



**BRIDGWATER  
& TAUNTON  
COLLEGE**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 JULY 2018**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2017/18:

Andy Berry Principal and Accounting Officer  
Louise Rowley Vice Principal  
Margaret Playle Director of Finance and Estates, (until 31 December 2017)  
Marcus Holder Director of Finance and Estates (from 1 December 2017)  
Mark Nettle Director of Student Services and Clerk to the Governors  
Wendy Dick Director of Staff, Curriculum and Quality Services (until 31 March 2018)  
Nikki Sendell Director of Staff & Quality Services (from 12 March 2018)  
Matt Tudor Director of Business Development and Marketing  
Jason Kilduff Assistant Principal of Construction, Automotive and Engineering  
Jason Gunningham Assistant Principal of Land Based, Sport and Foundation Studies  
Jennifer Ashworth Assistant Principal of A Levels, Arts & Professional Studies

### **Board of Governors**

A full list of Governors is given on page 13 of these financial statements.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

PKF Francis Clark  
Ground Floor, Blackbrook Gate 1  
Blackbrook Business Park  
Taunton  
TA1 2PX

#### **Internal auditors:**

RSM Risk Assurance Services LLP  
Hartwell House  
55 - 61 Victoria Street  
Bristol  
BS1 6AD

#### **Bankers:**

Barclays Bank  
3<sup>rd</sup> Floor  
Windsor Court  
3 Windsor Place  
Cardiff  
CF10 3BX

#### **Solicitors:**

Clarke Willmott  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BA

## CONTENTS

	Page number
Report of the Governing Body	4
Statement of Corporate Governance and Internal Control	12
Governing Body's statement on the College's regularity, propriety and Compliance with Funding body terms and conditions of funding	19
Statement of Responsibilities of the Members of the Corporation	20
Independent Auditor's Report to the Corporation of Bridgwater and Taunton College	21
Reporting Accountant's Assurance Report on Regularity	23
Statement of Comprehensive Income and expenditure	25
Statement of Changes in Reserves	26
Balance Sheet as at 31 July	27
Statement of Cash Flows	28
Notes to the Accounts	29

## Report of the Governing Body

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018. Bridgwater and Taunton College is located in the heart of Somerset with main centres in Bridgwater, Taunton and Cannington.

The College has an excellent reputation both regionally and nationally as a highly successful provider of education and training. It is an award winning College and, prior to merger, an OfSTED designated Outstanding College. It has received 13 National Beacon Awards in recent years, has achieved and been reaccruited with the Matrix Standard for information, advice and guidance services.

Bridgwater and Taunton College recruited 24,378 full and part-time students. The student population in the year ended 31 July 2018 included 3,781 16-18 year olds and 861 students following higher education programmes.

The College now employs more than 1,000 full time equivalent staff.

The College also works closely with local and regional employers and has an excellent track record in providing certificated and bespoke training solutions for the business community.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purposes of conducting Bridgwater College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation is directed by the members of the Corporation known as the Board of Governors hereafter.

### Mission

The College's principle objectives as approved by its members are summarised in its Mission Statement, which states:

*"We will transform the lives of our students and inspire our customers and communities to achieve success by:*

- *Delivering outstanding and aspirational teaching, learning and skills development*
- *Creating exciting partnerships with our students, staff, community and employers*
- *Providing a welcoming, safe, inclusive and supportive environment. "*

The Board of Governors reviewed and reiterated this as part of the Strategic Planning process that commenced in January 2018.

These aims are translated into an annual operating plan, the delivery of which is monitored on a termly basis. The 2017/18 Operating Plan was effective in moving the College's aims and mission forward.

### Public Benefit

Bridgwater and Taunton College is an exempt charity under the Part 3 of the Charities Act 2011 and following the machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 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
- Links with local Enterprise Partnerships (LEPs)

### **Implementation of strategic plan**

Each year the College prepares a rolling three year Strategic Plan including Accommodation Strategy and Financial Forecasts. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic aims are to:

1. Deliver outstanding teaching, learning and support services which ensures the best possible progression and outcomes for students
2. Respond effectively to the current and emerging education and training needs of the students, employers and communities
3. Promote within our staff a culture of innovation, creativity and passion for student success, achievement and progression
4. Maintain robust financial health which enables the College to invest in and support the development of its staff, facilities and resources for the benefit of the students

The College's specific financial objectives for 2017/18 and achievement of those objectives are addressed below.

### **Financial objectives**

The College's financial objectives set for 2017/18 were:

1. To achieve a financial health grade of at least "Satisfactory".
2. To maintain cash days in hand of at least 28 days, and a current ratio of at least 0.86 and ensuring that cash flow meets the College's needs to support its operations and approved capital investment.
3. To meet a positive "education specific" EBIDTA of £2,267k or better
4. To meet the College's bank loan covenants

The financial targets set for 2018/19 include:

- 'EBITDA to income' ratio: At least 4%
- 'Current asset to current liability' ratio: At least 1.2
- 'Borrowings to income' ratio: Not greater than 25%
- Financial health grade: At least satisfactory

The Financial Plan has been designed to underpin these aims whilst delivering robust financial health.

### **Performance indicators**

The College is committed to continuous improvement and monitors its performance through a range of performance indicators including:

- Student achievement rates
- Customer feedback indicators:
  - Learner Satisfaction surveys (including the College's own surveys, OFSTED Learner View, National Student Surveys, FE Choices)
  - Employer Satisfaction surveys
  - College employee satisfaction surveys
- Learner Destinations
- Financial performance measured through the Education and Skills Funding Agency:
  - Annual Finance Record
  - The 2 year Financial Plan prepared annually

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the Education and Skills Funding Agency as having a "Satisfactory" financial health grading for 2017/18 which is considered an acceptable outcome.

At the most recent inspection of Bridgwater College by OfSTED (2006) the College was graded as "Outstanding". Since then a number of desk top reviews have re-confirmed this status. As a newly merged College the historical grading is no longer applied and a new inspection will be required to determine the grade. Less formal "interim" visits from Ofsted inspections monitoring activity post-merger have given pleasing feedback, in particular over the cultural issues to unify the College. A "no-notice" Care Standards visit occurred in May 2017 and was very positive with 'outstanding' grade awarded.

## **FINANCIAL POSITION**

### **Financial results**

This is the second full year of financial operation following the merger with Somerset College, Taunton in June 2016.

The College generated total income of £52,254k (2016/17: £54,755), producing earnings before Interest, Depreciation, Tax and Amortisation (EBITDA) of £2,058k (2016/17: £3,241k). Overall the college is reporting Total Comprehensive Income for the year of £4,460k, (2016/17: (£834k)). The recurring FRS 102 pension charge for the year was £5,449k. Excluding these FRS 102 pension scheme charges, the College produced an operating deficit of £1,320k (2016/17: £54k surplus).

Net Cash flow from Operating Activities was an outflow of £1,773k (2016/17: £2,019k inflow) due to the movements in working capital. The Balance Sheet is showing an improved position with net assets of £950k (2016/17: £3,569k net liability). Following completion of capital projects and other working capital movements the College has seen liquidity decrease in the year to negative net current assets.

During the year, the College has continued to repay borrowings and the gearing ratio is low as a consequence.

Capital Projects investment activity remains at a high level. In 2017/18 the capitalised cost of all projects totalled £9,479k and related grant income received totalled £6,164k.

Average pay costs continue to rise, mostly attributable to factors beyond the college's control such as apprenticeship levy and pension contributions.

The College's LGPS Deficit continues to fluctuate and is driven largely by historically low interest rates and associated discount factors. The LGPS employer rate rose from 13.0% to 14.8% on 1 April 2017. The Deficit Recovery Payment was £528k per annum from 1 April 2018.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 68% (2016/17: 68%) of the College's total income.

The College is a member of a company limited by guarantee called The Colleges Partnership Ltd (formerly Wiltshire and Somerset College's Partnership Ltd) which was acquired through the merger with Somerset College in 2016. The principal activity of that company is the provision of vocational training solutions, apprenticeship management solutions and professional learning and development opportunities through contracts with the MoD. Both member Colleges provide strategic support and advice to the company for which a fee is paid. In 2017/18 the College received £313k as a fee from the company. 50% of the surpluses generated by the Company are attributable to the College; in the current year, the total surplus amounted to £651k.

### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College's treasury policy is to maintain cash balances to meet the working capital needs of the College, its planned investment in fixed assets and repayment of loans, as they fall due. Any surplus funds are invested in Treasury Deposits, or deposited in a business premium account with the College bankers, Barclays Bank, paying interest at the prevailing rate.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum/Funding Agreement.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2017/18 the College has delivered activity that produced £34,032k in funding body main allocation funding (2016/17: £36,522k). There were 18,555 funded and 5,823 non-funded students throughout 2017/18.

### **Student achievements**

Overall the College achievement rate for classroom based provision and apprenticeships was as follows:

	<b>2017/18</b>	<b>2016/17</b>
Study Programmes	83.0%	80.2%
Adult Learning Programmes	91.4%	91.3%
Apprenticeships	76.3%	73.5%

### **Curriculum developments**

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. A particular strength is in preparing students for the next stage of their lives.

The College has continued to develop curriculum in line with government priorities. Delivering English and Maths to 16-18 year olds as part of the study programme is a particular priority, and in 2017/18 over 1,500 students studied for Maths and/or English GCSE.

Having secured funding for the development of facilities for the Southern Hub of the NCfN, the College has begun the related development of new curriculum with EDF Energy and supply chain partners.

New curriculum has been developed to support employers training needs in civil engineering with new Apprenticeship programmes for the water utility industry.

The College continued to develop a University Centre for Somerset at the Taunton Centre, with the development of new curriculum and extension of existing provision.

### **Events after the end of the reporting period**

There are no significant post balance sheet events up to the date of approval of these accounts.

### **Future prospects**

Following the merger in June 2016 the college has undergone significant restructuring of staff and rationalisation of systems, procedures and certain curriculum and this will continue to a lesser extent as the College refines its business model. Through the merger, economies of scale and efficiency gains are being achieved across support and business systems with further opportunities apparent (e.g. when software licences expire).

There are many opportunities for curriculum development, drawing on the experience and resources of the merged college together with new links being forged. The introduction of the Apprenticeship levy from April 2017 is seen as a significant opportunity, enabling the College to use its award winning approach to employer engagement to extend existing relationships and develop new ones, particularly in and around Taunton, although the reliance on government practical payment methods have still to emerge.

The College has used its experience gained from the National College for Nuclear (southern hub) [NCfN] project to support a collaborative bid to establish a South West Institute of Technology with key partners including Exeter College, University of Exeter, Truro and Penwith College and PETROC College. The bid is in its final stages being one of fifteen nationally and if successful will both enable the College to use the IOT brand and £1.2m capital support to further develop curriculum at levels 4, 5 and 6 in the key sectors of advanced engineering and technology.

The Hinkley Point C [HPC] project is well underway with over 3,000 people on site. The College is actively engaged in training this civil engineering workforce. The next stage of the project is mechanical and electrical; and work is underway to develop the curriculum to support this phase. A new twinning relationship with West Suffolk College is being developed to transfer learning from HPC across to the Sizewell project and this may support additional income in the future.

The College has been named as one of only 52 providers to join the 2020 T level pilot group. This status will provide access to new capacity funds and access to a capital pot of £38m to support the establishment of the new T levels.

### **Accommodation Developments**

The College continues to review and progress its accommodation strategy. The Advanced Engineering Centre and the NCfN were completed in 2017/18. The next major project which will commence in 2018/19 is the construction of an additional residential block at the Cannington campus to support the NCfN.

### **Going Concern**

The College has prepared an annual budget for 2018/19 based upon actual funding allocations for the year. Further forecasts have been prepared for the following two years which indicate the College will continue as a going concern for at least the ensuing twelve months.

### **Risk Management**

The College has a comprehensive Risk Management Policy reviewed and approved by the Board of Governors. The Audit Committee monitors the risk register on a termly basis with the full Board of Governors carrying out an annual review. Key risks are linked to the Strategic Plan and include risks associated with:

- Political and economic changes
- Physical resources and external factors
- Student recruitment
- Financial: meeting targets and managing budgets
- Management and staffing
- Reputational

Risk management is fully embedded within the College, with staff at all levels trained and encouraged to consider risks and opportunities in their area of responsibility. Through regular review and monitoring, strategic and operational risks are constantly re-assessed, enabling early planning and re-alignment of operational plans, where appropriate, to effectively manage any emerging issues and mitigate the impact on the College.

### **RESOURCES**

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

Tangible resources include the main College Campuses Bridgwater, Taunton and Cannington, the McMillan Theatre and Rodway Farm.

#### **Financial**

At 31 July 2018 the College held cash of £1,086k (2016/17: £8,165k) plus current debtors of £3,964k (2016/17: £3,754k).

#### **People**

The College employs over 1,000 full time equivalent staff, of whom 576 are teaching staff.

## **Reputation**

The College has a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and at least annually by the full Board. 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.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2017/18, 68% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Funding rates for 16-18 year olds
- Devolution of the adult education
- Introduction of a new Apprenticeship levy system for large employers from May 2017, with 2017/18 being the first full year of this system. The college, in conjunction with its key stakeholders, is developing a strategy for growth in response to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect the marketplace though the full implications are not yet known as government policy continues to develop
- Funding arrangements to support the training for the nuclear new build at Hinkley Point

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and larger employers
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies

### **Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The College has been required to significantly raise the employer contribution rate and Deficit Recovery Payment for the latest triennial valuation based upon 31 March 2016 assumptions. It is hoped that this level of contribution will now prove sufficient, particularly if general interest rates should eventually rise.

The risk is being monitored by the College and external representations made to the Regulators and other influential organisations to seek an affordable sector wide solution.

### **Failure to maintain the financial viability of the College**

The financial viability is dependent upon achievement of income targets and the management of costs. There is a risk that the College fails to recruit students to achieve its income targets and/or fails to control expenditure.

The College has robust procedures in place to monitor its financial performance enabling timely action to be taken to address any negative variances arising during the year and thereby maintaining financial viability.

### **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Bridgwater and Taunton College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Schools, in particular in Bridgwater and Taunton
- Staff
- Local employers (with specific links)
- Local Authorities
- Local Enterprise Partnerships (LEPs)
- Government Offices
- The local community
- Other FE institutions
- Trade Unions
- Professional bodies
- Suppliers
- Charitable bodies, most notably the Edge Foundation

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

### **Equal opportunities**

As an Equal Opportunities employer, the College has made a commitment to support job applicants and staff who may have disabilities, to ensure they receive proper access to employment opportunities. The third year of the Disability Equality Duty was reported to the Disability Commission and has been incorporated into the Single Equality Scheme which covers both staff and students. The College is also recognised by the Employment Service as a "Positive about Disabled" employer. All teaching sections in the College developed and implemented curriculum plans linked to College policies on Equality & Diversity. Staff and student Equality & Diversity statistics were monitored and reviewed to ensure equality of opportunity and to share good working practices.

### **Disability statement**

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005.

#### *Access*

Almost all of the College campus is accessible for wheelchair users. At Bridgwater, Taunton and Cannington Campuses, automatic doors, ramps and lifts have been installed to allow easy access. There are disabled toilets in each part of the building.

#### *Specialist equipment*

Information about specialist equipment and software for students to use is widely available and listed in the information packs given to all students. The information can be made available on tapes, large print and in Braille.

### *Admission Policy*

The College Charter describes the Admission Policy for all students. Appeals against a decision not to offer a place are dealt with through a Complaints Policy.

### *Specialist staffing*

The College has appointed specialist staff to support students with learning and sensory disabilities. These include learning support assistants, note takers, hearing impaired facilitators and specialist tutors of those with Special Learning Difficulties. In addition, the College buys in the services of educational psychologists.

There is a total of more than 70 learning support staff that provide a variety of support for learning encompassing personal care, physiotherapy, transport support, note taking and behaviour support. There is a continuing programme of staff development for these staff which includes a mandatory induction programme either with options to take part in NVQ units and Learning Support qualifications.

### *Specialist programmes*

Specialist programmes are described in the College prospectus and information guides. Achievements and destinations are recorded and published in the standard College format.

### *Counselling and Welfare Services*

Counselling and welfare services are available for all students and are described in the College Charter, Student Handbook and College website.

## **Environmental Statement**

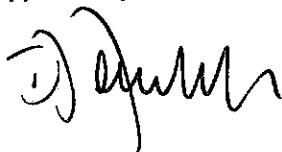
The College seeks to continuously improve its environmental performance in the areas of infrastructure and operations, academic courses and communication. It has drawn up an Environmental Action Plan which aims to:

- Give all students the opportunity to raise their awareness of environmental issues through incorporation of material on environment and sustainable development into courses.
- Provide education, training and encouragement on environmental issues to College employees so that they can pursue their work in an environmentally responsible way.
- Reduce the volume of waste produced and recycle where appropriate.
- Assess the environmental impact of all purchases, as far as possible, in terms of their raw materials, manufacture, distribution, use and disposal.
- Encourage the use of environmentally-friendly transport by staff and students.
- Reduce energy consumption and incorporate long-term strategies for energy efficiency into planning and development.
- Reduce, where possible, harmful environmental impacts of College sites/buildings and future developments/alterations.
- Work with the local community and others to develop and pursue environmental initiatives.
- Set minimum target of BREEAM 'Very Good' for all new buildings and, where possible, 'Excellent'.

## **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.

**Approved by order of the members of the Corporation on 6 December 2018 and signed on its behalf by:**



**Mr D I Randall**  
**Chairman**

## Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in partial accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code that it has committed to, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes partial account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 15 October 2015.

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

## The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below:

Name	Date of Re/ Appointment	Term of Office	Date of end of term in office/Date of resignation	Status	Committees Served	Attendance
Mr D Randall (Chair of the Board)	July 2017	4 years	July 2021	Full	Chair of FPGP; Search and Remuneration	80%
Mr J Alvis	July 2018	4 years	July 2022	Full	Chair of Audit	100%
Mr A Berry	June 2017	Ex officio		Principal & CEO	Buildings, FPGP, Search, Standards	100%
Mr L Brett	July 2018	4 years	July 2022	Full	Chair of Buildings	100%
Mr B Brown	July 2018	4 years	July 2022	Full	FPGP, Standards, Search and Remuneration	80%
Mr M Brown (Vice-Chair)	June 2015	4 years	July 2019	Full	FPGP, Search and Remuneration	100%
Mrs R Coutts	July 2017	4 years	July 2021	Full	Standards	60%
Mr M Cox	June 2017	4 years	July 2021	Staff Governor	Standards	100%
Mr G Fraser	July 2018	4 years	July 2022	Full	FPGP, Standards, Search	100%
Mr A Frullo	June 2015	4 years	June 2019	Full	FPGP	100%
C Grabham	May 2017	1 year	June 2018	Student Governor	Standards	80%
J Flagg	June 2018	1 year	June 2019	Student Governor	Standards	100%
Mrs D Hill	July 2014	4 years	July 2018	Full	Audit, Standards	0%
Mr S Hopper	November 2014	4 years	July 2018	Staff Governor	Standards	100%
Mr A Hunt	July 2018	4 years	July 2022	Full	Chair of Standards	100%
Ms S Katbi	June 2018	4 years	June 2022	Full	-	100%
Mrs C Pearce	October 2017	4 years	October 2021	Full	-	50%
Mrs L Seymour	July 2017	4 years	July 2021	Staff Governor	Standards	80%
Mrs G Slattery	July 2017	4 years	July 2021	Full	Audit	100%
Mr A Smith	July 2017	4 years	July 2021	Full	Audit, Buildings	80%
Mr K Stenning	July 2017	4 years	July 2021	Full	Audit, Buildings	60%
Mr D Taylor	June 2016	1 year	June 2021	Full	Standards and Safeguarding	60%
L Usher	April 2017	1 year	June 2018	Student Governor	Standards	60%
D Tippetts	June 2018	1 year	June 2019	Student Governor	Standards	100%

M Nettle, acted as Clerk to the Board of Governors.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Personnel and General Purposes, Remuneration, Search, Audit and Building Projects Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.bridgwater.ac.uk](http://www.bridgwater.ac.uk) or from the Clerk to the Corporation at:

Bridgwater and Taunton College  
College Way, Bath Road  
Bridgwater  
Somerset TA6 4PZ

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.

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, and are also available in a secure online space for governors. Briefings are 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 and Accounting Officer 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 committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

### **Corporation performance**

The Board of Governors conducts an annual self-assessment to review and consider its performance over the past year and set targets for the next year. The most recent assessment was carried out in October 2018 where it was determined that all major targets set for 2017/18 had been achieved.

### **Remuneration Committee**

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three members of the Board of Governors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises three members of the Board of Governors (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board of Governors on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

## **Internal control**

### *Scope of responsibility*

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

The Board of Governors has delegated the 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Bridgwater & Taunton College and the funding bodies. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns 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 Bridgwater & Taunton College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

The Board of Governors 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. They are of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

### *The risk and control framework*

The system of internal control is based on a framework of regular management information, administrative 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 governing body
- regular reviews by the governing body 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
- the adoption of formal project management disciplines, where appropriate.

Bridgwater & Taunton College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 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 Board of Governors on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body 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. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers 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, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

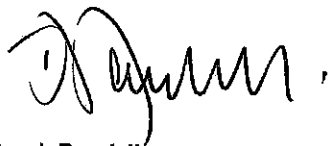
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Board of Governors considered reports on assurance by considering documentation from the senior management team, internal and external audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an reasonable framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

**Going concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

**Approved by order of the members of the Corporation on 6 December 2018 and signed on its behalf by:**



**Derek Randall**  
Chairman



**Andy Berry**  
Principal and Chief Executive

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

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

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

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

**Approved by order of the members of the Corporation on 6 December 2018 and signed on its behalf by:**



**Andy Berry**  
Accounting Officer



**Derek Randall**  
Chair of Governors

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum with the Education and Skills Funding Agency (ESFA), the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

**Approved by order of the members of the Corporation on 6 December 2018 and signed on its behalf by:**



**Derek Randall**  
Chairman

## **Independent Auditor's Report to the Corporation of Bridgwater and Taunton College**

### **Opinion**

We have audited the financial statements of Bridgwater and Taunton College for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

### **In our opinion, the financial statements:**

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- Have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised.

### **Other information**

The other information comprises the information included in the Report of the Governing Body, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information, and we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency**

We have nothing to report in respect of the following matters where, in our opinion:

- Proper accounting records have not been kept;
- The financial statement are not in agreement with the accounting records; and
- All information and explanations required for the audit were not received.

**Responsibilities of the Members of the Corporation of Bridgwater and Taunton College**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 18, the College's Corporation is responsible for the preparation of the financial statements which give a true and fair view and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

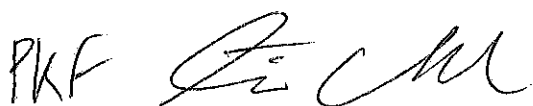
**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our audit report.

**Use of our report**

This report is made solely to the Corporation as a body in accordance with statutory requirements. 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 the opinions we have formed.



**PKF Francis Clark**  
Registered Auditors  
Ground Floor, Blackbrook Gate 1  
Blackbrook Business Park  
Taunton  
TA1 2PX

19<sup>th</sup> December 2018

## **Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2018**

To: The Corporation of Bridgwater and Taunton College and Secretary of State for Education Acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 31 March 2017 and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Bridgwater and Taunton College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants, for which the Department has other assurance arrangements in place.

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

### **Respective responsibilities of Bridgwater and Taunton College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Post 16 Audit Code of Practice issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures, including the self-assessment questionnaire prepared by Bridgwater and Taunton College;
- Evaluation of the system of internal controls for authorisation and approval; and
- Performing substantive tests on relevant transactions.

## Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**PKF Francis Clark**

Chartered Accountants and Registered Auditors  
Ground Floor, Blackbrook Gate 1  
Blackbrook Business Park  
Taunton  
TA1 2PX

19<sup>th</sup> DECEMBER 2018

## Statement of Comprehensive Income

For the year ended 31 July 2018

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	35,300	37,477
Tuition fees and education contracts	3	9,327	10,938
Other grants and contracts	4	594	110
Other income	5	7,028	6,214
Investment income	6	5	16
<b>Total income</b>		<b>52,254</b>	<b>54,755</b>
<b>EXPENDITURE</b>			
Staff costs	7	36,521	38,360
Other operating expenses	8	16,449	18,266
Depreciation	11	3,160	2,906
Interest and other finance costs	9	1,573	1,580
<b>Total expenditure</b>		<b>57,703</b>	<b>61,112</b>
<b>(Deficit) before other gains and losses</b>	10	<b>(5,449)</b>	<b>(6,357)</b>
Actuarial gain in respect of pensions schemes	25	9,909	5,523
<b>Total Comprehensive Income for the year</b>		<b>4,460</b>	<b>(834)</b>

All comprehensive income is unrestricted.

# Statement of Changes in Reserves

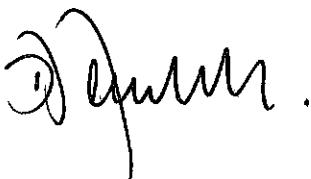
For the year ended 31 July 2018

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1 August 2016</b>	(8,678)	5,943	(2,735)
Surplus from the income and expenditure account	(6,357)	-	(6,357)
Other comprehensive income	5,523	-	5,523
Investment revaluation	2	(2)	
Transfers between revaluation and income and expenditure reserves	114	(114)	-
<b>Balance at 31 July 2017</b>	<b>(9,396)</b>	<b>5,827</b>	<b>(3,569)</b>
<b>Balance at 1 August 2017</b>	(9,396)	5,827	(3,569)
Surplus from the income and expenditure account	(5,449)	-	(5,449)
Other comprehensive income	9,909	-	9,909
Investment revaluation	-	59	59
Transfers between revaluation and income and expenditure reserves	114	(114)	-
<b>Balance at 31 July 2018</b>	<b>(4,822)</b>	<b>5,772</b>	<b>950</b>

**Balance sheet as at 31 July 2018**

		Notes		Restated
			2018	2017
			£'000	£'000
<b>Non current assets</b>				
Tangible Fixed assets	11		87,462	81,336
Investment Property	12		200	-
Investments	13		56	34
			<b>87,718</b>	<b>81,370</b>
<b>Current assets</b>				
Stocks			427	219
Trade and other receivables	15		3,964	3,754
Cash and cash equivalents	20		1,086	8,165
			<b>5,477</b>	<b>12,138</b>
<b>Less: Creditors – amounts falling due within one year</b>	16		(6,856)	(9,821)
<b>Net current (liabilities) / assets</b>			<b>(1,379)</b>	<b>2,317</b>
<b>Total assets less current liabilities</b>			<b>86,339</b>	<b>83,687</b>
Creditors – amounts falling due after more than one year	17		(39,274)	(35,234)
<b>Provisions</b>				
Defined benefit obligations	19		(45,565)	(51,345)
Other provisions	19		(550)	(677)
<b>Total net assets / (liabilities)</b>			<b>950</b>	<b>(3,569)</b>
<b>Unrestricted Reserves</b>				
Income and expenditure account			(4,822)	(9,396)
Revaluation reserve			5,772	5,827
<b>Total unrestricted reserves</b>			<b>950</b>	<b>(3,569)</b>

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 6 December 2018 and were signed on its behalf by:



**Derek Randall**  
Chairman



**Andy Berry**  
Accounting Officer

## Statement of Cash Flows

For the year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(5,449)	(6,357)
<b>Adjustments for non-cash items</b>			
Depreciation		3,160	2,906
Amortisation of deferred capital grant		(1,237)	(901)
(Increase) / decrease in stocks		(208)	14
(Increase) in debtors		(1,026)	(294)
(Decrease) / increase in creditors due within one year		(1,321)	35
Pensions costs less contributions payable		4,129	6,411
<b>Adjustments for investing or financing activities</b>			
Investment income		(4)	(17)
Interest payable		168	199
Loss on sale of fixed assets		15	23
<b>Net cash flow from operating activities</b>		<u>(1,773)</u>	<u>2,019</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		14	17
Investment income		4	17
Payments made to acquire fixed assets		(11,000)	(8,591)
Capital grants received		6,164	4,677
		<u>(4,818)</u>	<u>(3,880)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(168)	(199)
New loans		-	1,548
Repayments of amounts borrowed		(302)	(527)
Capital element of finance lease rental payments		(18)	(20)
		<u>(488)</u>	<u>802</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u><b>(7,079)</b></u>	<u><b>(1,059)</b></u>
Cash and cash equivalents at beginning of the year	20	8,165	9,224
Cash and cash equivalents at end of the year	20	1,086	8,165

## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

Notwithstanding the net current liability position of £1.379m (2017: net current assets of £2.317m) the Governing Body continues to adopt the going concern basis of preparation in light of the ongoing success of the College and for the following reasons in respect of non-financial liabilities included within current liabilities and the ongoing availability of loan facilities:

- Included within creditors falling due within one year, and in accordance with FRS 102 and the SORP, is deferred income relating to government capital grants of £1.3m and other deferred income (included within accruals and deferred income) of £0.6m – neither of these liabilities represent future cash outflows and will be release to the Statement of Comprehensive Income in subsequent accounting periods.
- The College currently has £2.154m of fixed term (for 25 years to 2028) loans outstanding with bankers and £5m from BIS. Additionally there is £4.659m available for drawdown on a Revolving Credit Facility. Bank borrowing is secured by a fixed and floating charge on certain College assets and is subject to a number of financial covenants. The Governing Body have, in assessing both the availability of the existing facilities and capacity to obtain new facilities if required, considered the results for the period to July 2018 and to the date of approval of these financial statements, the financial projections and its on-going relationship with (and most recent assurances received from) the bankers. Whilst accepting there can be no certainty, the Governing Body are satisfied that the College will continue to operate within, and meet the scheduled repayments of, its existing facilities for the foreseeable future.

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

#### Restatement of comparative amounts

A voluntary change in accounting policy has been made to present accrued operating lease commitments (previously presented wholly within creditors falling due within one year) separately into amounts falling due within one year and amounts falling due after one year, as the College management believe that this provides a fairer representation of the financial position of the College. Comparative financial information for the year ended 31 July 2017 has been restated accordingly.

The financial impact of this restatement as of 31 July 2017 was to reduce creditors falling due within one year by £687k and increase creditors falling due after one year by £687k. The aggregate impact on total net liabilities as at 31 July 2017 was £nil, and the impact on the deficit for the year ended 31 July 2017 was £nil.

## **Recognition of income**

### *Revenue Grant Funding*

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

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

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

### *Capital Grant Funding*

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

### *Fee Income*

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

### *Investment Income*

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

## **Accounting for post-employment benefits**

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

### *Somerset Local Government Pension Scheme (LGPS)*

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

### *Teachers' Pension Scheme (TPS)*

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future

pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. In contrast to LGPS, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

### **Short term Employment benefits**

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

### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income 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 valuation provided by the funding bodies.

### **Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

#### *Land and buildings*

Freehold buildings, including major adaptations, are depreciated over their expected useful economic life to the College of between 5 and 50 years

Where land and buildings, including major adaptations, are acquired with the aid of specific grants, they are capitalised and depreciated as above. Freehold land is not depreciated as it is considered to have an infinite useful life. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

#### *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. They are not depreciated until they are brought into use.

#### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

#### *Equipment*

Equipment costing less than £2,500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- |                                    |                                  |
|------------------------------------|----------------------------------|
| • technical equipment              | 15% per year straight line       |
| • motor vehicles                   | 15% - 40% per year straight line |
| • furniture, fixtures and fittings | 2% - 30% per year straight line  |
| • computer equipment               | 3% - 40% per year straight line  |

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Investments**

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Joint Ventures

The College's investment in its joint venture operation is stated at cost. These financial statements do not consolidate the results and financial position of the joint venture although details of these are included in Note 13 to these financial statements.

### **Investment property**

Certain of the College's properties are held for long-term investment. Investment properties are accounted for in accordance with FRS 102 as follows:

No depreciation is provided in respect of investment properties. Investment properties for which fair value can be measured reliably without cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

### **Stocks**

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

## **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

## **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 period with all resulting exchange differences being taken to income 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 sections 478-488 of the 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 around 0.91% of the 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.

## **Provisions and contingent liabilities**

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

## **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

#### *Other key sources of estimation uncertainty*

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**2 Funding body grants**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	5,943	5,466
Education and Skills Funding Agency – 16-18	21,587	24,642
Education and Skills Funding Agency - apprenticeships	5,714	5,506
Higher Education Funding Council	788	908
<b>Specific grants</b>		
Releases of government capital grants	1,237	901
LSF Administration Fee	29	33
Other	2	21
<b>Total</b>	<b>35,300</b>	<b>37,477</b>

**3 Tuition fees and education contracts**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	3,247	3,587
Apprenticeship fees and contracts	1,079	967
Fees for HE loan supported courses	3,622	4,498
LEA and Schools Activity	258	408
International students fees	345	290
Total tuition fees	8,551	9,750
Education contracts	776	1,188
<b>Total</b>	<b>9,327</b>	<b>10,938</b>

**4 Other grants and contracts**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Erasmus	285	100
Other grants and contracts	309	10
<b>Total</b>	<b>594</b>	<b>110</b>

**5 Other income**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	2,504	2,023
Farming activities	937	839
Other income generating activities	2,670	2,565
Miscellaneous income	917	787
<b>Total</b>	<b>7,028</b>	<b>6,214</b>

**6 Investment income**

	2018	2017
	£'000	£'000
Other interest receivable	5	16
<b>Total</b>	<b>5</b>	<b>16</b>

**7 Staff costs**

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

	2018	2017
	No.	No.
Teaching staff	576	612
Non-teaching staff	432	413
	<b>1,008</b>	<b>1,025</b>

**Staff costs for the above persons**

	2018	2017
	£'000	£'000
Wages and salaries	26,135	25,768
Social security costs	2,190	2,221
Employer pension costs	4,225	3,762
FRS 102 recurring pension costs	2,774	3,037
FRS 102 pension costs in respect of historical business combination	-	2,031
<b>Payroll sub total</b>	<b>35,324</b>	<b>36,819</b>
Contracted out staffing services	1,019	861
	<b>36,343</b>	<b>37,680</b>
Restructuring costs - Contractual	178	680
<b>Total Staff costs</b>	<b>36,521</b>	<b>38,360</b>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by Senior Management Team which comprises the Principal and Chief Executive, Vice Principal, Assistant Principals and Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	<b>11</b>	<b>10</b>

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

	<b>Key management personnel</b>	
	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
£20,001 to £40,000 p.a.	1	-
£30,001 to £40,000 p.a.	1	-
£40,001 to £50,000 p.a.	-	1
£50,001 to £60,000 p.a.	-	-
£60,001 to £70,000 p.a.	2	-
£70,001 to £80,000 p.a.	-	-
£80,001 to £90,000 p.a.	-	1
£90,001 to £100,000 p.a.	5	5
£100,001 to £110,000 p.a.	-	1
£110,001 to £120,000 p.a.	1	-
£120,001 to £130,000 p.a.	-	-
£130,001 to £140,000 p.a.	-	1
£140,001 to £150,000 p.a.	-	-
£150,001 to £160,000 p.a.	-	-
£160,001 to £170,000 p.a.	1	1
	<b>11</b>	<b>10</b>

Key management personnel remuneration is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries – gross of salary sacrifice and waived enrolments	981	1,047
Employers National Insurance	124	134
	<b>1,105</b>	<b>1,181</b>
Pension contributions	156	164
<b>Total key management personnel remuneration</b>	<b>1,261</b>	<b>1,345</b>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above remuneration includes amounts payable to the Accounting Officer (who is also the highest paid officer).

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Highest paid officer</b>		
Salary (excluding employers NI)	160	206
Pension contributions	26	33

**8 Other operating expenses**

	2018 £'000	2017 £'000
Teaching costs	8,510	9,268
Non-teaching costs	4,316	4,250
Premises costs	3,603	3,994
Merger costs	20	754
<b>Total</b>	<b>16,449</b>	<b>18,266</b>

**Other operating expenses include:**

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit	27	26
Other services provided by financial statements auditors	5	4
Internal audit	27	27
Subcontracting	647	424
Losses on disposal of non-current assets	15	23
Hire of assets under operating leases	83	92

**9 Interest and other finance costs**

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	218	237
	218	237
Net interest on defined pension liability (note 25)	1,355	1,343
<b>Total</b>	<b>1,573</b>	<b>1,580</b>

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

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

	2018 £'000	2017 £'000
Operating (deficit) / surplus on continuing activities before FRS 102 pension	(1,320)	54
FRS 102 Pension adjustments - Recurring	(4,129)	(4,380)
FRS 102 Pension adjustments – Business combination	-	(2,031)
<b>(Deficit)/Surplus before other gains and losses</b>	<b>(5,449)</b>	<b>(6,357)</b>

**11 Tangible fixed assets**

	Biological Assets	Land and buildings		Equipment	Assets in the course of construction	Total
	Dairy Herd	Freehold	Temporary			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2017	256	84,530	459	6,068	10,887	102,200
Additions	91	86	26	430	8,846	9,479
Transfers	-	17,607	-	1,759	(19,366)	-
Transfer to investment property	-	(215)	-	-	-	(215)
Disposals	-	-	(79)	(89)	-	(168)
<b>At 31 July 2018</b>	<b>347</b>	<b>102,008</b>	<b>406</b>	<b>8,168</b>	<b>367</b>	<b>111,296</b>
<b>Depreciation</b>						
At 1 August 2017	-	16,353	146	4,365	-	20,864
Charge for the year	-	2,437	23	700	-	3,160
Transfer to investment property	-	(52)	-	-	-	(52)
Elimination in respect of disposals	-	-	(54)	(84)	-	(138)
<b>At 31 July 2018</b>	<b>-</b>	<b>18,738</b>	<b>115</b>	<b>4,981</b>	<b>-</b>	<b>23,834</b>
<b>Net book value at 31 July 2018</b>	<b>347</b>	<b>83,270</b>	<b>291</b>	<b>3,187</b>	<b>367</b>	<b>87,462</b>
Net book value at 31 July 2017	256	68,177	313	1,703	10,887	81,336

The net book value of equipment includes an amount of £90,064 (2016/17: £113,692) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £23,628 (2016/17: £19,449).

**12 Investment properties**

	2018 £'000	2017 £'000
Transfer from fixed assets at net book value	163	-
Revaluation to market value	37	-
<b>Total</b>	<b>200</b>	<b>-</b>

The investment property, 20 Park Lane Cannington, was valued by an independent expert, estate agents Gibbins Richards, on 22 August 2018.

**13 Non-current investments**

	2018	2017
	£'000	£'000
Other non-current asset investments	56	34
<b>Total</b>	<b>56</b>	<b>34</b>

The College owns 607 £1 shares of National Milk Records plc, a company incorporated in England and Wales, and 1,941 £1 shares of Genus plc, a company incorporated in England and Wales.

**14 Joint venture arrangements**

Through the merger with Somerset College of Arts and Technology the College formally established a joint venture arrangement with Wiltshire College through The Colleges' Partnership Limited (formerly Wiltshire and Somerset Colleges' Partnership Limited) a Company limited by guarantee. The Company is recognised by HMRC as a charity for tax purposes.

The investment in the joint venture is shown in the balance sheet at cost of acquisition (ie zero).

There are no issued shares held by each member as the entity has been constituted as a company limited by guarantee.

The Company is involved in the delivery of education, training and assessment, with the majority of the current turnover relating to the delivery of apprenticeships to soldiers of the Royal Corps of Signals and the Royal Armoured Corps/Armoured Infantry.

The accounting period is coterminous with the College at 31 July 2018.

The balance sheet of the joint venture company at 31 July 2017 comprises the following:

	2018	2017
	£'000	£'000
Tangible fixed assets	103	187
Current assets	2,420	2,403
Creditors due within one year	(1,685)	(1,775)
Creditors due after one year	(100)	(100)
Deferred capital grants	-	(2)
<b>Total</b>	<b>738</b>	<b>713</b>
<b>50% share</b>	<b>369</b>	<b>356</b>

The joint venture company reported the following performance for the year ended 31 July 2018

	2018	2017
	£'000	£'000
Turnover	6,040	7,672
Cost of sales	(4,101)	(4,499)
<b>Gross profit</b>	<b>1,939</b>	<b>3,173</b>
Administrative expenses	(1,914)	(3,148)
<b>Profit before and after tax</b>	<b>25</b>	<b>25</b>
<b>50% share</b>	<b>13</b>	<b>13</b>

**15 Trade and other receivables**

	<b>2018</b>	<b>Restated 2017</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	1,185	1,099
Prepayments and accrued income	1,969	1,187
Amounts owed by the Education and Skills Funding Agency (ESFA)	810	1,468
<b>Total</b>	<b><u>3,964</u></b>	<b><u>3,754</u></b>

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

	<b>2018</b>	<b>Restated 2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	327	402
Obligations under finance leases	13	18
Trade payables	743	1,042
Other taxation and social security	604	679
Accruals and deferred income	3,766	6,017
Deferred income - government capital grants	1,308	893
Amounts owed to the Education and Skills Funding Agency	95	770
<b>Total</b>	<b><u>6,856</u></b>	<b><u>9,821</u></b>

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

	<b>2018</b>	<b>Restated 2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	1,920	2,133
ESFA loan	4,900	4,900
Other loan	7	21
Obligations under finance leases	24	37
Accruals	791	687
Deferred income - government capital grants	31,632	27,456
<b>Total</b>	<b><u>39,274</u></b>	<b><u>35,234</u></b>

Government Capital Grants have been accounted for as follows:-

	SFA/BIS £'000	Other £'000	Total £'000
Balance on 1 August 2017	20,203	8,146	28,349
Cash received during year	5,659	170	5,829
Grant released to Income	(1,026)	(212)	(1,238)
Balance on 31 July 2018	<u>24,836</u>	<u>8,104</u>	<u>32,940</u>
Being:			
- Under 12 months	1,091	217	1,308
- Over 12 months	23,745	7,887	31,632
<b>Total</b>	<u>24,836</u>	<u>8,104</u>	<u>32,940</u>

## 18 Maturity of debt

### (a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	327	402
Between one and two years	1,034	1,048
Between two and five years	2,940	2,940
In five years or more	2,853	3,067
<b>Total</b>	<u>7,154</u>	<u>7,457</u>

Bank loans totalling £2,133,336 are repayable by instalments falling due between 1 August 2018 and 31 May 2028. Interest is charged at 7.275% per annum and the loans are secured on a portion of the freehold land and buildings of the College.

A loan with Solving Energy Efficiency Finance of £21,244 is repayable by instalments falling due between 1 August 2018 and 31 October 2019. The loan is unsecured.

A loan with the ESFA of £5,000,000 is repayable by instalments falling due between 1 August 2018 and 31 July 2025. Interest is charged at 1.038% per annum, and the loan is unsecured.

### (b) Finance leases

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

	2018 £'000	2017 £'000
In one year or less	13	18
Between two and five years	24	37
<b>Total</b>	<u>37</u>	<u>55</u>

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

**19 Provisions**

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	51,345	677	52,022
Expenditure in the period	(2,318)	(127)	(2,445)
Transferred from income and expenditure account	(3,462)	-	(3,462)
<b>At 31 July 2018</b>	<b>45,565</b>	<b>550</b>	<b>46,115</b>

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

The enhanced pension provision was transferred in upon the merger with Somerset College of Arts and Technology, and relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.3%	3.1%
Discount rate	2.3%	2.6%

**20 Cash and cash equivalents**

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	8,165	(7,079)	1,086
<b>Total</b>	<b>8,165</b>	<b>(7,079)</b>	<b>1,086</b>

**21 Capital and other commitments**

	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	4,310	13,793

**22 Lease obligations**

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

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
<b>Other</b>		
Not later than one year	57	84
Later than one year and not later than five years	18	74
Later than five years	-	2
	<hr/>	<hr/>
	75	160

**23 Contingent liabilities**

There are no contingent liabilities to report.

**24 Events after the reporting period**

There are no post balance sheet events to report.

**25 Defined benefit obligations**

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Somerset Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Somerset County Council Pension Scheme. Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2018 £000</b>	<b>2017 £000</b>
Teachers' Pension Scheme: contributions paid	1,805	1,783
Local Government Pension Scheme:		
Contributions paid	2,420	1,979
FRS 102 charge	2,774	5,068
Charge to the Statement of Comprehensive Income	<hr/> 5,194	<hr/> 7,047
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<hr/> <b>6,999</b>	<hr/> <b>8,830</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

## **Teachers' Pension Scheme**

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

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

Although 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 are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

### Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,805,000 (2017: £1,783,000)

### FRS 102 (28)

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

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

### Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Somerset County Council. The total contributions made for the year ended 31 July 2018 were £2,542,240 of which employer's contributions totalled £1,795,194 and employees' contributions totalled £747,046. The employer contribution rate increased from 13.0% to 14.8% on 1 April 2017. Employee's contributions range between 5.5% and 12.5%, depending upon salary.

### Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.40%	2.1%
Future pensions increases	2.35%	2.7%
Discount rate for scheme liabilities	2.65%	2.7%
Inflation assumption (CPI)	2.35%	2.7%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018	At 31 July 2017
	years	Years
<i>Retiring today</i>		
Males	24.0	23.9
Females	25.2	25.1
<i>Retiring in 20 years</i>		
Males	26.3	26.1
Females	27.5	27.4

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000
Equity instruments	72%	49,323	71%	44,705
Debt instruments	5%	3,685	6%	3,551
Other bonds	9%	6,193	10%	6,260
Property	9%	5,967	9%	5,590
Cash	5%	3,727	4%	2,880
<b>Total fair value of plan assets</b>		<b>68,895</b>		<b>62,986</b>

Weighted average expected long term rate of return      2.7%      2.6%

Actual return on plan assets      4,902      8,355

*The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:*

	2018 £'000	2017 £'000
Fair value of plan assets	68,895	62,986
Present value of plan liabilities	(114,379)	(114,245)
Present value of unfunded liabilities	(81)	(86)
<b>Net pensions liability (Note 19)</b>	<b>(45,565)</b>	<b>(51,345)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	5,028	4,672
Current service cost from past business combinations	-	2,031
Past service cost	7	322
<b>Total</b>	<b>5,035</b>	<b>7,025</b>

**Amounts included in investment income**

Net interest income	1,355	1,343
	<b>1,355</b>	<b>1,343</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	3,187	4,417
Changes in assumptions underlying the present value of plan liabilities	6,722	1,106
<b>Amount recognised in Other Comprehensive Income</b>	<b>9,909</b>	<b>5,523</b>

**Movement in net defined benefit (liability)/asset during year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(51,345)	(50,457)
Movement in year:		
Current service cost	(5,028)	(4,672)
Employer contributions	2,318	2,009
Past service cost	(7)	(322)
Administration expenses	(57)	(52)
Net interest on the defined liability	(1,355)	(1,343)
Liabilities assumed in a business combination	-	(2,031)
Actuarial gain	9,909	5,523
<b>Net defined benefit liability at 31 July</b>	<b>(45,565)</b>	<b>(51,345)</b>

**Asset and Liability Reconciliation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>114,331</b>	<b>102,202</b>
Liabilities assumed in a business combination	-	5,452
Current service cost	5,028	4,672
Interest cost	3,070	2,789
Contributions by Scheme participants	747	725
Experience gains and losses on defined benefit obligations	-	(4,656)
Changes in financial assumptions	(6,722)	4,696
Estimated benefits paid	(5)	(5)
Past Service cost	7	322
Curtailments and settlements	(1,996)	(1,866)
<b>Defined benefit obligations at end of period</b>	<b>114,460</b>	<b>114,331</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	<b>62,986</b>	<b>51,745</b>
Assets assumed in a business combination	-	3,421
Interest on plan assets	1,715	1,446
Return on plan assets	3,187	6,909
Employer contributions	2,318	2,009
Contributions by Scheme participants	747	725
Estimated benefits paid	(2,001)	(1,871)
Administration expenses	(57)	(52)
Actuarial gain/(loss)	-	(1,346)
<b>Fair value of plan assets at end of period</b>	<b>68,895</b>	<b>62,986</b>

## 26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £4,850; 7 governors (2017: £2,730; 5 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 during the year (2017: None).

### *Bridgwater College Trust*

Sales transactions in the year amounted to £97k (2017 – £132k). There was an amount of £8k outstanding to the College at the year-end (2017 – £18k)

### *The Colleges' Partnership Limited*

The Company previously paid an educational support fee to the College, in conjunction with its joint venture partner Wiltshire College.

During the period 1 August 2017 to 31 July 2018 no invoices were raised by the College. The outstanding amount owed to the College was £493k (2017 - £290k) (£180k from 16/17)

### *Governors*

One of the College's governors is employed by Somerset County Council (SCC). The College has transacted at arm's length, with SCC for county bus passes, training and recruitment: £224k (2017: £237k). There was an outstanding amount of £4k (2017: £nil) owed to the College at the year-end.

One of the College's governors sits on the board of the Royal Bath & West of England Society and Farm Link Education Ltd. Transactions for Royal Bath & West of England Society amounted to £2k (2017: £1k) and Farm Link Education amounted to £13.5k (2017: £13.5k)

One of the College's governors is employed by Alvis Contracting LLP, which provided services amounting to £37k (2017: £59k). An outstanding amount of £13k (2017: £nil) was owed at the year-end.

## 27 Amounts disbursed as agent - Learner support funds

	2018	2017
	£'000	£'000
Funding body grants – bursary support	71	79
Funding body grants – discretionary learner support	561	613
Funding body grants – residential bursaries	96	105
	<hr/> 728	<hr/> 797
Disbursed to students	(617)	(615)
Administration costs	(29)	(33)
Balance unspent as at 31 July, included in creditors	<hr/> 82	<hr/> 149

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

