



# Report & Financial Statements

Year ending 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 Executive Team and were represented by the following in 2017/18:

Kevin Hamblin, Group CEO & Executive Principal; Accounting Officer  
Sara-Jane Watkins, College Principal  
Emma Jarman, Vice Principal Quality & Learner Services (left 31.12.17)  
Judith Saunderson, Group Chief Financial Officer  
Andy Slaney, Chief Operations Officer – Commercial & Estates  
Moira Foster-Fitzgerald, Chief Group Services Officer

### **Board of Governors**

A full list of Governors is given on pages 17 and 18 of these financial statements.  
Mrs S Glover acted as Clerk to the Corporation throughout the period.

### **Professional advisers**

#### **Financial Statements and reporting accountants:**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

#### **Internal auditors:**

RSM  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
Bucks  
MK9 1BP

#### **Bankers:**

Lloyds Bank plc  
PO Box 112  
Canons House  
Canons Way  
Bristol  
BS99 7LB

#### **Solicitors:**

Menzies Law  
29 Great George Street  
Bristol  
BS1 5QT

Foot Anstey LLP  
100 Victoria Street  
Bristol  
BS1 6HZ

## CONTENTS

	<b>Page</b>
Report of the Governing Body	3
Statement of Corporate Governance and Internal Control	16
Statement of Regularity, Propriety and Compliance	27
Statement of Responsibilities of the Members of the Corporation	28
Independent Auditor's Report to the Corporation of South Gloucestershire & Stroud College	30
Reporting Accountants Report on Regularity to the Corporation of South Gloucestershire & Stroud College and the Secretary for Education acting through the Education & Skills Funding Agency	33
Consolidated and College Statements of Comprehensive Income and Expenditure	36
Consolidated and College Statements of Changes in Reserves	37
Balance Sheets as at 31 July	38
Consolidated Statement of Cash Flows	39
Notes to the Financial Statements	40

## **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.

#### **Legal status**

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

The Group includes the College and its subsidiary undertakings, South Gloucestershire and Stroud College Commercial Services Limited (company number 9241494) and SGS Group Services Limited (a dormant company, company number 9791671).

SGS Commercial Services Limited was formed on 30 September 2014 and SGS Group Services Limited was formed on 23 September 2015, both as private companies limited by shares under the Companies Act 2006.

The College is the registered holder of one fully paid ordinary share in each company. These shares comprise the only issued share capital of the companies.

The Directors of the companies are disclosed on page 23.

#### **Mission**

The Governors have adopted the following mission statement:

"We positively change people's lives and add value to the social and economic wellbeing of our communities. We do this by providing high quality, innovative, accessible education and training in a friendly culture of mutual respect and support."

#### **Public Benefit**

The members of the Governing Body, who are trustees of the charity, are disclosed on page 17 and 18.

The College is an exempt charity under 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.

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.

## **Report of the Governing Body (continued)**

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**

The College's strategic plan covers the period 2017/18 to 2021/22 and the six main priorities for that planning period are:

1. To be recognised as an outstanding College.
2. To be visionary and innovative in providing educational opportunities by anticipating and meeting demand.
3. To enhance the quality of the experience we provide for our learners and our staff.
4. To develop responsive partnerships with all our learners, employers, and all our stakeholders.
5. To ensure we have the necessary resources to support our Plan.
6. To provide an educational and training environment which is equipped for the delivery of high quality learning.

The College's financial aims are:

- To consistently achieve an ESFA rating "good" or better.
- For the College's financial health to be sufficiently robust to enable it to:
  1. Meet its Mission and specifically strategic objectives 5 and 6:
    - a. To ensure we have the necessary resources to support our Plan;
    - b. To provide an educational and training environment which is equipped for the delivery of high quality learning.
  2. Invest in its estates and equipment to provide up to date and pleasant environments in which its students learn and its staff work.
  3. Afford to attract staff of a suitable calibre to provide students with high quality learning and to manage the College effectively.

## **Report of the Governing Body (continued)**

The Group's financial objectives, as set by the Corporation for 2017/18, as follows:

1. Maintain a sound financial base (solvency and liquidity) based on the following:
  - Good financial health
  - College pay costs (excluding restructuring) less than 65% of the underlying College income
  - Positive cashflow from operating activities
2. Reward staff, subject to affordability
3. Meet bank covenants in each financial year
4. Strengthen procedures for testing the value for money and affordability of any proposals which have a financial implication
5. Maintain the confidence of funding bodies, suppliers and professional advisors by:
  - providing financial and non-financial returns on time and in the agreed format
  - ensuring all returns requiring certification by auditors are unqualified
6. Re-enforce awareness of financial issues providing adequate information to ensure that staff, management and governors are kept up-to-date with the financial position of the Group
7. Maintain or improving the condition of Group resources and accommodation:
  - generate sufficient funds to ensure that the Group's specified program of planned maintenance can be undertaken
  - generate sufficient funds to ensure that the Group can invest in the new technology and equipment required to support learning programs and Group administration
  - ensure adequate procedures are in place to protect assets from loss, theft and neglect
8. Ensure a positive learner experience

## Report of the Governing Body (continued)

The KPI's adopted by the College reflect the Financial Health calculations adopted by the Education and Skills Funding Agency. The Group achieved against its financial objectives as follows:

Financial Objectives	ESFA Definition	Target	Budget	Group Actual
Adjusted current ratio	Group current assets (excluding restricted cash and assets held for re-sale) as a % of Group current liabilities	> 1.2	1.7	1.3
EBITDA as a % of Income	Group earnings before interest, tax, depreciation and amortisation as a % of adjusted Income *	>5%	4%	5%
Borrowing as a % of Income	Total of all group borrowing as a % of adjusted income.	< 30%	26.9%	26.8%
Adjusted pay to total income (excluding restructuring)	Pay Costs (excluding restructuring costs and LGPS lump sum repayments) as a % of income (excluding release of capital grants) but including national income relating to student numbers not funded due to lagged funding methodology)	<= 65%	66.3%	64.3%
Ability to Generate Cash **	Cash generation for the Group before investment in capital but after repayment of all debt, interest, tax etc.	>£500k	£2.7m	£1.4m

\* Adjusted income is defined as total income before release of capital grants and pension finance income.

\*\* This relates to the increase in cash before the effects of investing and financing activities.

## **Report of the Governing Body (continued)**

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 ESFA as having a "Good" financial health grading. The current rating of "Good" is considered an acceptable outcome.

### **FINANCIAL POSITION**

#### **Financial results**

The Group generated a deficit before other gains and losses in the year of £1,344,000 (2016/17 – £695,000), with total comprehensive income of £4,217,000 (2016/17 – comprehensive income of £2,491,000).

The Group has accumulated reserves of £9,424,000 (2016/17 - £4,979,000) and cash and short term investment balances of £4,158,000 (2016/17 - £4,012,000). The Group wishes to accumulate reserves and cash balances in order to invest in the estate.

Tangible fixed asset additions during the year amounted to £521,000. This was split between land and buildings acquired of £86,000 and equipment purchased of £435,000.

The development of the site at Berkeley continued during the year with both the UTC and the centre specialising in Education and Development of Cyber Security opening during the year. On 1 August 2017 the subsidiary company sublet land and buildings on a 25 year lease to WeLink.

The Group 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 80% of the Group's total income.

The College has two subsidiary companies, SGS Commercial Services Limited and SGS Group Services Limited. The principal activity of SGS Commercial Services Limited is the management and development of property, whilst SGS Group Services Limited is dormant. Any Surpluses generated by SGS Commercial Services Limited are transferred to the College under deed of covenant. In the current year, there were no surpluses generated during the year with loss after tax of £26k for SGS Commercial Services Limited.



## Report of the Governing Body (continued)

	Group Year End 31 July 2018 £'000	College Year ended 31 July 2018 £'000
Deficit before other gains and losses to the year	(1,344)	(1,318)
Exceptional items:		
Restructuring costs	129	129
FRS 102 adjustments	1,800	1,800
LGPS lump sum repayments	444	444
Holiday Pay Accrual	(55)	(55)
<b>Adjusted surplus for the year</b>	<b>974</b>	<b>1,000</b>

### Treasury policies and objectives

Treasury management is the management of the Group'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 Group has a separate treasury management policy in place. All loans and other forms of borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. As at 31 July 2018, the Group had borrowing with Lloyds TSB Bank of £9.9m, detailed in note 18.

### Cash flows and liquidity

The Group had a cash inflow from operating activities of £1,374k (2016/17 - £1,659k).

The size of the Group's total borrowing and its approach to interest rates was calculated to ensure a reasonable cushion between meeting the total cost of servicing debt and operating cash flow. During the year the Group had a total cash inflow of £147k (2016/17 – outflow of £668k).

### Reserves Policy

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the Group's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £7,074,000 (2017: 2,857,000). There are no restricted reserves. It is Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

## **Report of the Governing Body (continued)**

### **Curriculum Performance**

Overall achievement for learners following classroom-based learning have improved over the last three years and are now high at 87.4% against a national rate of 84.4%. Retention has also improved over the same period to 95.2% and pass rates have shown a positive three-year upward trend to 91.8%. The achievement rate for adult learners has remained stable over the past three years at 89.0%, but for 16-18 year olds 2017-18 saw an extremely positive 3.1% improvement in achievement which is now 3.2% above the benchmark for GFE. The achievement rate for apprenticeship learners remains in line with national performance but an area for improvement for the College. The timely achievement rate for apprentices was 62.4% in 2017-18, 2.4% above the national average.

### **Future prospects**

The new campus at Berkeley Green (Gloucestershire Science & Technology Park) has provided increased capacity and the College will seek to increase student numbers over the next three years.

The College would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the College currently performs well such as Higher Education.

Having due regard to best practice developments in the UK Corporate Governance Code 2016 in respect of going concern and risk management reporting and taking account of the current position and principal risks, the College believes it will be able to continue in operation and meet its liabilities, for the foreseeable future.

## **RESOURCES**

The Group operated from three main campuses at Stroud, Filton Avenue and WISE, with specialist satellite campuses for the School of Art and Design at the Royal West of England Art Academy at Queen's Road in Clifton and the Bristol School of Animal Management and Conservation at Bristol Zoological Gardens, also in Clifton. The Group took ownership of a fourth campus at Berkeley in November 2016 with full time courses starting in September 2017.

### **Financial**

As at 31 July 2018, the Group had £9.4 million of net assets, after £15.5 million pension liability and long term debt of £9.1 million.

## **Report of the Governing Body (continued)**

### **People**

The Group employed an average number of 672 people (expressed as full time equivalents) during the year, of whom 292 were teaching staff. Non-teaching staff of 380 includes curriculum support staff such as additional learning support staff, technicians, assessors and administrative staff within curriculum departments. Non-teaching staff also includes staff in learning resource centres and those offering advice and guidance to students throughout their time at College. The College was awarded the Investors in People Gold Standard award in March 2017.

### **Reputation**

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and fostering and developing external relationships. The College's recent Ofsted inspection in October 2017 confirmed its previous outcome of Good with Outstanding features.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group 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 Group's assets and reputation.

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

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

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

## **Report of the Governing Body (continued)**

### **Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students and Research in England. In 2017/18, 79% 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 including the devolution of the adult education budget, and the growing number of high needs learners where we do not receive adequate support. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform.

These risks are 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 management key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- By refocussing our provision to capitalise on both the new standards and Technical provision that is STEM related at Level 3
- By developing HE sports academies with a view of reaching 100 learners in HE sports by 2020.

### **Failure to maintain adequate funding of pension liabilities**

#### **Local Government Pension Scheme**

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 next full actuarial valuation will be prepared as at 31 March 2019 and preliminary discussions with the actuary indicates that this could significantly increase pension contributions. There is no indication that funding will increase to fund any increase in employer pension costs.

This risk is mitigated by an agreed deficit recovery plan with the Bath and North East Somerset Local Government Pension fund.

## **Report of the Governing Body (continued)**

### **Teachers' pension scheme**

The draft Teachers Pension Scheme actuarial valuation shows an increase in contribution rate from 16.48% to 23.5%. This is an additional cost to the College of £580k per annum and it is expected this will take effect from 1 September 2019. The DfE have confirmed that they will fund the increase for the period to 31 March 2020 but have not committed to funding the increase after this date.

Should this additional funding not be forthcoming the risk can only be mitigated by efficiency savings.

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

The Group's current financial health grade is classified as "good" as described on page 7. Notwithstanding that, the continuing challenge to the Group's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. The base rate has not changed since 2012 despite inflationary increases and increase in staff costs. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies.

## **Report of the Governing Body (continued)**

### **Insufficient space in Bristol Campuses**

The housing development on the Airfield near the A38 campus will have a significant impact on the number of FE learners. The A38 campus is already at maximum capacity and will be unable to accommodate further demands. Early discussions with the West of England Combined Authority and South Gloucestershire Council have been constructive, with the increase demand recognised and a solution is being discussed which may lead to increased capacity being centrally funded over the medium term.

### **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, South Gloucestershire and Stroud College has many stakeholders. These include:

- Learners
- Parents
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers
- Our partners including Schools, other training providers
- Local and Combined Local Authorities
- Local Enterprise Partnerships (LEPs)
- Our Communities
- Our supply chain
- Other FE and HE institutions
- Trade Unions
- Professional bodies
- Private Training Partners
- University Technical Colleges
- Academy Trusts, in particular South Gloucestershire and Stroud Academy Trust
- Regulators eg HMRC, Banks

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

In particular the College considers good communication with its staff to be very important and to this end publishes regular newsletters and bulletins. The College also encourages participation in the staff forum. Staff and student involvement in committees is encouraged with places reserved on the Corporation for staff and student members.

## **Report of the Governing Body (continued)**

### **Equal opportunities and employment of disabled persons**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively, differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equality Policy is published on the College's Internet site.

The College publishes an Annual Single Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

### **Disability statement**

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a. All main campuses are considered fully compliant based on individual campus' access audits
- b. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- c. The College makes a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support workers who provide a variety of support for learning, details of which are provided in the College's provision map, which is published on the College website. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

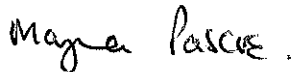
## **Report of the Governing Body (continued)**

- d. Specialist programmes are described in College prospectuses, and achievements and destinations are analysed annually.
- e. Counselling and welfare services are promoted through the Student Handbook and electronically via E-Campus, and via the College's Total Support Guarantee, together with information regarding the Learner Codes of Conduct, Safeguarding arrangements and the Complaints and Disciplinary Policies and Procedure.

### **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:



Moyra Pascoe  
**Chair**



## **Statement of Corporate Governance and Internal Control**

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

The Group endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code");

The Group is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 17 September 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.

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

### The Corporation

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

Name	Status of appointment	Date of appointment	Term of office	Date of resignation	Committees Served	Total attendance at Corporation / Committee Meetings
Roger Ellis	Staff Member	Mar 12 Aug 13 Aug 17	Until 31 Jul 13 4 years 4 years			45%
Kevin Hamblin	Group CEO & Executive Principal	Jan 12		Coterminous with his employment as Group CEO & Executive Principal	<ul style="list-style-type: none"> <li>• Search</li> <li>• Strategic Property Group</li> </ul>	100%
John Huggett (former Chair of the Corporation) until 31 Jul 18	External Member	Jan 12 Jan 14 Jan 18	2 years 4 years 4 years	31 Jul 18	<ul style="list-style-type: none"> <li>• Search</li> <li>• Strategic Property Group (former Chair)</li> <li>• Remuneration</li> </ul>	100%
Martin Jones (Vice Chair of the Corporation)	External Member	Jan 12 Jan 16	4 years 4 years		<ul style="list-style-type: none"> <li>• Strategic Property Group</li> <li>• Remuneration (Chair)</li> <li>• Search (Vice Chair)</li> </ul>	71%
Philip O'Reilly	Staff Member	Aug 13 Aug 15	2 years 4 years	31 Oct 17		100%
Moyra Pascoe (Chair of the Corporation) From 1 Aug 18	External Member	Jan 12 Jan 16	4 years 4 years		<ul style="list-style-type: none"> <li>• Search (Vice Chair)</li> <li>• Strategic Property Group</li> <li>• Remuneration</li> </ul>	78%
Mike Cogger*	External Member	Jan 14	4 years	Sabbatical from September 2017 – 31 December 2017	<ul style="list-style-type: none"> <li>• Audit (former Chair)</li> <li>• Remuneration</li> </ul>	N/A
Laura Boutle	External Member	Oct 14	4 years	Resigned 31 Jul 18	<ul style="list-style-type: none"> <li>• Strategic Property Group</li> <li>• Search</li> </ul>	58%
Phil Eames	External Member	Oct 15	4 years		<ul style="list-style-type: none"> <li>• Audit (former Chair)</li> </ul>	100%

Name	Status of appointment	Date of appointment	Term of office	Date of resignation	Committees Served	Total attendance at Corporation / Committee Meetings
Richard O'Doherty	External Member	May 16	4 years		• Remuneration	69%
Joe Lamonby	External Member	Oct 16	4 years		• Audit • Search	73%
Jordan Allen	Student Member	Oct 16  Aug 17	Until 31 July 2017  Until 31 July 2018	Resigned 30 Oct 17		50%
Mike Croker	External Member	Mar 17	4 years		• Audit (current Chair)	93%
Carrie Pickford	Student Member	Aug 17	Until 31 July 2018			36%
Craig Dickinson	Staff Member	Dec 17	4 years			71%
Jack Gritt	External Member	Jan 18	1st year term of office	Resigned 11 May 18		20%
David Benson	External Member	Jan 18	1st year term of office		• Strategic Property Group (current Chair)	89%
Dave Merrett	External Member	Jan 18	1st year term of office		• Audit • Remuneration	78%
Charlie Webb	Student Member	Jan 18	Until 31 July 2018			43%
Sophie Chester-Glyn	External Member	Mar 18	1st year term of office			100%
Ella Babbage	Student Member	Aug 18	Until 31 Jul 19	Resigned 18 Sep 18		N/A
Harrison Festa Adams	Student Member	Aug 18	Until 31 Jul 19			N/A
David Hagg	External Member	Oct 18	1st year term of office			N/A
Ben Short	External Member	Dec 18	1st year term of office			N/A

\* The term of office expired and this Governor did not present himself for reappointment.

Mrs Sharon Glover acted as Clerk to the Corporation.

The Search Committee was chaired by an external co-opted member Mrs Prue Tylour.

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

There are also the following external co-opted members:

John Huggett – Strategic Property Group

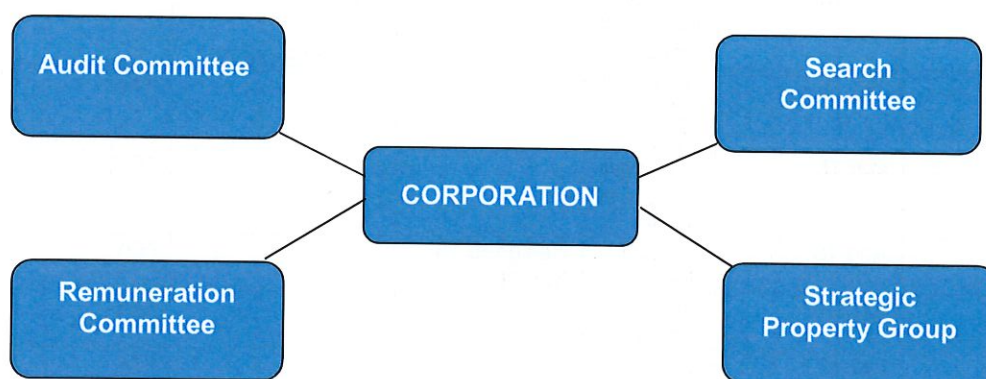
Sally Flett – Audit Committee

Laura Boutle – Search Committee

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 up to ten times a year. There are three committees and a working group as follows:



Each committee has a terms of reference, which have been approved by the Corporation. The Audit Committee meets four times per year. The Search Committee is convened as necessary but meets at least once per year. The Remuneration Committee meets at least twice per year and the Strategic Property Group is convened as necessary.

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

Full minutes of all meetings, except those deemed to be confidential, are available on the College website and from the Clerk to the Corporation at:

South Gloucestershire and Stroud College  
Stroud Campus  
Stratford Road  
Stroud  
Gloucestershire  
GL5 4AH

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 Corporation 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 Corporation and Committee meetings. Briefings are also provided on a regular basis.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Group CEO & Executive Principal (Accounting Officer) are separate.

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

### **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, comprising five members of the Corporation (Chair, Group CEO & Executive Principal and three other governors), an external Co-opted committee member and an externally appointed Chair. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration in accordance with the Procedure for the appointment, reappointment, induction and training of Corporation Members. It is also responsible for monitoring the diversity balance of the Corporation and recommending appointments to remedy any under-representation when appropriate. The Committee also has due regard to the College's obligations under all aspects of discrimination legislation. The Corporation is responsible for ensuring that appropriate training is provided to members of the Corporation as required.

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

Arrangements are made to ensure that each new Corporation/Co-opted committee member is afforded the opportunity to attend induction training. High quality training and development arrangements are also available both for individual members and for the Corporation as a whole so that collectively the Corporation has the necessary skills and understanding to fulfil its responsibilities under the Instrument and Articles of Government and to enable members to make an effective contribution to the work of the Corporation.

### **Corporation performance**

The Corporation conducts a rigorous annual self-assessment of its own performance and this forms the basis of the Governance Self-Assessment Report and the Governance Improvement Plan. At its meeting in October 2018 the Corporation Self-Assessment took place and graded itself as "Good" on the Ofsted scale.

### **Remuneration Committee**

The Remuneration Committee consists of five members of the Corporation. Throughout the year ending 31 July 2018 the remuneration and benefits of Senior Post holders (including the Accounting Officer), other posts within the SGS Group specifically named by the Corporation and the Clerk to the Corporation were the subject of recommendations to the Corporation by the Remuneration Committee appointed by the Corporation for that purpose.

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

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

### **Audit Committee**

The Audit Committee consists of at least three and up to five external members of the Corporation and also includes the option to appoint one external Co-opted member. The Group CEO & Executive Principal, who is the Accounting Officer, and the Chair of the Corporation are not members of the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets four times a year and provides a forum for reporting by the College's internal, regularity 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 and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers, including internal auditors as well as reporting annually to the Corporation.

### **Strategic Property Group (SPG)**

The SPG comprises of the Chair of the Corporation, Group CEO & Executive Principal, a minimum of three other Corporation members, one Co-opted member, Group Chief Financial Officer and the Chief Operations Officer Commercial & Estates. The Group operates in accordance with written terms of reference approved by the Corporation.

The SPG is a working group of the Corporation. Its role is to oversee the initiation, development and implementation of capital estates projects and associated business cases and the Property Strategy in accordance with Corporation requirements. The SPG convene as necessary.

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

### South Gloucestershire and Stroud College Commercial Services Limited

The Directors of the company are:

Name	Position	Date of appointment
Kevin Hamblin	Managing Director	30 September 2014
Andy Slaney	Deputy Managing Director	30 September 2014 and resigned 31 July 2018
Martin Jones	Director & Chair	30 September 2014
Moyra Pascoe	Director & Vice-Chair	30 September 2014 and resigned 31 July 2018
Stephen Marston	Director	13 November 2014
John Huggett	Director	1 August 2018

### SGS Group Services Limited

The Directors of the company are:

Name	Position	Date of appointment
Kevin Hamblin	Managing Director	23 September 2015
Sara-Jane Watkins	Director	23 September 2015
Martin Jones	Director & Chair	23 September 2015
Moyra Pascoe	Director & Vice-Chair	23 September 2015 and resigned 31 July 2018

SGS Group Services Limited became a dormant company during 2016.



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

### **Internal control**

#### ***Scope of responsibility***

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

The Corporation has delegated the day-to-day responsibility to the Group CEO & Executive Principal, as Accounting Officer, and College Principal 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 South Gloucestershire and Stroud College and the funding bodies. He is also responsible for reporting to the Corporation 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's 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 was in place in the College for the year ended 31 July 2018 and up to the date of approval of this annual report and accounts.

#### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of this annual report and accounts. This process is regularly reviewed by the Corporation.

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

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

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

South Gloucestershire and Stroud 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 the annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are approved by the Corporation on the recommendation of the Audit Committee.

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

### ***Review of effectiveness***

As Accounting Officer, the Group CEO & Executive 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 and the appointed funding auditors (where subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review 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.

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

The Senior Leadership 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 Leadership Team and the Audit Committee also received regular reports from internal audit and other sources of assurance, which includes recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. All Corporation papers include consideration of risk and control and the Corporation receive reports on risk from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

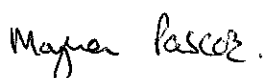
At its December 2018 meeting the South Gloucestershire and Stroud College Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the internal audit and Audit Committee, and taking account of events since 31 July 2018.

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

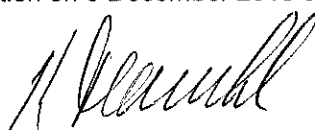
### **Going concern**

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:



Moyra Pascoe  
Chair



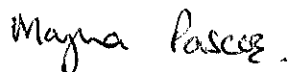
Kevin Hamblin  
Accounting Officer

## Statement of Regularity, Propriety and Compliance

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.



Moyra Pascoe  
**Chair**  
6 December 2018



Kevin Hamblin  
**Accounting  
Officer**  
6 December 2018

## 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 College's Funding Agreement with the 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 group and the College and the result for that year.

In preparing the group and College 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
- assess the group and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **Statement of Responsibilities of the Members of the Corporation (continued)**

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 Funding Agreement 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 group and 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:



Moyra Pascoe  
**Chair**

## **Independent Auditor's Report to the Corporation of South Gloucestershire and Stroud College**

### **Opinion**

We have audited the financial statements of South Gloucestershire and Stroud College ("the College") for the year ended 31 July 2018 which comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

### **Basis for opinion**

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

### **Going concern**

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

### **Other information**

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

## **Independent Auditor's Report to the Corporation of South Gloucestershire and Stroud College (continued)**

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

### **Matters on which we are required to report by exception**

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### **Corporation's responsibilities**

As explained more fully in their statement set out on page 28, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at.



**Independent Auditor's Report to the Corporation of South Gloucestershire and Stroud College  
(continued)**

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

This report is made solely to the Corporation, in accordance with Article 16 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



**Anthony Felthouse**

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

*Chartered Accountants*

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

*12 December 2018*

## **Reporting Accountant's Report on Regularity to the Corporation of South Gloucestershire and Stroud College and the Secretary of State for Education acting through the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 1 June 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Gloucestershire and Stroud College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

### **Respective responsibilities of South Gloucestershire and Stroud College and the reporting accountant**

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

## **Reporting Accountant's Report on Regularity to the Corporation of South Gloucestershire and Stroud College and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)**

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

**Reporting Accountant's Report on Regularity to the Corporation of South Gloucestershire and Stroud College and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)**

**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.



**Anthony Felthouse**

**For and on behalf of KPMG LLP, Reporting Accountant**

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 12 December 2018

# Consolidated and College Statements of Comprehensive Income and Expenditure

## For the year ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	28,990	28,990	28,851	28,851
Tuition fees and education contracts	3	3,654	3,654	4,040	4,040
Other grants and contracts	4	1,624	1,624	618	618
Other income	5	2,744	2,401	2,657	2,398
Endowment and investment income	6	8	63	6	60
<b>Total income</b>		<b>37,020</b>	<b>36,732</b>	<b>36,172</b>	<b>35,967</b>
<b>EXPENDITURE</b>					
Staff costs	7	25,162	25,162	23,374	23,374
Other operating expenses	8	10,684	10,370	11,097	10,794
Depreciation	11	1,764	1,764	1,612	1,612
Interest and other finance costs	9	754	754	784	784
<b>Total expenditure</b>		<b>38,364</b>	<b>38,050</b>	<b>36,867</b>	<b>36,564</b>
<b>Deficit before other gains and losses</b>		<b>(1,344)</b>	<b>(1,318)</b>	<b>(695)</b>	<b>(597)</b>
Loss on disposal of assets	11	-	-	(7)	-
<b>Deficit before tax</b>		<b>(1,344)</b>	<b>(1,318)</b>	<b>(702)</b>	<b>(597)</b>
Taxation	10	-	-	-	-
<b>Deficit for the year</b>	11	<b>(1,344)</b>	<b>(1,318)</b>	<b>(702)</b>	<b>(597)</b>
Actuarial gain in respect of pensions schemes	19	5,561	5,561	3,193	3,193
<b>Total Comprehensive Income for the year</b>		<b>4,217</b>	<b>4,243</b>	<b>2,491</b>	<b>2,596</b>

The statement of comprehensive income is in respect of continuing activities.

# Consolidated and College Statements of Changes in Reserves For the year ended 31 July 2018

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Balance at 31 July 2016</b>	366	2,101	2,467	2,467
Deficit from the income and expenditure account	(702)	-	(702)	(702)
Other comprehensive income	3,193	-	3,193	3,193
Unrealised surplus on revaluation of assets	-	21	21	21
<b>Total comprehensive income for the year</b>	<u>2,491</u>	<u>21</u>	<u>2,512</u>	<u>2,512</u>
<b>Balance at 31 July 2017</b>	<u><b>2,857</b></u>	<u><b>2,122</b></u>	<u><b>4,979</b></u>	<u><b>4,979</b></u>
Deficit from the income and expenditure account	(1,344)	-	(1,344)	(1,344)
Other comprehensive income	5,561	-	5,561	5,561
Unrealised surplus on revaluation of assets	-	228	228	228
<b>Total comprehensive income for the year</b>	<u>4,217</u>	<u>228</u>	<u>4,445</u>	<u>4,445</u>
<b>Balance at 31 July 2018</b>	<u><b>7,074</b></u>	<u><b>2,350</b></u>	<u><b>9,424</b></u>	<u><b>9,424</b></u>
<b>College</b>				
<b>Balance at 31 July 2016</b>	579	2,072	2,651	2,651
Deficit from the income and expenditure account	(597)	-	(597)	(597)
Other comprehensive income	3,193	-	3,193	3,193
<b>Total comprehensive income for the year</b>	<u>2,596</u>	<u>-</u>	<u>2,596</u>	<u>2,596</u>
<b>Balance at 31 July 2017</b>	<u><b>3,175</b></u>	<u><b>2,072</b></u>	<u><b>5,247</b></u>	<u><b>5,247</b></u>
Deficit from the income and expenditure account	(1,318)	-	(1,318)	(1,318)
Other comprehensive income	5,561	-	5,561	5,561
<b>Total comprehensive income for the year</b>	<u>4,243</u>	<u>-</u>	<u>4,243</u>	<u>4,243</u>
<b>Balance at 31 July 2018</b>	<u><b>7,418</b></u>	<u><b>2,072</b></u>	<u><b>9,490</b></u>	<u><b>9,490</b></u>

## Balance Sheets as at 31 July 2018

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets	11	51,450	51,450	52,692	52,692
Investment Property	12	3,271	459	3,046	459
		<u>54,721</u>	<u>51,909</u>	<u>55,738</u>	<u>53,151</u>
<b>Long Term Debtors</b>					
Debtor falling due after more than one year	15	-	2,119	-	2,394
<b>Current assets</b>					
Stocks		40	40	40	40
Trade and other receivables	14	1,896	2,169	1,547	1,623
Cash and cash equivalents	20	4,159	4,035	4,012	3,624
		<u>6,095</u>	<u>6,244</u>	<u>5,599</u>	<u>5,287</u>
<b>Less: Creditors – amounts falling due within one year</b>	16	(5,275)	(4,844)	(5,447)	(4,674)
<b>Net current assets</b>		<u>820</u>	<u>1,400</u>	<u>152</u>	<u>613</u>
<b>Total assets less current liabilities</b>		<u>55,541</u>	<u>55,428</u>	<u>55,890</u>	<u>56,158</u>
Less: Creditors – amounts falling due after more than a year	17	(30,351)	(30,172)	(31,367)	(31,367)
<b>Provisions</b>					
Defined benefit obligations	19	(15,544)	(15,544)	(19,305)	(19,305)
Other provisions	19	(222)	(222)	(239)	(239)
<b>Total net assets</b>		<u>9,424</u>	<u>9,490</u>	<u>4,979</u>	<u>5,247</u>
<b>Unrestricted reserves</b>					
Income and expenditure account		7,074	7,418	2,857	3,175
Revaluation reserve		2,350	2,072	2,122	2,072
<b>Total unrestricted reserves</b>		<u>9,424</u>	<u>9,490</u>	<u>4,979</u>	<u>5,247</u>
<b>Total reserves</b>		<u>9,424</u>	<u>9,490</u>	<u>4,979</u>	<u>5,247</u>

The financial statements on pages 36 to 64 were approved and authorised for issue by the Corporation on 6 December 2018 and were signed on its behalf on that date by:

*Moyra Pascoe*

**Moyra Pascoe**  
Chair

*K Hamblin*

**Kevin Hamblin**  
Accounting Officer

# **South Gloucestershire and Stroud College** **Consolidated Statement of Cash Flows** **For the year ended 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(1,344)	(702)
<b>Adjustment for non cash items</b>			
Depreciation		1,764	1,612
Decrease in stocks		-	(2)
Increase in debtors		(349)	45
Decrease in creditors due within one year		(259)	(390)
Increase in creditors due after one year		137	(41)
Decrease in provisions		(17)	(17)
Pensions costs less contributions payable		1,276	898
<b>Adjustment for investing or financing activities</b>			
Deferred capital grants released to income		(580)	(521)
Investment income		(8)	(6)
Interest payable		754	784
<b>Net cash flow from operating activities</b>		<b>1,374</b>	<b>1,660</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed asset investments		3	350
Investment income		8	6
Capital Grant income received		211	367
Payments made to acquire fixed assets		(522)	(2,052)
Payments made to acquire fixed asset investments		-	(231)
		<b>(300)</b>	<b>(1,560)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(230)	(236)
Repayments of amounts borrowed		(697)	(531)
		<b>(927)</b>	<b>(767)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>147</b>	<b>(667)</b>
Cash and cash equivalents at beginning of the year	20	4,012	4,679
Cash and cash equivalents at end of the year	20	4,159	4,012



## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 - "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention (modified by the use revaluation of certain fixed assets).

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, South Gloucestershire and Stroud Commercial Services Limited and SGS Group Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The results of SGS Academy Trust are not consolidated. All financial statements are made up to 31 July 2018.

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. The College currently has £9.9m of loans outstanding with bankers. The loans are secured by a fixed charge over College assets. The terms of the existing loan agreements vary between 20 and 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has 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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies *(continued)*

#### Recognition of income

Government revenue grants *Revenue grant funding* in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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 audits. 16-18 learner- responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Students and Research English represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

#### *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 model as permitted by FRS 102. Other non-governmental capital grants, are recognised in income when the College is entitled to the funds, subject to any performance related conditions being 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 conditions are 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.

#### *Agency Arrangements*

The College acts as an agent in the collection and payment of certain 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.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies *(continued)*

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

#### **Accounting for Post-Employment Benefits**

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

##### *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.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. 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.

##### *Avon Pension Fund 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 actuarial gains and losses.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies *(continued)*

#### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the 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 spreadsheet 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. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### ***Land and buildings***

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of up to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to 50 years.

On adoption of FRS102, the College followed the transitional provision to revalue its land at 1 August 2014 but not to adopt a policy of revaluation of this land in the future.

#### ***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.

#### ***Investment Properties***

Assets held for investment purposes are revalued on an annual basis and capitalised at revalued amount. Any gains or losses on revaluation are transferred to the revaluation reserve.

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

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the income and expenditure account 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 £1,000 per individual item or less than £1,000 as part of a group of assets is written off to the income and expenditure account 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:

- Computer equipment – 3-5 years
- All other equipment – 5 years

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies *(continued)*

A review for impairment for a fixed asset is carried out if events or changes in circumstances indicate that the carrying value 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.

#### **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 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 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 an obligation under finance lease. 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 in subsidiaries*

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

#### **Stocks**

Stocks are valued at the lower of their cost and net realisable value, being selling prices less costs to sell. Cost is based on a first in first out basis and net realisable value is based on estimated sales price. 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 3 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

***For the year ended 31 July 2018***

### **1. Statement of Accounting Policies *(continued)***

All loans, investments and short term deposits held by the Group 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.

### **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. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

### **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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

### 1. Statement of Accounting Policies *(continued)*

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

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

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

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

- *Tangible fixed assets* - Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Investment Property* - Investment property is held at valuation. Valuation is carried out by suitably qualified professionals but by its nature valuation of property includes a variety of assumptions that affect the valuation arrived at.
- *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

## 2 Funding council grants

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	3,348	3,348	3,608	3,608
Education and Skills Funding Agency - 16 - 18	19,919	19,919	19,867	19,867
Education and Skills Funding Agency - apprenticeships	4,000	4,000	3,436	3,436
Higher Education Funding Council	157	157	158	158
<b>Specific Grants</b>				
Releases of government capital grants	580	580	521	521
LEA High Needs ALS	986	986	1,261	1,261
<b>Total</b>	<b>28,990</b>	<b>28,990</b>	<b>28,851</b>	<b>28,851</b>

## 3 Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	802	802	1,325	1,325
Fees for FE loan supported courses	541	541	576	576
Fees for HE loan supported courses	2,098	2,098	1,935	1,935
Total tuition fees	3,441	3,441	3,836	3,836
Education contracts	213	213	204	204
<b>Total</b>	<b>3,654</b>	<b>3,654</b>	<b>4,040</b>	<b>4,040</b>

## 4 Other grants and contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	1,177	1,177	361	361
Other grants and contracts	447	447	257	257
<b>Total</b>	<b>1,624</b>	<b>1,624</b>	<b>618</b>	<b>618</b>



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 5 Other income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	1,788	1,319	1,659	1,297
Miscellaneous income	956	1,082	998	1,101
<b>Total</b>	<b>2,744</b>	<b>2,401</b>	<b>2,657</b>	<b>2,398</b>

#### 6 Investment income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	8	63	6	60
	<b>8</b>	<b>63</b>	<b>6</b>	<b>60</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 7 Staff costs - Group and College

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

	<b>Group 2018 No.</b>	<b>College 2018 No.</b>	<b>Group 2017 No.</b>	<b>College 2017 No.</b>
Teaching staff	292	292	282	280
Non teaching staff	<u>380</u>	<u>377</u>	<u>358</u>	<u>356</u>
	<b>672</b>	<b>669</b>	<b>640</b>	<b>636</b>
<b>Staff costs for the above persons</b>				
	<b>2018 £'000</b>	<b>2017 £'000</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Wages and salaries	19,079	19,079	18,147	18,147
Social security costs	1,625	1,625	1,531	1,531
Other pension costs	<u>4,329</u>	<u>4,329</u>	<u>3,671</u>	<u>3,671</u>
<b>Payroll sub total</b>	<b>25,033</b>	<b>25,033</b>	<b>23,349</b>	<b>23,349</b>
<b>Fundamental restructuring costs -</b>				
contractual	129	129	25	25
	<u>25,162</u>	<u>25,162</u>	<u>23,374</u>	<u>23,374</u>

#### 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 the Group Executive Team which comprises the Group CEO and Executive Principal, College Principal and Deputy CEO, Vice Principal Quality Learner and Staff Services, Group Chief Financial Officer, Chief Group Services Officer and Chief Operations Officer, Commercial and Estates. 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

	<b>Group and College 2018 No.</b>	<b>2017 No.</b>
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>6</u>

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

## 7 Staff costs - Group and College

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

	Group and College Key management personnel		Group and College Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
£170,001 to £180,000	1	1	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	Group and College	
	2018 £'000	2017 £'000
Salaries	604	642
Employers National Insurance	77	82
Benefits in kind	-	-
	<u>681</u>	<u>724</u>
Pension contributions	83	85
<b>Total emoluments</b>	<u><b>764</b></u>	<u><b>809</b></u>

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

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Group and College	
	2018 £'000	2017 £'000
Salaries	174	171
Benefits in kind	-	-
	<u>174</u>	<u>171</u>
Pension contributions	<u>27</u>	<u>27</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,737	3,737	4,157	4,157
Non teaching costs	3,920	3,879	4,159	4,057
Premises costs	3,027	2,754	2,781	2,580
<b>Total</b>	<b>10,684</b>	<b>10,370</b>	<b>11,097</b>	<b>10,794</b>

#### Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	27	31
Internal audit**	25	22
Other services provided by the financial statements auditors***	12	17
Losses on disposal of investment properties	-	7
Hire of assets under operating leases	254	164

\* includes £24,000 in respect of the College (2016/17 £26,000)

\*\* includes £25,000 in respect of the College (2016/17 £22,000)

\*\*\* includes £12,000 in respect of the College (2016/17 £17,000)

#### 9 Interest payable - Group and College

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	230	236
	230	236
Net interest on defined pension liability (note 25)	524	548
<b>Total</b>	<b>754</b>	<b>784</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 10 Taxation - Group only

	2018 £'000	2017 £'000
United Kingdom corporation tax at 19 percent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

A deferred tax liability of £33,800, at 31 July 2018, is associated with the increase in the investment property valuation within SGSCSL. On the basis that the company does not intend to dispose of the property, and as the company is forecasting taxable profits, which could enable the utilisation of a deferred tax asset of at least this amount, the deferred tax liability has not been recognised in the financial statements.

#### Factors affecting the tax charge for the current year

The current tax charge for the year is £nil (2017: £nil) and the standard rate of corporation tax in the UK is 19.67% (2017: 20%). The difference between the standard rate of corporation tax on the company's loss and the actual charge are explained below.

	2018 £	2017 £
Loss on ordinary activities in subsidiary before tax	(26,080)	(104,216)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.67% (2017: 20%)	(5,130)	(20,843)
<b>Effects of</b>		
Fixed asset differences	76	1,432
Expenses not deductible for tax purposes	-	531
Chargeable gains	30,445	(12,419)
Adjustments closing deferred tax	(2,691)	4,752
Deferred tax not recognised	(22,700)	26,547
	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

## 11 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	43,623	20,027	5,612	69,262
Additions	86	1	435	522
Disposals	-	-	(209)	(209)
<b>At 31 July 2018</b>	<b>43,709</b>	<b>20,028</b>	<b>5,838</b>	<b>69,575</b>
<b>Depreciation</b>				
At 1 August 2017	8,818	3,807	3,945	16,570
Charge for the year	825	388	551	1,764
Elimination in respect of disposals	-	-	(209)	(209)
<b>At 31 July 2018</b>	<b>9,643</b>	<b>4,195</b>	<b>4,287</b>	<b>18,125</b>
<b>Net book value at 31 July 2018</b>	<b>34,066</b>	<b>15,833</b>	<b>1,551</b>	<b>51,450</b>
Net book value at 31 July 2017	34,805	16,220	1,667	52,692

## Tangible fixed assets (College only)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	43,623	20,027	5,612	69,262
Additions	86	1	435	522
Disposals	-	-	(209)	(209)
<b>At 31 July 2018</b>	<b>43,709</b>	<b>20,028</b>	<b>5,838</b>	<b>69,575</b>
<b>Depreciation</b>				
At 1 August 2017	8,818	3,807	3,945	16,570
Charge for the year	825	388	551	1,764
Elimination in respect of disposals	-	-	(209)	(209)
<b>At 31 July 2018</b>	<b>9,643</b>	<b>4,195</b>	<b>4,287</b>	<b>18,125</b>
<b>Net book value at 31 July 2018</b>	<b>34,066</b>	<b>15,833</b>	<b>1,551</b>	<b>51,450</b>
Net book value at 31 July 2017	34,805	16,220	1,667	52,692

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 July 2018****11 Tangible fixed assets (continued)**

The Filton Avenue campus was valued for the purpose of the financial statements at depreciated replacement cost by King Sturge, a firm of independent chartered surveyors as at February 1993, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. All other land and buildings were valued at market value for existing use except for additions post 1 April 1993 (including which are included at cost. Other tangible fixed assets Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land with net book values totalling £354,000 (2017: £354,000) have been funded from local education authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the Education and Skills Funding Agency or use them in accordance with the Financial Memorandum with the Education and Skills Funding Agency.

Land and buildings with a net book values totalling £21,248,000 (2017: £21,782,000) have been partly financed through the receipt of capital grants from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

The transitional rules set out in FRS 15 Tangible Fixed Assets were applied on implementing FRS 15. Accordingly the book values at implementation were retained.

Land is not depreciated.

On adoption of FRS 102 the College has followed the transitional provision to revalue its land at 1 August 2014 but not to adopt a policy of revaluation of this land in the future.

**12 Investment Property**

	Group £'000	College £'000
<b>At valuation</b>		
At 1 August 2017	3,046	459
Disposals	(3)	-
Surplus on revaluation	228	-
	<u>3,271</u>	<u>459</u>
<b>At 31 July 2018</b>	<u><b>3,271</b></u>	<u><b>459</b></u>

The investment property was valued by Montague Evans, Chartered Surveyors and is stated at market value at 31 July 2018.

**13 Non current Investments**

	College 2018 £	College 2017 £
Investments in subsidiary companies	2	2
	<u>2</u>	<u>2</u>
<b>Total</b>	<u><b>2</b></u>	<u><b>2</b></u>

The College owns 100 per cent of the issued ordinary £1 shares of South Gloucestershire and Stroud Commercial Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of South Gloucestershire and Stroud College Group Services Limited, a company incorporated in England and Wales. The principal business activity of South Gloucestershire and Stroud Commercial Services Limited is property development and leasing. The principal activity of South Gloucestershire and Stroud College Group Services Limited is the provision of back office services.

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

## 14 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	792	748	499	402
Amounts owed by group undertakings:				
Subsidiary undertakings	-	206	-	32
Prepayments and accrued income	568	679	720	861
Amounts owed by the ESFA	536	536	328	328
<b>Total</b>	<b>1,896</b>	<b>2,169</b>	<b>1,547</b>	<b>1,623</b>

## 15 Debtors falling due after more than one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts owed by group undertakings:				
Subsidiary undertakings	-	2,119	-	2,394

The College has loaned its subsidiary South Gloucestershire and Stroud Commercial Services Limited £2.5m under a facility agreement. The loan is repayable in instalments over 20 years commencing in November 2017. Interest is charged at 1.75% above LIBOR.

## 16 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	753	753	700	700
Trade payables	438	279	449	247
Amounts owed to group undertakings:				
Subsidiary undertakings	-	3	-	-
Other taxation and social security	494	494	429	429
Accruals and deferred income	2,435	2,187	2,719	2,342
Deferred income - government capital grants	580	580	546	546
Deferred income - government revenue grants	575	548	604	410
<b>Total</b>	<b>5,275</b>	<b>4,844</b>	<b>5,447</b>	<b>4,674</b>

## 17 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	9,159	9,159	9,909	9,909
Deferred income - government capital grants	21,013	21,013	21,416	21,416
Other long term creditors	179	-	42	42
<b>Total</b>	<b>30,351</b>	<b>30,172</b>	<b>31,367</b>	<b>31,367</b>



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 18 Maturity of debt - Group and College

##### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	Group 2017 £'000
In one year or less	753	700
Between one and two years	753	700
Between two and five years	1,560	1,560
In five years or more	6,846	7,649
<b>Total</b>	<b>9,912</b>	<b>10,609</b>

Included within loans are three facilities with Lloyds Bank plc. The first bank loan of £8.3 million is for a period of 20 years and is repayable by instalments falling due between October 2013 and 31 July 2029. The second loan of £1 million is for a period of 25 years and is repayable by instalments falling due between October 2013 and June 2034. The 3rd loan of £4 million is for a period of 20 years repayable by instalments falling due between November 2017 and August 2037.

The first and second loans are secured by a negative pledge.

##### (b) Finance leases

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

	Group 2018 £'000	Group 2017 £'000
In one year or less	-	-
Between two and five years	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 19 Provisions

	Group and College Defined benefit Obligation £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	19,305	239	19,544
Expenditure in the period	1,800	(17)	1,783
Transferred from income and expenditure account	(5,561)	-	(5,561)
<b>At 31 July 2018</b>	<b>15,544</b>	<b>222</b>	<b>15,766</b>

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

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

The principal assumptions for this calculation are:

	2018	2017
Price inflation	2.10%	1.30%
Discount rate	2.90%	2.30%

#### 20 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	4,012	147	-	4,159
<b>Total</b>	<b>4,012</b>	<b>147</b>	<b>-</b>	<b>4,159</b>

#### 21 Capital commitments

	Group and College 2018 £'000	2017 £'000
Commitments contracted for at 31 July	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 22 Lease Obligations

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

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	109	65
Later than one year and not later than five years	399	65
	<u>508</u>	<u>130</u>
<b>Other</b>		
Not later than one year	11	20
Later than one year and not later than five years	4	17
	<u>15</u>	<u>37</u>
<b>Total lease payments due</b>	<u>523</u>	<u>167</u>

#### 23 Contingent liabilities

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees. The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made.

#### 24 Events after the reporting period

There are no events after the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

### 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 Avon Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bath and North East Somerset Council. Both are multi-employer defined-benefit plans.

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.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	1,462	1,318
Local Government Pension Scheme:		
Contributions paid	1,591	1,455
FRS 102 (28) charge	1,276	898
Charge to the Statement of Comprehensive Income	2,867	2,353
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year</b>	<b>4,329</b>	<b>3,671</b>

### Teachers' Pension Scheme

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

### The Teachers' Pension Budgeting and Valuation Account

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 July 2018**

#### **25 Defined benefit obligations (continued)**

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

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- 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% 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 £1,821,005 (2017: £1,318,000).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 25 Defined benefit obligations (continued)

##### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2018 was £2,153,000, of which employer's contributions totalled £1,591,000 and employees' contributions totalled £562,000. The agreed contribution rates for future years are 13.1% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

#### Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.60%	3.70%
Future pensions increases	2.20%	2.20%
Discount rate for scheme liabilities	2.90%	2.60%
Inflation assumption (CPI)	2.10%	2.20%

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

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

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

## 25 Defined benefit obligations (continued)

### Local Government Pension Scheme (Continued)

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

		<b>Fair Value at 31 July 2018 £'000</b>		<b>Fair Value at 31 July 2017 £'000</b>
Equities	39.2%	16,151	50.5%	18,885
Government bonds	11.6%	4,780	11.7%	4,375
Other bonds	12.3%	5,068	7.8%	2,917
Property	9.3%	3,832	8.7%	3,253
Cash	3.8%	1,566	1.6%	598
Other	23.8%	9,806	19.7%	7,367
<b>Total market value of assets</b>		<b>41,203</b>		<b>37,395</b>
<b>Actual return on plan assets</b>		<b>2,649</b>		<b>3,058</b>

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
Fair value of plan assets	41,203	37,395
Present value of plan liabilities	(56,747)	(56,700)
<b>Net pensions liability (Note 19)</b>	<b>(15,544)</b>	<b>(19,305)</b>

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	2,867	2,353
<b>Total</b>	<b>2,867</b>	<b>2,353</b>

### Amounts included in interest payable

Net interest payable	524	508
	<b>524</b>	<b>508</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018

#### 25 Defined benefit obligations (continued)

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

Amounts recognised in Other Comprehensive Income	2018 £'000	2017 £'000
Return on pension plan assets	(1,661)	(2,025)
Experience losses arising on defined benefit obligations	(3,900)	8,753
Changes in assumptions underlying the present value of plan	-	97
Amount recognised in Other Comprehensive Income	<u>(5,561)</u>	<u>6,825</u>
<b>Movement in net defined benefit liability during the year</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Deficit in scheme at 1 August	(19,305)	(21,052)
Movement in year:		
Current service cost	(2,867)	(2,353)
Employer contributions	1,591	1,455
Net interest on the defined liability	(524)	(508)
Actuarial gain or loss	5,561	3,153
<b>Net defined benefit liability at 31 July</b>	<b><u>(15,544)</u></b>	<b><u>(19,305)</u></b>
<b>Asset and Liability Reconciliation</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	56,700	54,551
Current Service cost	2,867	2,353
Interest cost	1,468	1,359
Contributions by Scheme participants	562	560
Experience gains and losses on defined benefit obligations	(3,900)	(3,717)
Changes in financial assumptions	-	2,549
Estimated benefits paid	(950)	(955)
<b>Defined benefit obligations at end of period</b>	<b><u>56,747</u></b>	<b><u>56,700</u></b>
<b>Reconciliation of Assets</b>		
<b>Fair value of plan assets at start of period</b>	37,395	33,499
Interest on plan assets	988	851
Remeasurements (assets)	1,661	2,025
Employer contributions	1,591	1,455
Contributions by Scheme participants	562	560
Estimated benefits paid	(950)	(955)
Administration expenses	(44)	(40)
<b>Fair value of plan assets at end of period</b>	<b><u>41,203</u></b>	<b><u>37,395</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2018



## 25 Defined benefit obligations (continued)

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

## 26 Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving 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 £2,060; 8 governors (2017: £1,000; 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.

During the year the College received income of £164,000 (2017 - £277,000) for salary recharges to the Academy Trust and £224,000 (2017 - £109,000) for amounts charged under the Service Level Agreements.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

## 27 Amounts disbursed as agent

### Learner support funds

	2018 £'000	2017 £'000
Funding body grants – ESFA hardship support	676	682
Other Funding body grants	-	-
Interest earned	-	-
	<u>676</u>	<u>682</u>
Disbursed to students	(509)	(505)
Administration costs	(23)	(23)
	<u>(532)</u>	<u>(528)</u>
Balance unspent as at 31 July, included in creditors	<u>144</u>	<u>154</u>

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

