

City of Bristol College

Members' report and financial statements

For the year ended 31 July 2014

Members' report and financial statements

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Members' Report

Operating and Financial Review

Nature, objectives and strategies

The Members present their report and the audited financial statements for the year ended 31 July 2014.

Legal status

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

Financial highlights

The results for the year show a loss on continuing operations after depreciation of assets at valuation and before joint venture activity, tax and surplus on asset disposals of £7,458k (2012/13: loss of £7,368k). During the year, there was a nil loss on joint venture activity and a loss on disposal of fixed assets of £22k, producing a loss before tax of £7,481k (2012/13: loss of £6,777k). During the year there was a corporation tax charge of £102k (2012/13: 60k). At 31 July 2014 the College had cash balances of £2.3m (2012/13: £6.5m) and accumulated reserves (excluding the Pension Reserve) of £41.7m (2012/13: £48.7m).

Mission

The College's mission statement is as follows:

Creating lifetime opportunities through outstanding education and training

The College

City of Bristol College is one of the largest further and higher education colleges in the UK.

We offer the widest range of academic and vocational qualifications in the area, with more than 2,000 courses available from entry to degree level and we provide education and training to more than 30,000 learners.

Public Benefit

City of Bristol College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England.

The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 to 13.

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

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

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

Operating and Financial Review *(continued)*

Our Learners

14-19-year-olds: We are the main provider of post-16 education in Bristol with around 7,000 16-18 year old students following College-based or Apprenticeship programmes. We also link with several local schools to provide learning for 14 – 16 year olds.

Adults: Nearly 19,000 adults choose to study with us each year at one of our five main centres, at one of our local community partner venues or in their own workplace.

Apprentices: We are one of the largest further education providers of Apprenticeships in England with around 3,000 of our students aged 16-18 and 19+ studying for an Apprenticeship at the College.

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

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

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

Our Staff

It's not only our students who benefit from the College's excellent training and development opportunities. Support is available for staff to reach their full potential. Through our Investors in People Gold award, the College is recognised for developing employees who make a valuable contribution to the College's provision of excellent teaching and support services.

Our Centres

The College currently has five main centres across Bristol at; Ashley Down, College Green, Parkway/Advanced Engineering Centre, Soundwell and South Bristol Skills Academy, offering excellent facilities including purpose-built, well-equipped classrooms and workshops. The College withdrew from the leasing arrangements at Orpen Park at the end of December 2013 with the transfer of the delivery to the newly opened Advanced Engineering Centre in September 2013.

In addition, we have a wide range of community partners allowing us to offer courses in some 28 venues across the City.

Our Role in Bristol and the South West

The College contributes to the prosperity of the City and the wider region as the leading provider of high quality education, training and skills development. An independent study has shown that the College makes a significant contribution to the local economy.

Operating and Financial Review (continued)

Implementation of the strategic plan

The College published a strategic plan for 2012-15, which linked to key priorities for quality, learning experience, property strategy and financial forecasts. The Corporation monitored performance against specific objectives in the Development Plan through key performance indicators for 2013/14 that underpinned the strategic aims. Scrutiny was carried out by Committees of the Corporation, primarily; the Curriculum and Quality Committee; Finance; Audit and Full Board. In addition, two Corporations sub-groups were established to meet regularly to monitor financial and quality recovery action plans which were chaired by Governors attended by the SFA and EFA representatives.

The College was re-inspected by Ofsted in May 2014 where all of the previous 'inadequate' grades from the February 2013 inspection were improved and the College received a 'good' grade for leadership and management. The new and current strategic plan focuses on the following strategic aims:

People

2012 / 13

- To establish uniformity of role and structure, with clear lines of accountability for all key policies and procedures
- To establish job descriptions and person specification which focus on increasing quality indicators in a cost effective model
- To focus on Quality, curriculum and the student experience

2013 / 14

- To review the number of different staff contracts to ensure consistency and accountability
- To move towards the College Employment Bureau
- To review Corporate Services

2014 / 15

- To establish a system of recognition for high performing staff
- To have, at the heart of the College, the celebration of excellent teaching and learning
- To have staff who participate in research
- To have enterprises which are part of the College services and provide realistic work for students
- To be the centre of communities

Place

2012 / 2013

- Review the Governance arrangements for each site, ensuring that each site meets the needs of the community it serves
- Implement the use of technology which meets the needs of individuals and curriculum
- Review the College property strategy
- Agree a strategy to review the estate maintenance
- Develop the role of the centre manager
- Evaluate the curriculum offer on each site

2013 / 2014

- Offer curriculum to match the needs of the local community
- Market research to increase student participation
- Develop evening provision
- Maximise the use of each site by curriculum and non-curriculum activity

2014 / 2015

- For each centre to be the centre of the community
- To have provision on each site which leads to the achievement of world class skills
- To have maximum use of the building to meet the College mission

Operating and Financial Review *(continued)*

Positioning

2012/ 2013

- To increase market share of all learner groups
- To participate in the West of England Skills Board
- To contribute nationally, regionally and locally to the development of Local Enterprise Partnerships
- To locate provisions to meet the needs of communities with low levels of skills
- To evaluate the work with schools.

2013 / 2014

- To develop a curriculum offer which meets the needs of the local community
- To develop, with partners, the Enterprise Zone, to provide growth in employment
- To work with partners to meet the needs of younger people in Bristol and beyond
- To develop the South West Apprenticeship Company (SWAC)

2014 / 2015

- To review the on-going local skills needs
- To reduce inequalities

Financial objectives

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

In 2013/14 the College has made substantial savings in staff costs through the reshaping of corporate services and curriculum support functions. The introduction of the new teaching and assessing contracts will enable the College to drive up staff utilisation and implement more efficient delivery models through effective management.

The success of the financial turnaround plan was reliant upon the College securing a cash advance or loan of £7.4m in March 2014, with all cash advances to be repaid in full by August 2015. It became apparent early on that financial support from commercial lenders was not going to be an option and final approval was received from the Skills Funding Agency that the full cash advance would be made available.

The College has a 25 year fixed term loan to be repaid in 2025. The conditions of the loan include a bank covenant, which is tested against the College's annual financial performance. The College was in breach of one of the covenant tests at 31st July 2013, due to the deficit position and was forecasting another breach at 31st July 2014.

However, the College has successfully negotiated a new covenant (including tests) with Barclays for 31st July 2014 and for the following year 2014/15, with the breach at 31st July 2013 being waived. The covenants during the 2014/15 financial year will be monitored against the College's FRAP on a quarterly basis. The terms of the loan have not been affected although an increase in the margin from 1.5% to 2.4% (until July 2015), dropping to 2.0% for the remaining life of the loan has been levied to recognise the increase in risk.

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.

Operating and Financial Review *(continued)*

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 2014 net cash outflow was £1,735k (2012/13 cash inflow £3,942k)

Curriculum developments

The curriculum offering of the College is under constant review and changes are made to meet the needs of learners and employers. Curriculum design has been a focus of attention particularly in relation to meeting the needs of employers and providing routes to employment. The College has been developing new frameworks both for Apprenticeships and Higher Apprenticeships. The latter is part of a joint initiative with other colleges in the West of England Local Enterprise Partnership area. There has also been a radical change to the curriculum for adults at Foundation level focusing on very short courses for the unemployed and routes into employment.

Transparency arrangements

The Corporation has adopted the FE Code of Government 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; 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

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.

Operating and Financial Review *(continued)*

Subsidiary Companies

The College has three subsidiary companies.

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

Name	Nature of business	Surplus / (Deficit) for year after Gift Aid
Partners In Business (West) Limited	Education & Training	(£16,728)
SBLN Limited	Vocational training and computer related activity	£nil
South West Apprenticeship Company Limited	Apprenticeship training agency	£2,399

Staff and student involvement

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

Taxation

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

Resources

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

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

Financial

The group has £44.0m of net assets (including a £15.8m pension liability) with long term debt of £13.4m.

Reputation

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

Operating and Financial Review *(continued)*

Principal risks and uncertainties

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

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

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

The principle risk factors that affect the College are:

Quality

The College is aware that its success data is below benchmark in some areas and that this could impact on its reputation, recruitment and its future funding:

This risk, which is closely monitored by the Executive, senior managers and the Curriculum and Quality Committee, is being mitigated in a number of ways:

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

Current economic conditions

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

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

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 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 promote 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.

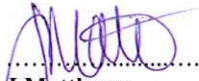
Operating and Financial Review *(continued)*

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 15 December 2014 and signed on its behalf by:



J Matthews
Chairman

Professional advisers

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

Statement of Corporate Governance and Internal Control

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2014.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2011.

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Mr H Al-Lami	24 October 2012	2 years	31 July 2014	Elected student	Member: Curriculum & Quality and Property Strategy
Mr I Bassett	1 August 2013	4 years		Member	Member: Finance & General Purposes, Property Strategy and Remuneration
Mr TW Bray	1 August 2012	4 years		Member	Member: Finance & General Purposes and Remuneration
Ms R Campbell	13 December 2012	4 years		Member	Member: Curriculum & Quality
Mr G Channon	1 August 2013	4 years		Member	Member: Curriculum & Quality, Search & Governance and HE Board
Mr R Gaunt (Co-opted)	1 November 2012 19 March 2014 (change of category)	4 years		Member	Chair: Audit (from 28 March 2014)
Mrs H Goddard	20 October 2011	4 years		Member	Member: Finance & General Purposes and Remuneration
Ms P Golding (Co-opted)	1 August 1996				Co-opted: Search & Governance
Ms P Grigg (Co-opted)	1 August 2013 11 December 2013 (change of category)	4 years		Member	Chair: Finance & General Purposes (from 11 Dec 2013)
Mr S Hewitt	28 March 2010	4 years	27 March 2014	Member	Chair: Audit
Ms J Matthews	13 December 2012	4 years		Member	Vice Chair: Corporation 2013/14 Joint Chair: Curriculum & Quality
Ms S Meadows	13 December 2012	4 years		Member	Member: Search & Governance Joint Chair: Curriculum & Quality
Ms L Merilion	3 September 2012			Principal	Member: Finance & General Purposes, Curriculum & Quality and Search & Governance

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

The Corporation *(continued)*

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Ms V Moon	1 August 2013	4 years		Member	Member: Audit
Mr B Price	14 December 2012	4 years		Member	Member: Audit and Curriculum & Quality Co-opted: Audit
Mr J Scaife (Co-opted)	1 August 2005				
Mr R Shiner	13 December 2012	4 years		Member	Member: Audit and HE Board
Mr M Williams	21 Oct 2009	4 years	20 October 2013	Member	Vice Chair: Corporation 2012/13 Chair: Finance & General Purposes Member: Remuneration

Mrs C Gledhill acted as the Clerk to the Corporation in 2013/14.

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

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Company Limited (SWAC): L Merilion (Principal), S Bradley (Director of Finance) and C Vertigen (SWAC Operations Director). J Bridle (Director of Finance, until 31 December 2013), L McMillan (Vice Principal, Employer, Partners & Innovation, until 6 June 2014).

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

Trust in Learning Limited - L Merilion (Principal).

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

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

The Corporation *(continued)*

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

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

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

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

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

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ending 31 July 2014 the College's Remuneration Committee comprised five members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post holders and the Clerk.

Details of remuneration for the year ended 31 July 2014 are set out in note 8 to the financial statements.

Audit Committee

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

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

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

Audit Committee *(continued)*

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

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

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

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City of Bristol College for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

The risk and control framework

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

Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;

Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;

Setting targets to measure financial and other performance;

Clearly defined capital investment control guidelines; and

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework (continued)

The adoption of formal project management disciplines, where appropriate.

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

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

Review of effectiveness

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

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

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

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

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

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

- The College's budgeting and financial monitoring processes
- Funding data and the veracity of underpinning learner records to support funding claims, [particularly in relation to 16-18 year olds].
- The operation of the College's Risk Register and risk mapping.

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

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

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

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

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, further detailed within note 1 Accounting Policies (pages 27 to 32). For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 15 December 2014 and signed on its behalf by:


.....
J Matthews
Chairman


.....
L Merrill
Principal

Statement of the responsibilities of the members of the Corporation

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

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


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

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

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

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

Approved by order of the members of the Corporation on 15 December 2014 and signed on its behalf by:


.....
J Matthews
Chairman

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

We have audited the Group and College financial statements ("the financial statements") of City of Bristol College for the year ended 31 July 2014 set out on pages 22 to 54. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

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

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion: .

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



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

19 December 2014

Independent Auditor's Report on Regularity to the Corporation of City of Bristol College and the Chief Executive of Skills Funding.

This report is produced in accordance with the terms of our engagement letter dated 20 August 2013 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of City of Bristol College and the Chief Executive of Skills Funding those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of City of Bristol College and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. 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 Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of City of Bristol College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of City of Bristol College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is 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. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

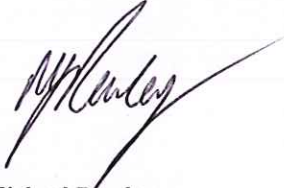
Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 20 August 2013. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.



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

19 December 2014

Consolidated income and expenditure account
for the year ended 31 July 2014

	<i>Note</i>	2014	2013
		£'000	£'000
Income			
Funding body grants	2	36,967	43,652
Tuition fees and education contracts	3	11,007	11,130
Research grants and contracts	4	82	86
Other income	5	3,875	4,605
Investment income	6	26	79
		<hr/>	<hr/>
Total income		51,957	59,552
		<hr/> <hr/>	<hr/> <hr/>
Expenditure			
Staff costs	7	37,376	41,147
Exceptional restructuring costs	7	1,597	2,437
Other operating expenses	9	14,640	16,813
Depreciation	13	4,813	5,295
Interest and other finance costs	10	990	1,228
		<hr/>	<hr/>
Total expenditure		59,416	66,920
		<hr/> <hr/>	<hr/> <hr/>
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		(7,459)	(7,368)
(Loss)/profit on disposal of assets		(22)	591
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(7,481)	(6,777)
Taxation	11	(102)	(60)
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation and tax		(7,583)	(6,837)
		<hr/> <hr/>	<hr/> <hr/>

Statement of consolidated total recognised gains and losses
for the year ended 31 July 2014

	<i>Note</i>	2014	2013
		£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(7,583)	(6,837)
Actuarial gain in respect of pension scheme	22	1,608	3,216
Total recognised losses since the last period		<u>(5,975)</u>	<u>(3,621)</u>
		2014	2013
		£'000	£'000
Reconciliation			
Opening reserves and endowments		31,872	35,493
Total recognised losses for the year		(5,975)	(3,621)
Closing reserves		<u>25,897</u>	<u>31,872</u>


Statement of consolidated historical cost surpluses and deficits
for the year ended 31 July 2014


	<i>Note</i>	2014	2013
		£'000	£'000
Deficit on continuing operations before taxation		(7,481)	(6,777)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	125	128
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued disposals	21	-	35
Historical deficit for the year before taxation		<u>(7,356)</u>	<u>(6,614)</u>
Taxation		(102)	(60)
Historical cost deficit for the year after taxation		<u>(7,458)</u>	<u>(6,674)</u>

Consolidated balance sheet
as at 31 July 2014

	<i>Note</i>	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	13	80,689	85,470
<hr/>			
Current assets			
Land and buildings for sale		610	610
Stock		105	64
Debtors	15	3,384	2,885
Cash at bank and in hand		2,259	6,522
		<hr/>	<hr/>
		6,358	10,081
<hr/>			
Creditors: Amounts falling due within one year	16	(13,615)	(13,721)
<hr/>			
Net current liabilities		(7,256)	(3,640)
<hr/>			
Total assets less current liabilities		73,432	81,830
<hr/>			
Creditors: Amounts falling due after more than one year	17	(13,430)	(14,110)
<hr/>			
Provisions for liabilities and charges	19	(250)	(248)
<hr/>			
Net assets excluding pension liability		59,752	67,472
<hr/>			
Net pension liability	23	(15,793)	(16,829)
<hr/>			
Net assets including pension liability		43,959	50,643
<hr/> <hr/>			
Deferred capital grants	20	18,062	18,771
<hr/>			
Reserves			
Income and expenditure account excluding pension reserve	22	36,645	43,531
Pension reserve	22	(15,793)	(16,829)
<hr/>			
Income and expenditure account including pension reserve		20,852	26,702
<hr/>			
Revaluation reserve	21	5,045	5,170
<hr/>			
		43,959	50,643
<hr/> <hr/>			
TOTAL FUNDS			

The financial statements on pages 22 to 54 were approved by the Corporation on 15 December 2014 and were signed on its behalf by:



.....
J Matthews
Chair


.....
L Merillon
Accounting Officer

College balance sheet
as at 31 July 2014

	<i>Note</i>	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	13	80,681	85,458
<hr/>			
Current assets			
Land and buildings for sale		610	610
Stock		105	64
Debtors	15	3,525	3,003
Cash at bank and in hand		2,230	6,482
		<hr/>	<hr/>
		6,470	10,159
<hr/>			
Creditors: Amounts falling due within one year	16	(13,524)	(13,607)
		<hr/>	<hr/>
Net current liabilities		(7,054)	(3,448)
<hr/>			
Total assets less current liabilities		73,627	82,010
<hr/>			
Creditors: Amounts falling due after more than one year	17	(13,430)	(14,110)
<hr/>			
Provisions for liabilities and charges	19	(250)	(248)
		<hr/>	<hr/>
Net assets excluding pension liability		59,947	67,652
<hr/>			
Net pension liability	23	(15,793)	(16,829)
		<hr/>	<hr/>
Net assets including pension liability		44,154	50,823
<hr/> <hr/>			
Deferred capital grants	20	18,062	18,771
<hr/>			
Reserves			
Income and expenditure account excluding pension reserve	22	36,840	43,711
Pension reserve	22	(15,793)	(16,829)
		<hr/>	<hr/>
Income and expenditure account including pension reserve		21,047	26,882
<hr/>			
Revaluation reserve	21	5,045	5,170
		<hr/>	<hr/>
TOTAL FUNDS		44,154	50,823
<hr/> <hr/>			

The financial statements on pages 22 to 54 were approved by the Corporation on 15 December 2014 and were signed on its behalf by:


.....
J Matthews
Chair


.....
L Merilion
Principal

Consolidated cash flow statement
for the year ended 31 July 2014

		2014	2013
	<i>Note</i>	£'000	£'000
Cash flow from operating activities	24	(1,727)	3,942
Returns on investments and servicing of finance	26	(964)	(1,149)
Capital expenditure and financial investment	26	(891)	(8,903)
Financing outflow	26	(680)	(680)
Decrease in cash	25	(4,262)	(6,790)

Reconciliation of net cash flow to movement in net funds/debt
for the year ended 31 July 2014

	2014	2013
	£'000	£'000
Decrease in cash in the period	(4,262)	(6,790)
Cash outflow from repayments of amounts borrowed	680	680
Movement in net funds in period	(3,582)	(6,110)
Net funds at 1 August	(8,268)	(2,158)
Net funds at 31 July	(11,850)	(8,268)

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2013/14 Accounts Direction.

Basis of accounting

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

Going concern

The financial statements have been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out below.

The College continues to be monitored by the Further Education (FE) Commissioner under the intervention process, as set out in 'Rigour and Responsiveness in Skills (April 13)'. In May 2014 the FE Commissioner reviewed the progress against the College's financial and quality turnaround plans and endorsed that the College Senior Management have the capacity and capability to lead the recovery and that significant improvements have been made to date.

The College is currently in year 3 of a major college wide transformation programme which is driving the improvements in both quality and financial stability.

The College developed, in response to the February 2013 OFSTED grade 4, an Investing in Learning strategy. The College recognised the importance of investing in the quality of teaching, learning and assessment and student experience. The success in the initial investment was demonstrated in the improved May 2014 OFSTED grade 3. The College must continue to financially support the quality improvement agenda in working towards OFSTED grade 1. The College will be re-inspected by OFSTED in 2015 (between May – November).

The College received an inadequate financial grade for 2012/13 out-turn, where the College's financial position deteriorated through over commitment of core college cash balances in a new capital build and was subject to a claw back of the SFA Adult contract for underperformance in 2012/13. The success of the financial turnaround plan detailed in the Financial Recovery Action Plan (FRAP) was reliant upon the College securing a substantial cash advance or loan in March 2014, which has been secured from the SFA, but with the condition that all cash advances are to be repaid in full by August 2015.

The College has a 25 year fixed term loan to be repaid in 2025. The conditions of the loan include two bank covenants which are periodically tested against the College's financial performance. The College was in breach of one of the covenants at 31st July 2013 due to the deficit position, and obtained a waiver in respect of this, The College forecasted another breach at 31st July 2014 and agreed with the bank a revision to the covenant prior to the year end to enable the covenant to be met at that date.

The main focus of the FRAP is to rebalance the College's financial position and return to a surplus position in 2014/15, by ensuring that income plans are reasonable and achievable and not built upon aspirational growth. In addition to reducing the cost base to a sustainable level, the FRAP assumes a level of flexibility to respond to in year fluctuations in income. The College is currently critically reviewing the use of its property with a view to consolidating the curriculum offer where possible and potentially reducing the number or size of sites.

Notes (continued)

1 Statement of accounting policies (continued)

Going concern (continued)

For the College to be successful in both the quality and financial turnaround it must return to a cash generating position in 2014/15 and achieve a financially stable base from 2015/16 onwards. The College's current cashflow projections prioritise the repayment of the SFA cash advances by the agreed date of August 2015 and the clawback of underperformance against the 2013/14 SFA Adult contract. On the basis of the College's current forecasts, the Corporation are satisfied the extant covenants will be met and that therefore the facility should be available to the College for at least the next twelve months from the date of approval of these financial statements.

On the basis of the above, the Corporation considers that it will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Corporation therefore believes it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2014.

Recognition of income

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

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

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

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

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Recognition of income *(continued)*

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

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

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

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

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

Enhanced Pensions

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

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets

Land and buildings

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

Leasehold buildings are depreciated over the period of the lease.

Building refurbishments are depreciated over 10 years.

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

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

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

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

Subsequent expenditure on existing fixed assets

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

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

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2014. They are not depreciated until they are brought into use.

Notes (continued)

1 Statement of accounting policies (continued)

Equipment

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

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

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

Maintenance of premises

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

Leased assets

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

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

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

Capitalisation of finance cost

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

Investments

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

Notes (continued)

Stocks

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

Foreign currency translation

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

Taxation

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

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

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

Deferred taxation

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

Liquid resources

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

Provisions

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

Cash

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

Agency arrangements

The college acts as an agent in the collection and payment of learner support funds and adult learning grants. Related income received from the main funding body and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 32), except for the 5% of the grant received which is available to the college to cover administration costs relating to the grant.

Notes (continued)

2 Funding body grants

	SFA & EFA £'000	HEFCE £'000	TOTAL 2014 £'000	2013 £'000
Recurrent grant	30,037	227	30,264	33,930
Adjustment to funding relating to previous year	(30)	-	(30)	530
Work based learning including Train to Gain	5,289	-	5,289	7,120
Adjustment to funding relating to previous year	44	-	44	33
Releases of deferred capital grants				
Land & buildings (note 20)	540	-	540	825
Equipment (note 20)	82	43	125	90
ESF EUL	250	-	250	654
Other funds	144	24	168	241
Work experience pilot	-	-	-	97
Widening participation	-	317	317	132
	<u>36,356</u>	<u>611</u>	<u>36,967</u>	<u>43,652</u>

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

	2014 £'000	2013 £'000
Regional Growth Fund		
Payments to FE College partners	<u>122</u>	<u>190</u>
Net income	<u>122</u>	<u>190</u>

Notes (continued)

3 Tuition fees and education contracts

	2014	2013
	£'000	£'000
Tuition fees and charges		
UK higher education students	3,931	2,180
European Union (EU) and United Kingdom	5,653	5,935
Non EU students	418	779
	10,002	8,894
	10,002	8,894

Education contracts

Local Education Authority	787	446
Higher Education (HE) income	115	1,653
Other income	103	137
	1,005	2,236
	11,007	11,130
	11,007	11,130

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £nil (2013 £nil).

4 Research grants and contracts

	2014	2013
	£'000	£'000
Releases from deferred capital grants (non main funding bodies)	78	85
Other grants and contracts	4	1
	82	86
	82	86

Notes (continued)

5 Other income

	2014	2013
	£'000	£'000
Residences, catering and conferences	131	165
Other income generating activities	541	546
Exam fees	223	388
Sale of materials	179	368
Student travel	416	553
Project income	430	341
Overage	482	250
Regional Growth Fund income	25	191
Apprenticeship Training Agency income	1,064	891
Other income	384	912
	<hr/>	<hr/>
	3,875	4,605
	<hr/> <hr/>	<hr/> <hr/>

6 Investment income

	2014	2013
	£'000	£'000
Bank interest receivable	26	79
	<hr/>	<hr/>

7 Staff numbers and costs

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

	2014	2013
	Number	Number
Teaching departments		
Teaching staff	547	574
Other	150	235
Teaching support services	148	167
Other support services	71	77
Administration and central services	117	103
Premises	40	49
Other	12	112
	<hr/>	<hr/>
	1,085	1,317
	<hr/> <hr/>	<hr/> <hr/>

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

Notes (continued)

7 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	30,558	33,894
Social security costs	1,909	2,458
Other pension costs (including FRS 17 adjustments of £434,000; 2013 £453,000)	3,947	4,336
	36,414	40,688
Payroll sub total	36,414	40,688
Contracted out services	962	459
Exceptional restructuring costs	1,597	2,437
	38,973	43,584

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

	Year ended 31 July 2014		Year ended 31 July 2013	
	Number of senior post-holders	Number of other staff	Number of senior post-holders	Number of other staff
£60,001 to £70,000	1	9	-	8
£70,001 to £80,000	-	-	1	-
£80,001 to £90,000	-	-	2	-
£90,001 to £100,000	2	-	2	-
£110,001 to £120,000	1	-	-	-
£150,001 to £160,000	-	-	1	-
£170,001 to £180,000	1	-	-	-
	5	9	6	8
	5	9	6	8

Notes (continued)

8 Emoluments of senior post holders and members

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

	2014 Number	2013 Number
The number of senior post-holders including the Principal was	7	7
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

	2014 £'000	2013 £'000
Salaries	646	684
Benefits in kind	-	5
Pension contributions	94	98
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	740	787
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

	2014 £'000	2013 £'000
Salaries	170	156
Benefits in kind	-	-
Pension contributions	24	22
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	194	178
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

	2014 £'000	2013 £'000
Compensation paid and payable	221,530	-
Estimated value of other benefits, including provision for pension benefits	-	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	221,530	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

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

Notes (continued)

9 Other operating expenses

	2014	2013
	£'000	£'000
Teaching departments	2,533	3,916
Teaching support services	779	804
Other support services	700	1,170
Administration and central services	1,281	1,322
General education (Examinations and marketing)	2,738	2,147
Premises costs - running costs	1,957	2,397
- maintenance	465	622
- rents and leases	314	791
Planned maintenance	127	559
Other income generating activities	457	36
Catering and residence operations	230	92
Franchised provision	2,768	2,619
Other expenses	291	338
	14,640	16,813
Other operating expenses include:		
Operating leases (buildings & equipment)	357	833
Auditors remuneration:		
Financial statements audit *	37	32
Internal audit	15	19
Other services	40	6
	14,640	16,813

* - includes £25,050 in respect of the College (2013: £25,020.)

10 Interest payable

	2014	2013
	£'000	£'000
On bank loans and overdrafts:	850	857
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	-	-
	850	857
On other loans:	2	-
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	-	-
	2	-
On finance leases		
Pension finance costs	138	371
	990	1,228

Notes *(continued)*

11 Taxation

Analysis of tax charge:

	2014	2013
	£'000	£'000
United Kingdom corporation tax at 24% (2012/13: 24%)	102	60
	<u>102</u>	<u>60</u>

12 Deficit on continuing operations for the year

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

	2014	2013
	£'000	£'000
College's deficit for the year	(7,568)	(6,677)
Retained by subsidiary undertakings, after gift aid to the College	(15)	(160)
	<u>(7,583)</u>	<u>(6,837)</u>

Notes (continued)

13 Tangible fixed assets

The college carries inherited assets at a net book value of £5,045,090 (2013: £5,170,394). The assets were valued on incorporation and not updated since. The historic cost of inherited assets is £nil.

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

Group	Land and Buildings		Equipment	Assets in the course of construction	Total
	Land and buildings leasehold	Land and Buildings freehold			
	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>					
At 1 August 2013	12,979	88,197	14,125	11,223	126,524
Additions	-	73	120	(118)	75
Transfers	-	9,730	1,144	(10,874)	-
Disposals	-	(43)	(102)	-	(145)
At 31 July 2014	12,979	97,957	15,287	231	126,454
<i>Accumulated depreciation</i>					
At 1 August 2013	3,302	25,867	11,885	-	41,054
Charge for year	259	2,814	1,740	-	4,813
Eliminated in respect of disposals	-	(21)	(81)	-	(102)
At 31 July 2014	3,561	28,660	13,544	-	45,765
<i>Net book value</i>					
At 31 July 2014	9,418	69,297	1,743	231	80,689
At 31 July 2013	9,677	62,330	2,240	11,223	85,470

Notes (continued)

13 Tangible fixed assets (continued)

Netted against Assets in the course of construction additions is an amount of £1.6m refunded for VAT paid on the construction of the South Bristol Skills Academy.

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

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

Land and buildings with a net book value of £17,853,609 (2013: £16,474,381) have been partly financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the college may be liable, the terms of the financial memorandum with the Skills Funding Agency, to surrender the proceeds.

College

	Land and buildings				
	Land and buildings leasehold	Land and buildings freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2013	12,979	88,197	14,108	11,223	126,507
Additions	-	73	120	(118)	75
Transfer	-	9,730	1,144	(10,874)	-
Disposals	-	(43)	(102)	-	(145)
At 31 July 2014	<u>12,979</u>	<u>97,957</u>	<u>15,270</u>	<u>231</u>	<u>126,437</u>
Depreciation					
At 1 August 2013	3,302	25,867	11,880	-	41,049
Charge for year	259	2,814	1,736	-	4,809
Eliminated in respect of disposals	-	(21)	(81)	-	(102)
At 31 July 2014	<u>3,561</u>	<u>28,660</u>	<u>13,535</u>	<u>-</u>	<u>45,756</u>
Net book value					
At 31 July 2014	<u>9,418</u>	<u>69,297</u>	<u>1,735</u>	<u>231</u>	<u>80,681</u>
At 31 July 2013	<u>9,677</u>	<u>62,330</u>	<u>2,228</u>	<u>11,223</u>	<u>85,458</u>

Notes (continued)

14 Investments

	2014 £'000	2013 £'000
Investment in subsidiary companies	3	3
	3	3

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

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

In prior years the College was party to an associate partnership called Trust in Learning Limited, a company limited by guarantee, with two other parties (Bristol City Council and the University of the West of England). The principal business activity being to oversee specific trust schools in Bristol, and to enhance the educational experience and success of the students. During the year the College did not make the annual payment of £3,000 into the partnership. In addition the College has withdrawn from management of the partnership and no longer operates control. As a result of this no financial results have been consolidated.

Notes (continued)

15 Debtors

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	773	719	850	782
Amounts owed by subsidiary undertakings	-	206	-	229
Other debtors	522	527	1,667	1,667
Prepayments and accrued income	1,949	1,934	368	325
Amounts owed by the Skills Funding Agency/EFA	140	140	-	-
	<u>3,384</u>	<u>3,525</u>	<u>2,885</u>	<u>3,003</u>

16 Creditors: Amounts falling due within one year

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	680	680	680	680
Payments received on account	381	381	538	469
Trade creditors	930	927	1,475	1,476
Corporation tax	107	107	60	60
Other taxation and social security	671	662	1,051	1,043
Accruals	3,431	3,405	4,279	4,239
Restricted funds on acquisition of Brunel & Gordano Training Limited	-	-	37	37
Amounts due to funding bodies	6,838	6,837	4,775	4,775
Other creditors	577	525	826	828
	<u>13,615</u>	<u>13,524</u>	<u>13,721</u>	<u>13,607</u>

17 Creditors: Amounts falling due after more than one year

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	13,430	13,430	14,110	14,110
	<u>13,430</u>	<u>13,430</u>	<u>14,110</u>	<u>14,110</u>

Notes (continued)

18 Analysis of borrowings

Bank loans and overdrafts

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	680	680	680	680
Between one and two years	680	680	680	680
Between two and five years	2,040	2,040	2,040	2,040
In five years or more	10,710	10,710	11,390	11,390
	14,110	14,110	14,790	14,790
	14,110	14,110	14,790	14,790

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

19 Provisions for liabilities and charges

Group and College

	Enhanced pension provision £'000
At 1 August 2013	248
Expenditure in the period	(18)
Transferred from income and expenditure account	20
	250
At 31 July 2014	250

20 Deferred capital grants

Group and College

	WIP £'000	Other £'000	Main funding bodies £'000	Total £'000
As at 1 August 2013	1,998	251	16,522	18,771
Cash receivable	33	-	-	33
Transfer	(2,031)	98	1,933	-
Released to income and expenditure account	-	(78)	(664)	(742)
	-	271	17,791	18,062
As at 31 July 2014	-	271	17,791	18,062

Notes *(continued)*

21 Revaluation reserve

Group and College

	2014	2013
	£'000	£'000
At 1 August 2013	5,170	5,333
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(125)	(128)
Depreciation on disposal of revalued assets	-	(35)
At 31 July 2014	5,045	5,170

22 Movement on general reserves

	Group	College
	£'000	£'000
At 1 August 2013	26,702	26,882
Deficit on continuing operations after depreciation of assets at valuation and tax	(7,583)	(7,568)
Transfer from revaluation reserve to income and expenditure account		
Depreciation on revalued assets	125	125
Actuarial gain in respect of pension scheme	1,608	1,608
At 31 July 2014	20,852	21,047
Balance represented by		
	Group	College
	£'000	£'000
Income and expenditure account excluding pension reserve	36,645	36,840
Pension reserve	(15,793)	(15,793)
At 31 July 2014	20,852	21,047

Notes (continued)

23 Pensions and similar obligations

Introduction

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

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

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

<https://www.teacherspensions.co.uk/news/employers/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

Notes (continued)

23 Pensions and similar obligations (continued)

amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection. Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The pension costs paid to TPS in the year amounted to £3,212,000 (2013: £3,458,000).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2014 was £2,114,371 (2013: £2,324,065) of which employers contributions totalled £1,515,001 (2013: £1,638,679) and employees contributions totalled £599,370 (2013: £685,386). The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2014 by a qualified independent actuary.

	2014	2013
Inflation assumption (CPI)	2.3%	2.4%
Rate of increase in salaries	3.8%	3.9%
Rate of increase in pensions	2.3%	2.4%
Discount rate for liabilities	4.3%	4.5%

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS):

Total pension cost for the year	2014	2013
	£000	£000
Teachers' Pension Scheme: contributions paid	1,993	2,134
Local Government Pension Scheme:		
Contributions paid	1,515	1,639
FRS 17 charge	434	453
Charge to the Income and Expenditure Account (staff costs)	<u>3,942</u>	<u>4,226</u>
Enhanced pension charge to Income and Expenditure Account (staff costs)	20	19
Total Pension Cost	<u>3,962</u>	<u>4,245</u>

Notes (continued)

23 Pensions and similar obligations (continued)

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

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	23.3	22.9
Females	25.8	25.9
<i>Retiring in 20 years</i>		
Males	25.7	25.2
Females	28.7	28.2

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

	Long term rate of return Expected at 31 July 2014	Value at 31 July 2014	Long term rate of return expected at 31 July 2013	Value at 31 July 2013
Equities	7.0%	26,857	7.0%	28,884
Bonds	3.2%	4,330	3.3%	4,792
Other bonds	4.1%	5,011	4.3%	3,941
Property	6.2%	3,795	5.7%	3,179
Cash	0.5%	1,703	0.5%	806
Other	7.0%	6,958	7.0%	3,179
		<hr/>		<hr/>
Total market value of assets		48,654		44,781
Present value of scheme liabilities				
Unfunded		(38)		(66)
Funded		(64,447)		(61,610)
		<hr/>		<hr/>
Deficit in the scheme		(15,793)		(16,829)
		<hr/> <hr/>		<hr/> <hr/>

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	(1,919)	(2,093)
Past service cost	(312)	(44)
	<hr/>	<hr/>
Total operating charge	(2,231)	(2,137)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Pensions and similar obligations (continued)

Analysis of pension finance income/(costs)

	2014 £'000	2013 £'000
Expected return on pension scheme assets	2,663	2,096
Interest on pension scheme liabilities	(2,801)	(2,467)
	<hr/>	<hr/>
Pension finance costs	(138)	(371)
	<hr/> <hr/>	<hr/> <hr/>

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

	2014 £'000	2013 £'000
Actuarial gains on pension scheme assets	19	4,379
Actuarial gains/(losses) on scheme liabilities	1,589	(1,163)
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	1,608	3,216
	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	(16,829)	(19,221)
Movement in year:		
Current service charge	(1,919)	(2,093)
Contributions	1,797	1,684
Past service costs	(312)	(44)
Net interest/return on assets	(138)	(371)
Actuarial gain	1,608	3,216
	<hr/>	<hr/>
Deficit in scheme at end of year	(15,793)	(16,829)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Pensions and similar obligations (continued)

Asset and Liability Reconciliation

	2014	2013
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	61,610	56,735
Service cost	1,919	2,093
Interest cost	2,801	2,467
Employee contributions	599	688
Actuarial (gain)/loss	(1,589)	1,163
Benefits paid	(1,205)	(1,580)
Curtailments and settlements	312	44
	64,447	61,610
Reconciliation of Assets		
Assets at start of period	44,781	37,514
Expected return on assets	2,663	2,096
Actuarial gain	19	4,379
Employer contributions	1,797	1,684
Employee contributions	599	688
Benefits paid	(1,205)	(1,580)
	48,654	44,781

The estimated value of employer contributions for the year ended 31st July 2015 is £1,663,000.

Deficit contributions

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

Notes (continued)

23 Pensions and similar obligations (continued)

History of experience gains or losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets: Amount £'000	(19)	4,379	(1,168)	53	2,557
Experience gains and losses on scheme liabilities Amount £'000	1,589	1,163	2,124	(265)	2,755
Total amounts recognised in statement of total recognised gains and losses Amount £'000	1,608	(3,216)	3,292	(318)	198

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

	2014	2013
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(7,583)	(6,837)
Depreciation (note 13)	4,813	5,295
Deferred capital grants released to income (notes 2, 4 and 20)	(742)	(1,000)
Loss/(profit) on disposal of tangible fixed assets	22	(613)
Interest receivable (note 6)	(26)	(79)
Interest payable (note 10)	990	1,228
Pension cost less contributions payable (note 23)	454	824
Increase in stocks	(41)	(19)
(Increase)/decrease in debtors	(338)	1,154
Increase in creditors	722	3,988
Increase in provisions	2	1
Net cash (outflow)/inflow from operating activities	(1,727)	3,942

Notes (continued)

25 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2014 £'000
Cash at bank and in hand	6,522	(4,262)	-	2,260
Debts due after 1 year	(14,110)	680	-	(13,430)
Debts due within 1 year	(680)	-	-	(680)
Total	(8,268)	(3,582)	-	(11,850)

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

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	26	79
Interest paid	(990)	(1,228)
Net cash outflow from returns on investments and servicing of finance	(964)	(1,149)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(945)	(11,670)
Sales of tangible fixed assets	21	2,118
Deferred capital grants received	33	649
Net cash outflow for capital expenditure and financial investment	(891)	(8,903)
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	(680)	(680)
Net cash outflow from financing	(680)	(680)

Notes (continued)

27 Capital commitments

	2014		2013	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31 July	-	-	-	-
Commitments authorised by not contracted for at 31 July	51	51	571	571

28 Financial commitments

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

	2014		2013	
	Land and buildings £'000	Equipment £'000	Land and buildings £'000	Equipment £'000
Expiring within one year	15	-	389	132
Expiring between two and five years inclusive	51	20	51	20
Expiring in over five years	-	-	-	-
	66	20	440	152

29 Contingent gain

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

During the year the College received £482k of overage consideration (2013: £250k)

30 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,000; 5 governors (2013: £1,900; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013: None).

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

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

Notes (continued)

31 Post balance sheet events

There are no post balance sheet events.

32 Amounts Disbursed as Agent

Learner support funds	2014	2013
Access Funds	£'000	£'000
Funding body grants – hardship support	2,106	2,279
Disbursed to students	(1,984)	(1,742)
Administration costs	(91)	(113)
Balance unspent at 31 July, included in creditors	31	424
Interest earned	5	5

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

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