**
Balance at 31st July 2017	**(3,197)**	**4,193**	**996**

Consolidated and College Balance sheets

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Fixed assets					
Tangible fixed assets	13	72,629	72,628	73,346	73,346
Intangible fixed Assets	14	193	193	262	262
Investments		0	3	0	3
		72,822	**72,824**	**73,608**	**73,611**
Current assets					
Stocks		55	55	61	61
Trade and other receivables	16	1,340	1,538	2,935	3,186
Cash and cash equivalents		4,413	4,381	2,338	2,250
		5,808	**5,974**	**5,334**	**5,497**
Less: Creditors – amounts falling due within one year	17	(11,980)	(11,903)	(17,766)	(17,691)
Net current liabilities		(6,172)	(5,929)	(12,432)	(12,194)
Total assets less current liabilities		66,650	66,895	61,176	61,417
Less: Creditors – amounts falling due after more than one year	18	(35,062)	(35,062)	(30,542)	(30,542)
Provisions					
Defined benefit obligations	20	(30,619)	(30,619)	(33,791)	(33,791)
Other provisions	20	(218)	(218)	(237)	(237)
Total net assets/(liabilities)		**751**	**996**	**(3,394)**	**(3,153)**
Unrestricted reserves					
Income and expenditure account	23	(3,442)	(3,197)	(7,766)	(7,525)
Revaluation reserve	22	4,193	4,193	4,372	4,372
Total unrestricted reserves		**751**	**996**	**(3,394)**	**(3,153)**

The financial statements on pages **24 to 51** were approved and authorised for issue by the Corporation on 11 December 2017 and were signed on its behalf on that date by:

P Rilett
Chair

L Probert
Accounting Officer

Consolidated statement of Cash Flows

	Notes	2017	2016
		£'000	**£'000**
Cash inflow from operating activities			
Deficit for the year		(450)	(1,202)
Adjustment for non cash items			
Depreciation		3,097	3,488
Decrease in stocks		6	20
Decrease in debtors		1,595	1,301
Decrease in creditors due within one year		(5,776)	(4,727)
Increase/(decrease) in creditors due after one year		4,911	(2,558)
Decrease in provisions		(19)	(17)
Pensions costs less contributions payable		1,423	1,023
Adjustment for investing or financing activities			
Investment income	6	(4)	(8)
Interest payable	10	1,674	1,619
Taxation paid		(10)	(36)
Gains on sale of fixed assets		(1,028)	(1,234)
Net cash flow from operating activities		5,419	(2,331)
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,167	1,881
Investment income		4	8
Payments made to acquire fixed assets		(2,450)	(1,116)
		(1,279)	773
Cash flows from financing activities			
Interest paid		(1,674)	(1,619)
New unsecured loans		0	5,000
Repayments of amounts borrowed		(2,180)	(1,180)
Deferred Capital Grants received		1,789	36
		(2,065)	2,237
Increase in cash and cash equivalents in the year		2,075	679
Cash and cash equivalents at beginning of the year	21	2,338	1,659
Cash and cash equivalents at end of the year	21	4,413	2,338

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 2016 to 2017* 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 activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The financial statements of the college are prepared on a going concern basis, notwithstanding net current liabilities of £6.172m, which the Directors believe is appropriate for the following reasons. The College has produced a long term 4-year cash flow forecast, as well as a detailed one year forecast and financial plan. These plans, including all repayments due under the current BIS Loan, show a positive cash flow for the next four years. The College has submitted an application for a debt restructure to the Transaction Unit in order to further improve cash flow. However, the financial plans show a positive cash flow regardless of whether the Transaction Unit approves the restructuring of the BIS loan.

The College is forecasting to breach one of the covenants of their loan with Barclays Bank during 2018 as a result of a delay in the sale of the old Soundwell campus. Barclays are aware of the situation and continue to be fully supportive of management's plans and have been working with the College to renegotiate the future covenants, albeit want to wait until a decision regarding the BIS loan restructure has been made. Management expect any restructuring and the resetting of the Barclays covenants to be completed by March 2018.

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

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 2017.

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 n 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.

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 adaptions to buildings, over the remaining period of their useful life.

Leasehold buildings are depreciated over the period of the lease.

Building refurbishments are depreciated over 10 years.

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

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

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

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 2017. They are not depreciated until they are brought into 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

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 2017. 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 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
SFA & EFA				
Recurrent grant	21,596	21,596	24,580	24,580
Work based learning	2,768	2,768	3,452	3,452
Releases of deferred capital grants				
Land & buildings	511	511	1,702	1,702
Equipment	28	28	41	41
ESF EUL	0	0	197	197
Other funds	94	94	88	88
	24,997	**24,997**	**30,060**	**30,060**
HEFCE				
Recurrent grant	441	441	343	343
Releases of deferred capital grants				
Equipment	34	34	93	93
	475	**475**	**752**	**752**
	25,472	**25,472**	**30,812**	**30,812**

3 Tuition fees and education contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Tuition Fees and charges				
UK higher education students	3,603	3,603	3,789	3,789
EU and UK	4,404	4,404	4,182	4,182
Non EU students	4	4	75	75
	8,011	**8,011**	**8,046**	**8,046**
Education contracts				
Local education authority	2,009	2,009	1,232	1,232
Other income	34	34	40	40
	2,043	**2,043**	**1,272**	**1,272**
Total	**10,054**	**10,054**	**9,318**	**9,318**

4 Research grants and contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Releases from deferred capital grants (non main funding bodies)	30	30	27	27
Total	**30**	**30**	**27**	**27**

5 Other income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Residences, catering and conferences	100	100	95	95
Other income generating activities	338	338	365	365
Exam fees	40	40	54	54
Sale of materials	8	8	4	4
Student travel	240	240	297	297
Project income	146	146	296	296
Apprenticeship Training Agency income	910	0	963	0
Other income	459	480	512	522
Total	**2,241**	**1,352**	**2,586**	**1,633**

6 Investment income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Bank interest receivable	4	4	8	11

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 2017 £'000	Year ended 31 July 2016 £'000
Staff Numbers		
Teaching staff	327	370
Teaching - other	64	63
Teaching support services	129	111
Other support services	34	53
Administration and central services	80	82
Premises	35	37
Other	7	15
	676	**731**

Staff costs	Year ended 31 July 2017 Group £'000	2017 College £'000	Year ended 31 July 2016 Group £'000	2016 College £'000
Wages and salaries	19,047	18,171	21,525	20,624
Social security costs	1,591	1,579	1,535	1,515
Other pension costs (including FRS102 adjustments)	3,659	3,650	3,471	3,464
Payroll sub total	**24,297**	**23,400**	**26,531**	**25,603**
Contracted out services	23	23	286	261
Exceptional restructuring costs	595	595	1,953	1,953
	24,915	24,018	28,770	27,817

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	4	6

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	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	0	0	8	14
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	1	2	0	2
£100,001 to £110,000	1	1	0	0
£140,001 to £150,000	1	1	0	0
£170,001 to £180,000	0	1	0	0
	3	**5**	**8**	**16**

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 2017 £'000	2016 £'000
Salaries	400	653
Benefits in kind	0	0
Pension contributions	78	115
	478	**768**

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 2017 £'000	2016 £'000
Salaries	150	150
Benefits in kind	0	0
Pension contributions	25	25
	175	**175**

Total emoluments paid to the two post-holders who held the post of Principal in year ended 2016 was £168,000. This represented 4 months paid to Lynn Merilion and 7 months paid to Lee Probert.

Compensation for loss of office paid to former key management personnel

	Year ended 31 July	
	2017	**2016**
	£'000	**£'000**
Compensation paid to the former key management personnel	34	25
Estimated value of other benefits, including provisions for pension benefits	3	0
	37	**25**

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

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

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2017	**2017**	**2016**	**2016**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching departments	2,164	2,163	2,248	2,250
Teaching support services	553	553	900	900
Other support services	89	89	204	210
Administration and central services	971	981	1,229	1,222
General education (Examinations and marketing)	1,244	1,244	1,674	1,674
Premises costs - running costs	1,517	1,517	1,804	1,804
Premises costs - maintenance	426	426	372	372
Premises costs - rents and leases	54	50	69	65
Planned maintenance	279	279	175	175
Other income generating activities	236	236	309	309
Catering and residence operations	93	93	286	286
Franchised provision	1,501	1,501	1,624	1,624
Other expenses	466	466	416	416
	9,593	**9,598**	**11,310**	**11,307**

Other operating expenses include:

Operating leases (buildings and equipment)	115	102	206	186
Auditors remuneration				
Financial statements audit	38	35	50	43
Other services	0	0	15	15
	153	**137**	**271**	**244**

10 Interest payable - Group and College

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	817	817	864	864
On other loans:				
Pension finance costs	857	857	752	752
	1,674	**1,674**	**1,619**	**1,619**

11 Taxation - Group only

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 22%	0	0	0	0
Total	**0**	**0**	**0**	**0**

12 Deficit on continuing operations for the year

	Year ended 31 July	
	2017	2016
	£'000	£'000
College's deficit for the year	446	1,193
Retained by subsidiary undertakings	4	9
	450	1,202

13 Tangible fixed assets

Group	Land and buildings Leasehold	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	12,979	92,818	12,884	305	118,986
Additions	0	435	75	1,940	2,450
Transfer	0	258	16	(274)	0
Disposals	0	(1,575)	(31)	0	(1,606)
At 31 July 2017	12,979	91,936	12,944	1,971	119,830
Accumulated depreciation					
At 1 August 2016	4,079	29,442	12,119	0	45,640
Charge for the year	259	2,285	484	0	3,028
Elimination in respect of disposals	0	(1,436)	(31)	0	(1,467)
At 31 July 2017	4,338	30,291	12,572	0	47,201
Net book value at 31 July 2017	8,641	61,645	372	1,971	72,629
Net book value at 31 July 2016	8,900	63,376	765	305	73,346

College	Land and buildings Leasehold	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	12,979	92,818	12,867	305	118,969
Additions	0	435	73	1,940	2,448
Transfer	0	258	16	(274)	0
Disposals	0	(1,575)	(31)	0	(1,606)
At 31 July 2017	12,979	91,936	12,925	1,971	119,811
Accumulated depreciation					
At 1 August 2016	4,079	29,442	12,102	0	45,623
Charge for the year	259	2,285	483	0	3,027
Elimination in respect of disposals	0	(1,436)	(31)	0	(1,467)
At 31 July 2017	4,338	30,291	12,554	0	47,183
Net book value at 31 July 2017	8,641	61,645	371	1,971	72,628
Net book value at 31 July 2016	8,900	63,376	765	305	73,346

14 Intangible fixed assets

Group and College	Software Licenses £'000	Total £'000
Cost or valuation		
At 1 August 2016	490	490
Additions	0	0
Transfer	0	0
Disposals	0	0
At 31 July 2017	490	490
Accumulated depreciation		
At 1 August 2016	228	228
Charge for the year	69	69
Elimination in respect of disposals	0	0
At 31 July 2017	297	297
Net book value at 31 July 2017	193	193
Net book value at 31 July 2016	262	262

15 Non current Investments

	Year ended 31 July 2017 £'000	2016 £'000
Investments in subsidiary companies	3	3

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

	Year ended 31 July		Year ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Amounts falling due within one year:				
Trade debtors	345	314	365	329
Amounts owed by group undertakings	0	247	0	289
Other debtors	129	114	1,864	1,862
Prepayments and accrued income	866	863	706	706
Total	**1,340**	**1,538**	**2,935**	**3,186**

17 Creditors: amounts falling due within one year

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	680	680	680	680
Payments received on account	247	202	155	108
Trade creditors	527	522	688	686
Corporation tax	0	0	10	10
Other taxation and social security	660	636	494	478
Holiday pay Accrual	772	772	1,055	1,055
Other Accruals	3,716	3,712	4,589	4,579
Amounts due to funding bodies	1,520	1,520	747	747
Loans from Government	1,994	1,994	6,200	6,200
Deferred income - government capital grants	708	708	2,015	2,015
Other creditors	1,156	1,157	1,133	1,133
Total	**11,980**	**11,903**	**17,766**	**17,691**

18 Creditors: amounts falling due after one year

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	11,390	11,390	12,070	12,070
Loans from Government	7,455	7,455	4,749	4,749
Deferred income - government capital grants	16,217	16,217	13,723	13,723
Total	35,062	35,062	30,542	30,542

19 Analysis of borrowings

Loans and overdrafts are repayable as follows:

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	2,674	2,674	6,880	6,880
Between one and two years	5,180	5,180	2,180	2,180
Between two and five years	4,995	4,995	5,289	5,289
In five years or more	8,670	8,670	9,350	9,350
Total	21,519	21,519	23,699	23,699

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. This loan is repayable over 5 years. There is no interest payable on this loan.

20 Provisions

Group and College	Defined benefit obligations	Other Pension obligations	Total
	£'000	£'000	£'000
At 1 August 2016	33,791	237	34,028
Additions in the period	(3,172)		(3,172)
Expenditure in the period		(19)	(19)
At 31 July 2017	30,619	218	30,837

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

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

21 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,338	2,075	0	4,413
Total	**2,338**	**2,075**	**0**	**4,413**

22 Revaluation reserve

Group and College	Year ended 31 July 2017	2016
	£'000	£'000
At 1 August 2016	4,372	4,768
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(40)	(118)
Depreciation on disposal of revalued assets	(139)	(278)
At 31 July 2017	**4,193**	**4,372**

23 Capital commitments

	Group and College 2017	2016
	£'000	£'000
Commitments contracted for at 31 July	1,092	403

24 Lease Obligations

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

	Group and College	
	2017	**2016**
	£'000	**£'000**
Annual Lease payments falling due		
Land and buildings		
Not later than one year	30	15
Later than one year and not later than five years	43	26
later than five years	-	-
	73	41
Other		
Not later than one year	78	2
Later than one year and not later than five years	122	64
later than five years	-	-
	200	66

25 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		1,692		1,791
Local Government Pension Scheme:				
Contributions paid	1,479		1,411	
FRS 102 (28) charge	566		272	
Charge to the Statement of Comprehensive Income		2,045		1,683
Total Pension Cost for Year		**3,737**		**3,474**

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 £359,556 (2016:£ 365,185) were payable to the scheme on 31 July 2017 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 £2,577,576 (2016: £2,747,080)

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 2017 was £1,933,440 (2016: £2,016,818), of which employer's contributions totalled £1,514,769 (2016: £1,593,682) and employees' contributions totalled £418,671 (2016: £423,136). 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 2017 by a qualified independent actuary

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	3.7%	3.2%
Future pensions increases	2.2%	1.8%
Discount rate for scheme liabilities	2.6%	2.5%
Inflation assumption (CPI)	2.2%	1.7%
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 2017 years	**At 31 July 2016 years**
Retiring today		
Males	23.50	23.50
Females	26.00	26.00
Retiring in 20 years		
Males	26.00	25.90
Females	28.70	28.90

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equities	31,554	29,320
Government Bonds	7,311	7,083
Other Bonds	4,874	5,574
Property	5,436	5,632
Other	12,309	10,741
Cash	1,000	-290
Total market value of assets	**62,484**	**58,060**
Actual return on plan assets	**3,952**	**3,952**

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

	2017	2016
	£'000	£'000
Fair value of plan assets	62,484	58,060
Present value of plan liabilities	(93,074)	(91,808)
Present value of unfunded liabilities	(29)	(43)
Net pensions liability(Note 19)	**(30,619)**	**(33,791)**

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,988	1,656
Total	**1,988**	**1,656**

Local Government Pension Scheme (Continued)

Amounts included in investment income		
Net interest income	(824)	(725)

	(824)	**(725)**

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,812	1,894
Experience gains arising on defined benefit obligations	5,586	-
Changes in assumptions underlying the present value of plan liabilities	(3,803)	(14,732)
Amount recognised in Other Comprehensive Income	**4,595**	**(12,838)**

Movement in net defined benefit liability during the year

	2017 £'000	**2016 £'000**
Surplus/(deficit) in scheme at 1 August	(33,791)	(19,929)
Movement in year:		
Current service cost	(1,988)	(1,656)
Employer contributions	1,422	1,384
Administrative expenses	(33)	(27)
Net interest on the defined liability	(824)	(725)
Actuarial gain or loss	4,595	(12,838)
Net defined benefit liability as at 31 July	**(30,619)**	**(33,791)**

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	91,851	74,107
Current Service cost	1,988	1,656
Interest cost	2,278	2,783
Contributions by Scheme participants	422	456
Experience gains and losses on defined benefit obligations	(5,586)	0
Changes in financial assumptions	3,803	14,732
Estimated benefits paid	(1,846)	(2,182)
Curtailments and settlements	193	299
Defined benefit obligations at end of period	**93,103**	**91,851**

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	58,060	54,178
Interest on plan assets	1,454	2,058
Return on plan assets	2,812	1,894
Administrative expenses	(33)	(27)
Employer contributions	1,615	1,683
Contributions by Scheme participants	422	456
Estimated benefits paid	(1,846)	(2,182)
Assets at end of period	**62,484**	**58,060**

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 £1,174; expenses were claimed by 2 governors (2016: £2,212; 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 (2014: None).

27 Amounts disbursed as agent

Learner support funds

	2017	2016
	£'000	£'000
Funding body grants – discretionary learner support	1,248	1,700
	1,248	1,700
Disbursed to students	(1,093)	(1,181)
Administration costs	(74)	(67)
Balance unspent as at 31 July, included in creditors	533	452

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.