

**Cirencester College**  
**Members' Report and Financial Statements**  
**Year ended 31 July 2019**

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## Key Management Personnel, Board of Governors and Professional Advisers

### Key management personnel

Key management personnel are members of the College Senior Leadership Team and were represented by the following in 2018/19:

Jim Grant	Principal and Chief Accounting Officer
Libby Reed	Vice-Principal Student Services – <i>to August 2018</i>
Neil Andrews	Vice-Principal Curriculum and Quality – <i>to December 2018</i>
Karen Fraser	Vice Principal Student experience & External relations.
Matt Couzens	Vice Principal Quality & Standards
Matt Reynolds	Vice Principal Teaching and Learning Development
Jacquie Parry-Jones	Human Resources manager
Steve Forecast	Operations Director
Angelo Faria	Finance Director

### Board of Governors

A full list of Governors is given on pages 14 to 15 of these financial statements.

Mrs. Jeannie Adams is the Clerk to the Corporation.

### Professional advisers

#### Financial statements auditors and reporting accountants:

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

#### Internal auditors:

TiAA ltd.  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

#### Bankers:

Lloyds Bank Plc  
14 Cricklade Street  
Cirencester  
GL7 2NU

#### Solicitors:

Knights Solicitors LLP  
Eagle Tower  
Montpellier Drive  
Cheltenham  
GL50 1TA

## **Members' Report - Operating and Financial review**

### **NATURE, OBJECTIVES AND STRATEGIES:**

The members present their report and the audited financial statements for the year ended 31 July 2019.

#### **Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Cirencester College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. HMRC recognises Cirencester College as a charity for tax purposes under reference XT25961.

The College is designated as a sixth form college, with its main funder, the Education and Skills Funding Agency (ESFA), being the lead monitoring agency of the College.

#### **Mission**

The College's mission was renewed in 2017 after consultation with staff, students and governors and still applies.

We are **THE specialist Sixth Form College for Swindon, North Wiltshire and Gloucestershire.**

Our Purpose **"To inspire and empower students to be the best they can be".**

The Cirencester way is **Being ambitious for all our students and challenging all to excel.  
Respecting and nurturing individuals.  
Developing independent, resilient and employable citizens.  
Being a learning community which is large enough to offer unrivalled choice but small enough to care.  
Providing THE stepping stone from School to University, Apprenticeships or Work.  
Empowering great staff to deliver great student experiences.**

#### **Public Benefit**

Cirencester College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 15.

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.

Our delivery of public benefit is covered throughout the Operating and Financial Review but may be summarised as:

- High-quality teaching to 16-19's and adults.
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

#### **Implementation of Strategic Plan**

The 2017-2022 Strategic plan was reviewed in September 2019 for the relevance of KPI's set. Headline objectives set by the College and monitored by the Corporation continue to be:

- Viable and autonomous/in charge of our own destiny
- Exceptional student outcomes
- Exceptional student experience
- Exceptional College community

### Financial objectives and performance indicators – under “Viable and autonomous”

The College’s Strategic Plan contains the following aims:

1. 3% budget surplus
2. “Good” or better financial health rating from ESFA
3. £1.9m in cash
4. 2,500 students
5. “System leadership” or formal collaborations in place with some partner schools
6. £1m income from HE Apprenticeships, College Services and post 19 provision.

The College’s performance during 2018-19 against the financial objectives set were:

1. 2.3% operating surplus; 5% sector adjusted EBITDA – before LGPS FRS102 pension adjustments.
2. Expected “OUTSTANDING” ESFA financial health rating for 2018-19 at submission of the Finance Record, “GOOD” for 2019-20 and 2020-21.
3. £1.76m cash *after self-funded £0.7m Animal Science building*, full creditor and accrual settlement; £1.2m net of o/s loans.
4. 2,223 16-19 enrolments; 185 apprentices, 611 Adult Education Students and 84 HE (RAU) students or 3,103 in total.
5. Partnership and referral arrangements with schools ongoing
6. £1.2m income from HE, (non ESFA grant) Apprenticeships, post 19 provision, other grants and College services.

The 2016 Area Based Reviews (Local Area Reviews) permitted the College to pursue Academisation.

The College is in exploratory talks with a Sixth Form Multi-Academy Trust and considering a federated merger structure. In principal approval for conversion has been obtained from the appropriate Head Teachers Boards and Regional Schools commissioners. Given the early stages of the process, there is considerable uncertainty about the extent and timing of the transfer of assets and liabilities including loans under current legal frameworks. Until rigorous due diligence is completed and all Governors concerns are satisfied, the college will not know the exact timing of such conversion. At present it is therefore not certain that the Corporation will decide to academize at all.

## FINANCIAL POSITION

### Financial results

2018-19 financial year with four comparative years reflect College success at transforming its financial position and the effect of different and more prudent pension valuation assumptions under FRS102. The College distinguishes between *operating results directly controlled by the college* and annual FRS102 pension adjustments as the table below illustrates:

	2018-19 audited £'000's	2017-18 audited £'000's	2016-17 audited £'000's	2015-16 audited £'000's	2014-15 audited £000's
Statement of Comprehensive income					
College operating surplus (deficit) – <i>normal service delivery</i>	280	526	144	(299)	(117)
FRS 102 pension net service cost	(304)	(295)	(146)	(95)	(49)
FRS 102 pension interest cost	(49)	(71)	(64)	(97)	(89)
Surplus/(Deficit) for the year	(73)	160	(66)	(491)	(255)
FRS 102 Actuarial Gain/(Loss)	(1,077)	1,212	339	234	(296)
Total Comprehensive income/(deficit) for the year	(1,150)	1,372	273	(257)	(551)

The College has accumulated reserves of £6.9m million (2017-18 £8m) of which cash and short term investments comprise £3.7m. Surplus generating budgets in future years will augment cash holdings as a proportion of accumulated reserves which may be affected by annual FRS102 pension valuations.

Hyman Robertson LLP, actuaries for the Gloucestershire County Council Local Government Pension Scheme where the College is member, estimated that the College's share of the Scheme's deficit (calculated as per Financial Reporting Standard 102) was £3,057k for 2018-19 (2017-18 deficit of £1,627k) after revision of salary increase and inflation assumptions net of asset returns prudently discounted at gilt edged bond price returns.

Minor capital building condition grants of £337k are earmarked for capital projects delayed during the year due to planning and other factors. The College self-financed a £700k 3 classroom Animal Science building in 2018-19.

The Condition improvement fund (CIF) managed by the ESFA formerly ring-fenced for Sixth Form Colleges was pooled in 2016-17 with the general CIF available to schools and academies. Academies and grammar Schools have since been most successful at obtaining ESFA grants to the detriment of Sixth Form Colleges.

To address strong enrolment and rurality skills, despite 4 years of unsuccessful CIF grant bids, the College's self-funded 3 classroom Animal Science building was delivered on time and on budget for the September 2019 enrolment intake.

The College is actively widening its search for capital grants through GFirst LEP, Cotswold District Council, Gloucestershire County Council as well as from the CIF fund to secure further replacement of old and unsuitable teaching buildings in order to widen the College's STEM delivery and widening participation aspirations to include Animal and rural sciences and students with high needs.

#### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place. Any short term borrowing (£0 for 2018-19 and 2017-18) for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

#### **Cash flows**

Operating cash net inflows are at £914k (2017-18 £957k) with overall net cash outflow of £38k (2017-18 inflow £471k) due to the Animal Science build. All other capital spend is only funded out of working capital.

#### **Liquidity**

The size of the College's total borrowing and its approach to interest rate risk have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. The overall cash balances held by the College gave no cause for concern that its debt could not be serviced, or that creditors could not be paid in accordance with agreed payment terms.

#### **Reserves policy**

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, total Reserves stands at £6.9m (2017-18: £8m). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

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

#### **Student numbers**

The College educated 2,223 16-19 students, 92 16-19 year apprentices, 93 adult apprentices, 611 Adult education students and 84 HE students (direct enrolment and franchised by the Royal Agricultural College). Of the 3,103 students recorded, 628 Adult students were off-site (including RAU) with 2,475 receiving education on-site.

#### **Student Achievements**

A Level pass rate was 96% the same for 2018, the transition to all subjects going linear was expected to produce some short term variation with 42% high grades, again down slightly for the same reason. AS had an 82% pass rate,



although numbers achieving these are diminishing each year (88 students in 2019) and Achievement on large vocational programmes has fallen to 77%, although the value added continues to be an outstanding ALPs 3. Maths and English GCSE pass, retention and achievement rates continue to be significantly above national averages

### **Curriculum Developments**

We have been pioneers in the design and development of the new T Level qualifications, which will eventually replace the majority of existing vocational qualifications. College managers have been engaged in focus groups and task forces for the Department of Education representing the 16-19 age group in building these new and exciting gold standard qualifications. We are one of the specially selected first phase Colleges to release the T Levels in 2020 where we will be hosting all three of the new pathways in Digital, Childcare and Construction. This last subject is a new development for us as a College and we are excited to be breaking new ground. We are also consulting on the development of the related 'Transition' programme designed to bridge between leaving school and T Levels for those who don't quite meet the entry requirements. The DfE published framework for the new programme contains a large proportion of our work.

Our tutoring programme has been redesigned to allow it to be more reactive and meaningful when promoting central themes, such as British Values or Mindfulness, and we have fully imbedded a broad selection of coaching and management skills development via the VESPA behavioural system. Higher Achiever provision has a clear focus around progression and developing skills and opportunities to support students in attaining a career, HE course, Apprenticeship or self-employment route they prefer.

Our multi-tier training programme has successfully continued hosting some 70 events for teachers and support staff throughout the year. Tier One events, hosted regularly on a Monday, promote our basic level of expectation and effectively provide a pre-published schedule of sessions representing a 'teacher's toolkit'. Elements are booked and advertised at the beginning of the year to enable staff and indeed line managers, to pinpoint particular sessions that should be attended by those in need.

Tier Two events recognise our ever changing educational environment. Tier Two is often released at shorter notice; for example a session may be put on to cover details of a new government exams policy and notified to staff with a week's notice. The Tier Two also acts as a vehicle for staff to cascade training they have had. This gives a good opportunity for new staff to share their learning (often appreciated by experienced staff too). For example; a staff member may go off site to attend a lesson observer's course. They would then come back to College and run a session in Tier Two to share the best practice and feedback on what they had learnt.

Our third element recognises the needs of new staff. Even experienced staff from another education environment would not know how we do particular things at Cirencester College. For this we invented the 'Cirenway' system. All new staff attend this programme which outlines the Cirencester College way of doing things from ALPs and Parents Evenings, to Health and Safety and Performance Dashboards.

The fourth element is designed to help brand new green teachers. The Scheduled Survival Skills is meant to be followed in tandem with a teacher training programme, but can also be attended by staff who need additional training, who are under a competency process, or feel they need a refresher in an area of their practice. Scheduled Survival Skills covers elements such as classroom management, authority anxiety, deciphering specifications and tips on how to cut administration down. The impact of this work is monitored through thematic and internal inspections, student and parent surveys and developing the capacity of middle managers to monitor and evaluate their provision.

As a College we continue to meet the significant challenge posed by Student Study Programmes which are the basis of our EFA funding contract. All students have the opportunity to improve numeracy and literacy and we have ensured that all students whose intended destination is employment or apprenticeship have work experience and that all students develop employability skills, to engage in work experience. We continue to offer a broad enrichment portfolio despite a challenging funding environment.

We continue to explore approaches to teaching linear courses and improve with increasing confidence as we understand the natural dips courses take in their first year of transfer. Our sharing of best practice both in College and with Benchmark partners is impressive.

Improvements in Vocational teaching have been maintained. The training and development of staff to cope with modules containing end point assessment with exams has been successful. This bodes well for the new T Levels which will have a similar pattern to A Level assessment but will largely be taught by vocational teachers. An attraction of us as a provider is that we also permit students to study mixed programmes of A Levels and Vocational courses.

The College continues to have a small but very successful apprenticeship offer with more than 120 sign ups annually. Amongst our specialisms, Digital Media stands out nationally and is one of the highest quality apprenticeship experiences available in the country

We are currently pursuing a multi-track approach to HE provision: working with the RAU on a range of courses which fit their portfolio and attempting to secure a complementary partner for STEM, criminology and psychology courses. Higher Apprenticeships provide another possibility. We have no concrete plans at the moment but may explore teaching higher Apprenticeships in 2020-21

### Employer Engagement

2018-19 was another successful year for the Career ready programme for year 1 and graduating year 2 students. Students were mentored and undertook work placements with a variety of employers including St. James' Place, Nationwide, Rolls Royce, Highgrove, Calcot Hotel and Spa, Kiki Kirby Coaching and ATC Loudspeaker Technology Ltd. The programme was offered to a wider cohort. Students on the programme attend a number of masterclasses such as ones covering effective communication and networking, CV writing, using LinkedIn, and success at interviews. In addition various other employer interactions are organised for students on the programme.

More than 500 students across the college gained course and career aim related work experience with more than 250 organisations. A new more efficient online process has been developed which will ensure that student's placements are more effectively tracked and reflected on, with all students completing and passing an online Health and Safety questionnaire before setting out on the placement.

### Ofsted

Ofsted announced an inspection of the College for week commencing 19th November 2018 deploying a team of 8 Inspectors. The grade for the College is "Good". The inspection grade was a close call between grades 1 (Outstanding) and 2 (Good). Our drive to improve constantly and to meet the requirement of the new September 2019 Common Inspection Framework would put us in a strong position to secure "Outstanding" were we to be inspected again. The whole college Quality Improvement Plan has clear targets to ensure that this target is met.

### Benchmarking

The College continues to engage in a wide range of collaboration around quality improvement and sharing of best practice. Key partners in this are the South West Benchmark Group of colleges, the Midlands Sixth Form Colleges Association, the Wessex group of 6<sup>th</sup> Form Colleges and the Maple Group of 6<sup>th</sup> Form Colleges

### 2018-19 Trades Union Facility publication

<b>2018-19 Trades Union Facility Time publication requirements.</b>		
The College recognizes NUE, Unison, UCU in addition to staff representatives in a "Common Interest Group".		
	<b>2017-18</b>	<b>2018-19</b>
<b>Table 1</b>		
"CIG" Common Interest group including Relevant Union Officials	fte equivalent	fte equivalent
fy18-19 11 ; fy1718 12	0.09	0.11
<b>Table 2</b>		
% time	No. of employees	No. of employees
1-50%	12	11
<b>Table 3</b>		
Total cost of facility time	4,303	4,737
Total pay bill	7,197,190	7,202,735
% of total bill on facility time	0.06	0.07
<b>Table 4</b>		
Time spent on trade union activities as a % of total paid facility time	5.42%	7.25%

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the



provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2018 to 31 July 2019, the College paid 96% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### **Going Concern**

The Governors consider the College to be a going concern for the foreseeable future. The effect of the "worst case" LGPS valuation still leaves balance sheet reserves of £6.9m.

This judgement is based upon the Corporation's knowledge of the College's financial position, in particular the liquidity of the College, its reserves and finance plan for the coming year and the next.

### **Academisation**

The College continues to explore Academisation through federated merger with an existing Sixth Form MAT.

## **RESOURCES**

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

### **Financial**

The College has £6.9m of net assets after £3m pension liability and long term loan debt of £0.6m.

### **People**

The College employs 216 people (expressed as full time equivalents), of whom 130 are teaching staff.

### **Reputation**

The College has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and building strong external relationships.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College has a system of internal control which is embedded throughout its operations. This system includes financial, operational and risk management, and is designed to protect the College's assets and reputation.

Senior management regularly review the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. These internal controls are then implemented and subsequently reviewed for their effectiveness. Senior management will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

A "top four" list of principal risks that may affect the College and accompanying mitigating action follows. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **1. Hostile operating environment leading to not achieving 16-18 enrolment targets.**

The impact of a combination of reduced 16-18 public funding, funding bias in favour of schools, grammar schools expansion and Academies, proliferation of small school sixth forms, the growth of MATs, poor/ biased careers guidance in schools, irrecoverable vat for FE institutions (Sixth Form schools and Academies can recover VAT), EFA funding rule changes and as a rural college, exposure to student transport constitute our principal risk exposure.

The demographic dip in the numbers of 16 year olds that resulted in 2,141 enrolments in 2017-18 was reversed in 2018-19 (2,223) and 2019-20 (2,302) core 16-19 year enrolments.

Paradoxically, as we grow, a combination of EFA lagged funding and rurality mean that in-year enrolment increases result in greater costs e.g. student transport, for which no income is received in the year of cost.

The four key risk mitigation approaches are:

Ensuring that we continue to deliver outstanding student experience and results. We continue to retain a reputation for excellent "A" level results. Student and parental feedback is also very positive (via survey). We continue focus on supporting students to raise retention, improved estates and facilities offer and investment in student transport subsidy.

Secondly, we have a continuous engagement with schools, local authorities, local institutions, MPs and LEPs.

Thirdly, increasing effectiveness of our marketing. We are increasingly excluded from guidance events in many schools and therefore have to find work-arounds. These include developing a stronger on-line/social media presence, using events with partners (RAU, Swindon College etc) and involvement with NCOP (widening participation in HE) projects including mentoring.

Fourthly, we targeted new areas for recruitment including West Oxfordshire, South Gloucestershire and the M5 corridor between Gloucester and Cheltenham.

2. Hostile funding environment – no increase in the rate per 16-19 student for the last 6 years despite inflation pension, national insurance and salary pressure increases.

This pressure is starting to lift for one year only following successful advocacy by the Sixth Form Colleges Association where the College has played an active part. A funding rate increase of £188 (Sixth Form colleges need approx. £700 per head) or 4% has been confirmed for the 2020-21 year only. Additional funding for science "A" levels and vocational subjects has just been confirmed.

3. Inability to recruit high calibre staff; including in-year leavers and maternity cover

Candidate fields for teaching posts are increasingly competitive, small and weak across all subjects. We have tried to address this through in-house training of unqualified staff but are struggling to replace leavers, particularly those who leave in-year. This threatens both quality and continuity of teaching.

The College has competitive salaries at middle manager levels and for some support roles but while lecturers have moved onto a modified Sixth Form pay-scale, pay levels lag behind schools and local and national competitors for teachers. In addition there is a national shortfall of teachers, especially in some STEM areas.

Mitigation measures include:

- Setting up an employment micro-site which emphasizes the non-pay sector, student body and locality benefits to prospective teaching staff. Initial signs are positive with slightly better selection fields in 2018-19.
- A project, in conjunction with the Maple Group of Colleges to post jobs on University bulletin sites.
- Reducing the first year burden on new entrants to teaching by deferring qualification until years 2 and 3.
- Finding efficiencies to generate pay rises.

4. Inability to operate at a financial surplus resulting in declining investment and reduced reserves

The lagged funding formula, funding pressures on 16-18 education, in-year student transport costs and employment costs impose cost and resource management challenges on the College. In addition the failure to secure capital funds (e.g. from the Condition Improvement Fund- CIF) mean that we may need to use reserves or borrow for site improvements. Inability to operate at a surplus risks a lower ESFA rating with the threat of intervention by the FE Commissioner. More urgently, it severely restricts our ability to pay sufficiently to recruit and retain good staff.

Work done by the Finance Director, Principal and Senior Leadership Team over the last 3 years has paid off resulting in a transparently clear view of the College's financial position throughout the year that supports accountability and income/cost management. The College's spend profile has now been re-based at a lower level than for 2015-16 and prior years. The College is therefore in a stronger position to weather contingencies and emerging challenges.

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Cirencester College has many stakeholders. These include: Students and parents;

- Funding bodies;
- Staff;
- Local employers;
- Local Authorities;
- Government Offices/ Local Enterprise Partnerships;
- Multi-agency social bodies:
- The local community;
- Feeder Schools:
- Other FE and HE institutions;
- Trade unions;
- Professional bodies;
- National Organisations and Skills Academies.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of means.

The College has an effective student voice strategy to gather the views of students and other stakeholders on a wide range of issues (including teaching, learning and assessment, curriculum, timetabling, resources, environment, student services, enrichment, facilities, employability, communication and values) in order to raise standards and improve customer experience. All areas of the College are required to take account of student voice and customer feedback and it is a key element in appraisal of those areas. The Quality Team ensures that customer issues are fully investigated, addressed and trends analysed and reported regularly to SLT and the Corporation. The impact of learner voice, and student awareness of it, is regularly assessed. Direct representation includes student, staff and parent Governors, an elected student union, a regular student forum, course representatives and staff fora as well as the Self-Assessment Process. In addition, student views are gathered in Internal Inspections, quick on-line polls and suggestion boxes. Parent Zone comments, Facebook and Twitter trends, focus groups and customer feedback (complaints and compliments). Headline student and parent voice issues are reported to the Corporation.

We have a well-publicised, robust, centralised and open access customer feedback system to address any concerns. This ensures that issues are dealt with at a high level and with consistency and impartiality.

Common Interest Group, Faculty meetings, all-staff meetings, Staff Survey and representation on the Corporation provide opportunities for staff to contribute to the College's development. The College has developed a tariff of internal staff development events and activities which forms a matrix with staff roles and responsibilities to produce a schedule for training. Staff rate development opportunities highly.

#### **Charitable and taxation status**

The College is an exempt charity for the purposes of the Charities Act 1993 and is not liable to corporation tax.

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

Cirencester College is committed to ensuring equality of opportunity for all who learn and work here. We respect and celebrate differences in ability, disability, race, gender, age, religion or belief, pregnancy and maternity, sexual orientation, gender reassignment, and class.

The College's employment policy is to consider all applicants on their merits and to welcome applications from disabled persons, inviting them to interview where they fulfil the requirements of the post advertised. The College will always endeavour to continue the employment of persons who become disabled in the course of their employment. Career development, promotion and training opportunities are open to all employees.

The College is also committed to working with staff to enhance opportunities for students, and an Equality Impact Assessment policy and procedures are in place. The College's Equality and Diversity (E&D) Policy, including its Race Relations and Transgender Policies, is published on the College's website. The college is fully compliant with the legislation and produces and regularly reviews a Single Equality Scheme/Action Plan and Equality Objectives.

The College actively meets its duty to promote Equality and Diversity through the work of the E&D officer and the E&D working group; this means that events are celebrated, and activities organised throughout the year in addition to staff ensuring that E&D is fully embedded in the curriculum and is the subject of tutor-led and on-line debate.

#### **Disability policy**

The College seeks to achieve the objectives set out in the Equality Act 2010 and in particular makes the following commitments:

- i) Develop an organisational approach which promotes equality of opportunity between disabled persons and other persons;
- ii) Eliminate harassment of disabled persons which is related to their disabilities;
- iii) Promote positive attitudes towards disabled persons and encourage participation by disabled persons;
- iv) Take steps to take account of disabled persons' disabilities, and make considerations into whether this would involve treating disabled people more favourably than other persons;
- v) Aim to ensure that environmental, attitudinal and organisational factors within our control are free from unfair discrimination and that disabled people are able to participate fully as staff and students of the College;
- vi) Ensure that all students and employees have appropriate opportunities to disclose their disabilities/learning difficulties throughout their time at the College;
- vii) Ensure that students have access to flexible and inclusive learning opportunities and that information on support is available;
- viii) Provide students with individual learning programmes;
- ix) Ensure that disabled staff and students have access to specialist equipment and technology where appropriate to allow equality of opportunity;
- x) Provide information in a variety of formats to ensure equal access;
- xi) Maintain links with external agencies to ensure the provision of appropriate and effective support for staff and students with disabilities and/or learning difficulties;
- xii) Ensure that where appropriate, its services and facilities are open to the public and that members of the public have equal treatment when accessing them.

As part of its accommodation strategy the College carries out regular access audits. The results of these ensure improving accessibility is at the forefront of any site modifications.

The College has a large Academic / Learning Support Department that provides information, advice and arranges support where necessary for students with a range of disabilities.

There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available where required.

There is an admissions policy for all students. Appeals against a decision not to offer a place are dealt with under the complaints policy.

The College has a team of specialists to support students with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide a variety of support for learning both in and outside of the classroom. 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.

Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

#### **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 under Chairman's action on behalf of the members of the Corporation on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Peter Holmes**  
Chair



## **Statement of Corporate Governance and Internal Control** **Year ended 31 July 2019**

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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 complies with The Code of Good Governance for English Colleges ("the Code"), issued by the Association of Colleges in March 2015 which it formally adopted on 5<sup>th</sup> October 2015. This summary describes the manner in which the College has applied the principles set out in the Code and explains any significant deviations from these. Compliance with the Code is regularly reviewed and, in the opinion of the Governors, the Corporation and the College were complying with the provisions of the Code during the year ended 31<sup>st</sup> July 2019.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements. The Corporation is only involved in activities that will further its charitable objects and do not put its charitable status at risk.

In June 2014, a decision was made by the Corporation to review its approach to Governance in order to create a system that better reflected the current needs of the College and, as a consequence of this review, it was agreed that with immediate effect it would no longer follow a policy governance model. During 2016-17, the new hybrid approach to Governance has been further embedded and continues to be regularly reviewed by the Corporation to ensure that it is the most effective way of fulfilling its role and clearly demonstrate strategic leadership and support and challenge of the senior leadership team. Whilst retaining elements of policy governance such as collective decision-making at Board level, the hybrid Governance approach includes designation of "Focus Governor" roles to ensure depth of understanding, scrutiny and support in key areas of the College's work such as "Teaching & Learning", "Audit & Risk", "Finance", "Property", "IT", "Marketing", "Equality & Diversity", "Safeguarding", "Health & Safety" and "Student liaison".

The Corporation reviews the mission, vision, values and strategic goals of the College each year. A new Strategic Plan for 2017-22 approved in July 2017 was reviewed for effectiveness by the Corporation in September 2018. The Corporation monitors management actions and reviews the risks faced by the College each term. All operational matters are the responsibility of management, led by the Principal.

The Corporation assesses its performance annually and identifies areas for improvement during the following year. Progress against improvement targets is regularly monitored by the Search & Governance Committee. The Corporation's self-assessment for 2018/2019 will be published with the College's self-assessment report in December 2019.

### **The Corporation**

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below. Appointments and resignations during the specified period are highlighted.



Name	Category of membership	Date of appointment	Tenure until	Membership of Committees	Actual/possible attendance of members at Corporation and Committee meetings 2018-2019
Theo Browning	Student	15/10/2018	July 2019		Corp. (4 of 6)
Abi Fulford	Student	15/10/2018	July 2019		Corp. (5 of 6)
Jim Grant	Principal	12/09/16	-	Search & Governance	Corp. (7 of 7) S&G (2 of 3)
Rebecca Halifax	External	10/12/2018	9/12/2019	Search and Governance	Corp. (4/4) S&G (2/2)
Chris Haslam	External	22/05/17	21/05/18	Audit	Corp. (5 of 7) Audit (2 of 3)
Mike Hellens	External External re-appointment	30/06/14 30/06/15	29/06/15 29/06/18	Corporation Vice-Chair (External) from 01/09/18 to 31/08/2021  Search and Governance  Remuneration	Corp. (7 of 7) S&G (2 of 3) Remun. (2 of 2)
Jenny Hoffmann	External External re-appointment	30/06/14 30/06/15	29/06/15 29/06/18  Resigned October 2018	Corporation Vice-Chair (Internal) from 01/09/15 to 31/08/18  Remuneration  Search & Governance and Chair of Search & Governance from 25/04/16)	Corp. (0 of 1)
Peter Holmes	External	27/02/17 27/03/17	26/02/18 26/03/18	Chair of Corporation from 27/03/17 to 26/03/20  Remuneration  Search & Governance	Corp. (6 of 7) Remun. (2 of 2) S&G (2 of 3)

Mariama Ifode-Blease	External	10/12/2018	9/12/2019	Search and Governance	Corp (4/4) S&G (0/2)
Paul Jones	Co-opted	10/12/2018	9/12/2019	Audit	Corp (4/4) Audit (1/2)
Debbie Lawley	External External re-appointment	29/06/15 29/06/16	28/06/16 28/06/19 Resigned October 2018	Search & Governance	Corp. (0 of 1)
Daniel Nield	Staff (Academic)	10/12/2018	31/8/2019 Resigned	Audit	Corp. (4/5) Audit (2/2)
Neil Owen	Staff (Support)	13/12/14	Election due: autumn 2020	Search & Governance	Corp. (5 of 7) S&G (2 of 3)
Susie Richards	External	12/6/18	11/6/2021	Search & Governance  Chair of Search and Governance 29/10/2018	Corp. (6 of 7) S&G (3 of 3)
Nicole Saunders	External Governor	22/05/18	21/05/21	Audit  Vice Chair of Corporation 1/7/2019	Corp. (5 of 7) Audit (3 of 3)
Gemma Spurr	Parent	10/12/2018	September 2020	Audit	Corp. (3/5) Audit (1/2)
Bridget Stockford	Co-opted Governor	01/09/16 01/09/17 01/09/2018	31/08/17 31/08/18 31/08/2019	Remuneration (Chair)	Corp. (6 of 7) Rem. (2 of 2)
Rich Stonebridge	Staff (academic)	15/12/15	14/12/2018	Search & Governance	Corp. (1 of 3) S&G (0 of 1)
Julian Tudsbery	External re-appointment	18/02/17	17/02/20	Audit (Chair) 09/2018	Corp. (6 of 7) Audit (2 of 3)
Jo Walker	External	29/01/2018	29/01/2019  Resigned Nov.18		Corp. (1 of 2)
Ben West	External	03/10/16 01/09/17	31/08/17 31/08/2021	Search and Governance	Corp. (6 of 7) S&G (3 of 3)
David Zan-Kreyser	Co-opted	31/01/2018 1/2/2019	31/01/2019 31/01/2020	Audit	Corp. (7 of 7) Audit (3 of 3)

Mrs Jeannie Adam was interim Clerk to the Corporation from the start of the academic year and appointed as permanent Clerk from 1/5/2019.

The Corporation had previously determined its total membership as 15. As at 16<sup>th</sup> December 2019, there are 14 members and 2 co-opted members.

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. There were 6 Corporation meetings and 1 Strategic Planning meeting in 2018/2019.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. In 2018/2019, there were committees for Audit, Remuneration and Search & Governance. Approved minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Cirencester College  
Fosse Way Campus  
Stroud Road  
Cirencester  
Gloucestershire  
GL7 1XA

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis and key documents are uploaded to the Governors' intranet as soon as possible.

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

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

#### **Corporation self-assessment**

The Corporation carried out a self-assessment of its own performance for the year ended 31<sup>st</sup> July 2019 which is being collated at the time of writing. The full Corporation Self-Assessment Report is brought to the December Corporation meeting after the financial year and a Quality Improvement Plan arising from it sets out targets for improvement during that year.

#### **Search and Governance Committee**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee consisting of three Corporation members which is responsible for the selection and nomination of any new member, excluding places for elected staff, student and parent governors, for the Corporation's consideration. The committee is also responsible for ensuring that appropriate induction and training is provided as required, for advising the Corporation regarding the review of performance of the Corporation and its members and monitoring progress made against targets in the annual Quality Improvement Plan. The Search and Governance Committee met three times in 2018/2019.

Members of the Corporation are appointed for a term of office not exceeding four years. In line with the recommendation of the Association of College's Code of Good Governance for English Colleges, External Governors may serve an initial probationary year followed by two further four year terms.

#### **Remuneration Committee**

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and



benefits of the Principal, other Senior Post Holders and the Clerk to the Corporation. The Remuneration Committee met twice in 2018/2019.

### **Audit Committee**

The Audit Committee comprises at least three members of the Corporation (excluding the Principal and Chair) and up to two co-opted members. Collectively, members of the Committee have recent and relevant experience in risk management, finance, audit and assurance. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times in 2018/2019. It provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College no longer engages a single firm of internal auditors to monitor those systems of internal control which were formerly prescribed by regulatory bodies. Instead, the Audit Committee considers each year the audits it requires on risk management, controls and governance processes and makes recommendations to the Corporation which determines the audits to be undertaken. Auditors' findings are reported to management and the Audit Committee. The audit commissioning process achieves the separation of internal audits from the Financial Statements audit.

Management is responsible for the implementation of agreed audit recommendations and follow-up reviews are held to ensure such recommendations have been implemented. A Register of Audit Recommendations is considered at each Audit Committee meeting and progress against each point of action is monitored.

The Audit Committee also advises the Corporation on the appointment of auditors and their remuneration for audit and non-audit work. It has oversight of the arrangements for protecting College assets and for arrangements to ensure value-for-money. It also oversees arrangements relating to whistleblowing and for dealing with any incidents of fraud.

### **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 Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memoranda between Cirencester College and the funding bodies. The Principal 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 policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Cirencester College for the year ended 31 July 2019 and up to the date of approval of the 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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

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

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

Following the decision of the funding bodies that colleges are no longer required to employ an internal audit service which conducts prescribed activities, the Corporation has decided that it will determine its own audit needs on the advice of the Audit Committee, having regard to an analysis of risk. The Corporation has adopted an assurance framework, reviewed annually, which sets out how it will achieve this assurance and describes the roles of management, governors and independent auditors. In addition to termly reports, the Audit Committee formally reports its activities, the outcome of audits and its assessment of the effectiveness of controls to the Corporation annually. This report is presented alongside the financial statements each year.

#### Review of effectiveness

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

- internal audit reports
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Principal 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 internal auditors and other sources of assurance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation carries out regular assessments of risk a number of times during the year by considering documentation from the senior management team and internal auditors received through the Audit Committee or directly.

Based on the advice of the Audit Committee and the Principal, 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".

#### **The Corporation's statement on regularity, propriety and compliance**

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

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



### Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future.

The College has taken account of the following factors in arriving at its judgement:

- The Area Based Review in September 2016 (Local Area Review) considered the College to be independently viable and supported the College's strategy of remaining so with an Academisation option.
- The College is in the early stages of exploring conversion to an Academy within an existing Multi-Academy Trust. There is very considerable uncertainty about the timing and terms of conversion. Until all Governors concerns are satisfied following due diligence the College will not know the exact timing of such conversion or even if such conversion will take place.
- The Education Skills Funding Agency considered July 2019's pre-audit three year plan to 2020-21 rating the College's financial health as "GOOD" for all three years. A second "OUTSTANDING" financial health rating is expected following submission of the audited Finance Record in December 2019. The College has sufficiently robust finances to fulfil its contractual obligations and to respond successfully to most opportunities or to adversity.
- The College carries total net assets of £6.9m into 2019-20 of which £3.7m (53%) is held in cash or termly deposit of up to one year. Net current assets at £1.3m provide further assurance.
- A worst case full loan and current creditor's settlement would still leave the College with £1.2m in cash holdings.
- During 2018-19, the management team have demonstrated capacity to achieve better financial results than budgeted with a similar performance expected for 2019-20 and 2020-21.
- Risk management and assurance practices provide assurance that the College is actively managing its greatest risks i.e. 16-19 enrolments & continued financial viability.
- The College has considered the impact of the current uncertainty around Brexit and are confident that good educational provision will continue to be delivered for the foreseeable future.

For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

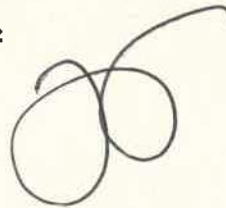
Approved under Chairman's action on behalf of the members of the Corporation

On...16<sup>th</sup> December 2019.....and signed on its behalf by:



**Peter Holmes**

**Chair**



**Jim Grant**

**Accounting Officer**

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

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

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

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



**Jim Grant**  
**Accounting Officer**  
**16<sup>th</sup> December 2019**



**Peter Holmes**  
**Chair**  
**16<sup>th</sup> December 2019**

## 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 Funding Agreements between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved under Chairman's action on behalf of the members of the Corporation on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Peter Holmes**

**Chair**

## **Independent auditor's report to the Members of the Corporation of Cirencester College**

### **Opinion**

We have audited the financial statements of Cirencester College ("the College") for the year ended 31 July 2019 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

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

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

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

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

The Corporation view on the impact of Brexit is disclosed on page 19. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College's activities, staff, students, suppliers and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

### **Other information**

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

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



We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 21, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

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

### **Use of the audit report**

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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, as a body, for our audit work, for this report, or for the opinions we have formed.

*Mgun*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
90 Victoria Street  
Bristol  
BS1 6DP  
Date 18/12/19



**To: The corporation of Cirencester College and Secretary of State for Education acting through the Department for Education (“the Department”)**

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with the 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 Cirencester College during the period 1 August 2018 to 31 July 2019 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 (“the Code”) issued by the Department. 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 Department has other assurance arrangements in place.

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

**Respective responsibilities of Cirencester College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession’s ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding;
- Reviewed the College's completed self-assessment questionnaire on regularity;
- Read the financial memorandum with the ESFA;
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements;
- Obtained the policy for personal gifts and/or hospitality;
- Obtained the register of personal interests;
- Obtained the financial regulations/financial procedures; and
- Obtained the College's whistleblowing policy.

### 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Majors*

Mazars LLP

90 Victoria Street, Bristol, BS1 6DP

Date: 18/12/19

## Statement of Comprehensive Income

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	9,951	10,127
Tuition fees and education contracts	3	410	486
Other grants and contracts	4	267	220
Other income	5	1,568	1,436
Investment income	6	32	16
Donations and Endowments	7	19	22
<b>Total income</b>		<b>12,247</b>	<b>12,307</b>
<b>EXPENDITURE</b>			
Staff costs	8	7,621	7,593
Other operating expenses	9	4,092	3,915
Depreciation (including disposals)	12	539	546
Interest and other finance costs	10	68	93
<b>Total expenditure</b>		<b>12,320</b>	<b>12,147</b>
<b>(Deficit)/Surplus before other gains and losses</b>		<b>(73)</b>	<b>160</b>
<b>(Deficit)/Surplus before tax</b>		<b>(73)</b>	<b>160</b>
Taxation	11	-	-
<b>(Deficit)/Surplus for the year</b>		<b>(73)</b>	<b>160</b>
Actuarial (Loss)/Gain in respect of pensions schemes	25	(1,077)	1,212
<b>Total Comprehensive (Deficit)/ Income for the year</b>		<b>(1,150)</b>	<b>1,372</b>
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(1,150)	1,372

## Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>College</b>			
<b>Balance at 1<sup>st</sup> August 2017</b>	3,663	3,010	6,673
Surplus from the income and expenditure account	160	-	160
Other comprehensive income	1,212	-	1,212
Transfers between revaluation and income and expenditure reserves	47	(47)	-
<b>Balance at 31<sup>st</sup> July 2018</b>	5,082	2,963	8,045
(Deficit) from the income and expenditure account	(73)	-	(73)
Deficit from other comprehensive income	(1,077)	-	(1,077)
Transfers between revaluation and income and expenditure reserves	47	(47)	-
<b>Total comprehensive deficit for the year</b>	(1,103)	(47)	(1,150)
<b>Balance at 31 July 2019</b>	3,979	2,916	6,895



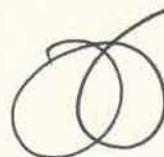
## Balance Sheet as at 31 July

	Notes	College 2019 £'000	College 2018 £'000
<b>Non-current assets</b>			
Tangible Fixed assets	12	16,885	16,603
		<b>16,885</b>	<b>16,603</b>
<b>Current assets</b>			
Stocks		2	2
Trade and other receivables	14	204	466
Cash and cash equivalents	20	3,709	3,747
		<b>3,915</b>	<b>4,215</b>
<b>Less: Creditors – amounts falling due within one year</b>	16,19	(2,656)	(2,636)
<b>Net current assets</b>		<b>1,259</b>	<b>1,579</b>
<b>Total assets less current liabilities</b>		<b>18,144</b>	<b>18,182</b>
Creditors – amounts falling due after more than one year	17	(8,192)	(8,510)
<b>Provisions</b>			
Defined benefit obligations	19	(3,057)	(1,627)
<b>Total net assets</b>		<b>6,895</b>	<b>8,045</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		2,916	5,082
Revaluation reserve		3,979	2,963
<b>Total unrestricted reserves</b>		<b>6,895</b>	<b>8,045</b>

The financial statements on pages 27 to 50 were approved by the Corporation on 16th December 2019 and were signed on its behalf on that date by:



**Peter Holmes**  
Chair



**Jim Grant**  
Accounting Officer

## Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		(1,150)	1,372
<b>Adjustment for non-cash items</b>			
Depreciation (including disposals)	12	539	546
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors	14	262	(328)
Increase/(decrease) in creditors due within one year	16	-	425
Pensions costs less contributions payable	25	1,430	(846)
Deferred Capital Grant released to income	2	(209)	(218)
Loss on disposal of fixed assets		54	10
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(32)	(16)
Interest payable	10	19	22
<b>Net cash flow from operating activities</b>		914	957
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments		-	-
Deferred capital grants received		-	-
Investment income	6	32	16
New deposits		-	-
Payments made to acquire fixed assets	12	(875)	(333)
		(843)	(317)
<b>Cash flows from financing activities</b>			
Interest paid	10	(19)	(22)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed	18	(90)	(147)
Capital element of finance lease rental payments		(109)	(169)
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>	20	(38)	471
Cash and cash equivalents at beginning of the year	20	3,747	3,276
Cash and cash equivalents at end of the year	20	3,709	3,747

## Notes to the Accounts

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

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity incorporated in England as an exempt charity under the Further Education and Higher Education Act 1992 regulated by the Department for Education and has applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at FRS 102 1<sup>st</sup> August 2014 transition date for certain non-current assets.

#### Going concern

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

The College currently has £0.6m of loans outstanding with bankers on terms negotiated in 2003 with final repayment dates in 2024 and 2025 (note 18). 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.

The College is in exploratory talks with a Sixth Form Multi-Academy Trust and considering a federated merger structure. In principal approval for conversion has been obtained from the appropriate Head Teachers Boards and Regional Schools commissioners. Given the early stages of the process, there is considerable uncertainty about the extent and timing of the transfer of assets and liabilities including loans under current legal frameworks. Until rigorous due diligence is completed and all Governors concerns are satisfied, the college will not know the exact timing of such conversion. At present it is therefore not certain that the Corporation will decide to academize at all.

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

#### Recognition of income

Funding body grants are accounted for under the accrual model as permitted by FRS 102 and are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Learner responsive funding for 16-18 year olds is not normally subject to reconciliation being enrolment sensitive and is therefore not subject to contract adjustments. The Adult and Apprenticeship funding elements are normally adjusted for in year, as income receivable in these areas is based on what has been earned, capped by the maximum or such adjusted contract value agreed with the appropriate funding body. Such in year adjustments may include funding claw-backs where appropriate.

Other discrete funds received during the year from government funding agencies are taken to income as associated expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding agency.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the ESFA (see note 27).

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.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met (see notes 16 & 17).

#### **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.

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 16.48% contributions are determined nationally by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme run by Gloucestershire County Council. LGPS assets are measured by scheme actuaries 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. Detailed actuarial valuations are obtained triennially (last at 31<sup>st</sup> March 2019) 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 obligation/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 & obligations at the beginning of the period by the rate used to discount the benefit obligations.

Actuarial gains and losses are recognised immediately under "other" recognised 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.

#### **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.

##### *Land and buildings*

Land and buildings, including those inherited from the local education authority, are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College (normally either 25 or 50 years, though the period may be significantly less for modular buildings which are generally between 3 and 10 years).

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related government grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.



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

On adoption of FRS 102 in July 2016, the College followed transitional provisions and retained the carrying values of freehold properties at 1<sup>st</sup> August 2014 as deemed cost and measured at fair value. The Revaluation reserve was reinstated to carrying values at 1<sup>st</sup> August 2014 and forms part of the realised Income and Expenditure reserve

#### *Assets under construction*

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

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

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

#### *Equipment*

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition except where this expenditure is part of a major project. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

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

Motor vehicles and general equipment	-	5 years
Computer equipment	-	4 years
Furniture and fittings	-	5 years
Plant	-	10 - 20 years

No depreciation is provided on assets in the course of construction. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### **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. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. The College has no finance leases to 31<sup>st</sup> July 2019 or at the signing date.

#### **Inventories**

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

#### **Maintenance and refurbishment of premises**

The cost of routine corrective maintenance and refurbishment programmes is charged to the income and expenditure account in the period that it is incurred, with the exception of individual assets purchased as part of the programmes with a value in excess of our capitalisation threshold.

#### **Cash and cash equivalents**

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand and sums on short term deposits (less than one year at 31<sup>st</sup> July) with recognised banks and building societies.

#### **Financial liabilities and equity**

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College 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.

#### **Foreign currency translation**

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

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

#### **Provisions and contingent liabilities**

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

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. Note 23 refers to a Contingent liability recognized for the period covered by the financial statements.

#### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds from funding bodies. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College and disclosed in Note 27 except for the proportion available to the College to cover administration costs relating to the grant. The College employs one member of staff, part of whose time is dedicated to the administration of Learner Support Fund application and payments.

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

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

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

#### *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. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost & income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding body grants

	2019	2018
	£'000	£'000
<b>Recurrent grants</b>		
Apprenticeships and Adult Education funding	652	602
Education & Skills Funding Agency 16-19 funding	9,065	9,307
Higher Education Funding Council	-	-
Specific grants	25	-
Releases of government capital grants	209	218
<b>Total</b>	<b>9,951</b>	<b>10,127</b>

## 3 Tuition fees and education contracts

	2019	2018
	£'000	£'000
Adult education fees	26	58
Apprenticeship fees and contracts	8	5
Fees for HE loan supported courses	312	341
<b>Total tuition fees</b>	<b>346</b>	<b>404</b>
Education contracts	64	82
<b>Total</b>	<b>410</b>	<b>486</b>

## 4 Other grants and contracts

	2019	2018
	£'000	£'000
Erasmus		
UK-based charities	239	208
European Commission	27	3
Other grants and contracts	1	9
<b>Total</b>	<b>267</b>	<b>220</b>

**5 Other income**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	505	481
Other income generating activities	1,007	893
Other grant income	-	-
Non-government capital grants	-	-
Miscellaneous income	56	62
<b>Total</b>	<b>1,568</b>	<b>1,436</b>

**6 Investment income**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Other investment income	32	16
	<b>32</b>	<b>16</b>
<b>Total</b>	<b>32</b>	<b>16</b>

**7 Donations**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Sundry donations at enrolment and during the year	19	22



## 8 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>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	130	129
Non-teaching staff	86	82
	<u>216</u>	<u>211</u>
<b>Staff costs</b>		
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,712	5,720
Social security costs	475	502
Other pension costs (note 25)	1,319	1,272
Apprenticeship levy	13	14
	<u>7,519</u>	<u>7,508</u>
Payroll sub total		
Contracted out staffing services	90	92
	<u>7,609</u>	<u>7,600</u>
Fundamental restructuring costs – Contractual	12	13
- Non contractual <sup>1</sup>	-	(20)
	<u>7,621</u>	<u>7,593</u>
<i><sup>1</sup>managed provision underspend for employment tribunal related claims</i>		
<b>Total Staff costs</b>		

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Leadership Team comprising the Principal, Vice Principals - Quality & Curriculum, Teaching & Learning and Student Services, Human Resources manager, Finance Director and Operations Director respectively. Staff costs include no compensation paid to key management personnel for loss of office.

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	9	7
	<u>9</u>	<u>7</u>

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

	Key management personnel		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£1 to £10,000 p.a.	1	-	-	-
£20,001 to £30,000 p.a.	1	-	-	-
£30,001 to £40,000 p.a.	1	-	1	-
£40,001 to £50,000 p.a.	1	1	11	11
£50,001 to £60,000 p.a.	2	2	-	-
£60,001 to £70,000 p.a.	2	3	-	-
£70,001 to £80,000 p.a.	0	0	-	-
£100,001 to £120,000 p.a.	1	1	-	-
	<u>9</u>	<u>7</u>	<u>12</u>	<u>11</u>

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Salaries	468	450
Employers National Insurance	55	54
Benefits in kind	-	-
	<u>523</u>	<u>504</u>
Pension contributions	91	80
	<u>614</u>	<u>584</u>

There were no amounts due to key management personnel that were waived in the year. Pension contributions are made on the basis of standard "net pay" payment arrangements in place.

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

	2019	2018
	£'000	£'000
Salaries	110	108
Benefits in kind	-	-
	<u>110</u>	<u>108</u>
Pension contributions	18	18

Pension contributions for the Principal and senior post-holders are contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as that for other employees.

The Corporation complies with the Association of College's Senior Staff Remuneration Code and will assess pay in line with its principles in future as part of the overall budget setting process.

The remuneration package of the Principal, is subject to annual review by the Remuneration Committee of the Corporation who use benchmarking information to provide objective guidance.

The Principal reports to the Corporation, who undertake an annual review of performance against the college's overall objectives using both qualitative and quantitative measures of performance.

**Pay multiple**

The pay multiple relationship between the Chief Accounting Officer and the median of all other pay is:	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	4.72	4.74
Total emoluments	4.70	4.6

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The members of the Corporation other than the Accounting Officer and staff Governors (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.

**9 Other operating expenses**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	618	617
Non-teaching costs	1,655	1,582
Administration and central services	616	647
Premises costs	905	816
Other income generating activities	58	64
Catering and residence operations	240	189
<b>Total</b>	<b>4,092</b>	<b>3,915</b>

**Other operating expenses include:**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	18	19
Internal audit	10	7
Hire of assets under operating leases	29	21
Education subcontracts	158	173

**10 Interest and other finance costs**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	19	22
	<u>19</u>	<u>22</u>
Pension finance costs (note 25)	49	71
<b>Total</b>	<b><u>68</u></b>	<b><u>93</u></b>

## 11 Taxation

The members do not believe that the College was liable for any corporation tax arising out its charitable activities during either period.

## 12 Tangible fixed assets

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	19,526	2,428	3	21,957
Additions	5	177	693	875
Transfers	-	-	-	0
Disposals	(204)	(9)	-	(213)
<b>At 31 July 2019</b>	<b>19,327</b>	<b>2,596</b>	<b>696</b>	<b>22,619</b>
<b>Depreciation</b>				
At 1 August 2018	3,548	1,806	-	5,354
Charge for the year	353	186	-	539
Elimination in respect of disposals	(151)	(8)	-	(159)
<b>At 31 July 2019</b>	<b>3,750</b>	<b>1,984</b>	<b>-</b>	<b>5,354</b>
<b>Net book value at 31 July 2019</b>	<b>15,577</b>	<b>612</b>	<b>696</b>	<b>16,885</b>
Net book value at 31 July 2018	15,978	622	3	16,603

Land and buildings were valued for the purpose of the 1999 financial statements at depreciated replacement cost by GVA Grimley, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

Land and buildings with a net book value of £9,998k (2014-15: £7,140k + 2015-16: additions £2,858k) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the ESFA, to surrender the proceeds. No capital grant funds were secured or spent during 2018-19 apart from £327k of Devolved formula capital grant was earmarked for capital spend in 2018-19 which was delayed into 2019-20; the grant is intended to be transferred to Deferred Capital grant when committed (note 17).

## 13 Non-current investments

There are no non-current investments in either year.



**14 Debtors**

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	8	316
Prepayments and accrued income	196	150
<b>Total</b>	<b>204</b>	<b>466</b>

**15 Current investments**

There are no current investments during the year

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

	2019	2018
	£'000	£'000
Bank loans	119	99
Trade payables	175	228
Other taxation and social security	239	243
Payments received on account	796	904
Accruals and deferred income	1,008	722
Holiday pay accruals	88	83
Deferred income - government capital grants	209	209
Deferred income - government revenue grants	-	-
Amounts owed to/ (from) the ESFA.	22	148
<b>Total</b>	<b>2,656</b>	<b>2,636</b>

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

	2019	2018
	£'000	£'000
Bank loans	477	587
Deferred income - government capital grants	7,715	7,923
<b>Total</b>	<b>8,192</b>	<b>8,510</b>

**18 Maturity of debt**

**(a) Bank loans**

Bank loans and overdrafts are repayable as follows:

	2019	2018
	£'000	£'000
In one year or less	119	99
Between one and two years	102	102
Between two and five years	307	306
In five years or more	68	179
<b>Total</b>	<b>596</b>	<b>686</b>

- A bank loan of £207,756 (2018:£229,836) was repayable by 31 March 2024 at a fixed interest rate of 6.30282%. On 1 April 2019 this loan was converted to variable 0.75% over libor terms. For the purposes of the above table, the College has classified the amounts due on the basis of repayment profiles at 31 July 2019 i.e. to 31<sup>st</sup> July 2025.
- A variable bank loan of £388,600 (2018: £456,175) is repayable by 31 July 2025. Interest is charged at 0.75% above Lloyds Bank base rate.
- All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost).

19 Provisions	2019	2018
	£'000	£'000
<b>Payroll and HR related (note 16 and note 8)</b>		
Strike pay/HMRC tax dispute (note 16)	40	45
Restructuring dispute provisions (note 8)	65	65
<b>At 31 July 2019</b>	<b>105</b>	<b>110</b>
<b>LGPS pension scheme defined benefit obligations -</b>		
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August - deficit	1,627	2,473
Expenditure in the period		
Employer service cost	745	715
Employer contributions	(499)	(420)
Past service costs	58	-
Net return on assets	49	71
Actuarial loss/(gain) - (reported on Statement of Comprehensive income)	1,077	(1,212)
<b>At 31 July 2019</b>	<b>3,057</b>	<b>1,627</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 principal assumptions for this calculation are:		
	<b>2019</b>	<b>2018</b>
Pension Increase rate	2.4%	2.4%
Salary increase rate	2.7%	2.7%
Discount rate	2.1%	2.8%
<b>Total provisions at 31<sup>st</sup> July 2019</b>	<b>3,162</b>	<b>1,737</b>

**20 Cash and cash equivalents**

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,747	(38)	-	3,709
<b>Total</b>	<u>3,747</u>	<u>(38)</u>	<u>-</u>	<u>3,709</u>

**21 Capital and other commitments**

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	42
Commitments authorised but not contracted for at 31 July <sup>1</sup>	-	<u>642</u>

<sup>1</sup> of which Animal Science building £550k letter of intent + £56k architects fees

**22 Lease obligations**

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

	2019 £'000	2018 £'000
<b>Other</b>		
Not later than one year	21	22
Later than one year and not later than five years	47	63
Later than five years	2	-
	<u>70</u>	<u>85</u>

**23 Contingent liabilities**

Wessex Group administrator redundancy commitment of capped at 4% or approx. £2,000.

College contribution towards termination costs of administrator employed on behalf of Wessex Group by Queen Mary College, Basingstoke. Contributions are based upon % subscriptions to the Group or 4% for the College.

**24 Events after the reporting period**

No events that affect the reporting period.

## 25 Defined benefit obligations

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

<b>Total pension cost for the year</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	516	557
Local Government Pension Scheme:		
Contributions paid	499	420
FRS 102 (28) Current service charge	304	295
Charge to the Statement of Comprehensive Income	803	715
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b>1,319</b>	<b>1,272</b>

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

Contributions amounting to £116,028 (2018: £111,993) were payable to the scheme at 31<sup>st</sup> July and are included within creditors.

### Teachers' Pension Scheme

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

### The Teachers' Pension Budgeting and Valuation Account

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

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



### Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

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

A new TPS actuarial valuation was completed in 2018 with retrospective effect from 31<sup>st</sup> March 2016 with a new TPS contribution rate of 23.68% to be implemented from 1<sup>st</sup> September 2019 where the 7.2% increase is funded by additional ESFA grant for 2019-20.

A full copy of the March 2012 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.

Pension costs paid to TPS in the year amounted to £516,000 (2018: £557,000)

### FRS 102 (28) – TPS treatment

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

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

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Gloucestershire County Council. The total contributions made for the year ended 31 July 2019 were £614,000 (2017-18 £521,000), of which employer's contributions totalled £499,000 (2017-18 £420,000) and employees' contributions totalled £115,000 (2017-18 £101,000). Following the triennial valuation carried out for March 2016, contribution rates for future tax years were 22.3% for 2017-18, 22.7% for 2018-19 and 23.2% for 2019-20 for employers and range from 5.5% to 12.5% for employees, depending on salary. The College is liable for a further secondary contribution by tax year of £27,000 for 2017-18, £55,000 for 2018-19 and £85,000 for 2019-20 to achieve a fully paid up fund in 17 years from 31<sup>st</sup> March 2016 at 75% confidence level.

#### Guaranteed minimum pension ('GMP') equalisation charge

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). Fund actuaries have estimated the increase in liabilities from the GMP equalisation changes as 0.16% or £26,000. 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.

#### McCloud judgement

Fund actuaries have determined a further allowance for additional liabilities of 0.20% or £32,000 arising from the 27<sup>th</sup> June 2019 UK Supreme court judgement refusing the Government's right of appeal against the December 2018's Court of Appeal's finding for discrimination in the application of transitional protections applied to the changes to public sector defined benefit schemes in 2015 i.e. moving to career average earnings and the adoption of the consumer prices index. Local Government Pension schemes fall within the scope of the McCloud judgement.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by Hymans Robertson LLP, qualified independent actuaries to Gloucestershire County Council.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.7%	2.7%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Commutation of pensions to lump sum: pre-April 2008 service	35.0%	35.0%
Commutation of pensions to lump sums: post-April 2008 service	68.0%	68.0%

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 2019 years	At 31 July 2018 Years
<i>Retiring today</i>		
Males	21.5	22.4
Females	23.7	24.6
<i>Future pensioners</i>		
Males	22.3	24
Females	25	26.4

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

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 £'000	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000
Equity instruments	2.1%	8,629	2.8%	8,045
Debt instruments	2.1%	2,962	2.8%	2,448
Property	2.1%	1,030	2.8%	933
Cash	2.1%	258	2.8%	233
<b>Total fair value of plan assets</b>		<u>12,879</u>		<u>11,659</u>
<b>Actual return on plan assets</b>		<u>492</u>		<u>615</u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	12,879	11,659
Present value of plan liabilities	(15,936)	(13,286)
<b>Net pensions (liability) (Note 19)</b>	<u>(3,057)</u>	<u>(1,627)</u>

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	745	715
Past service cost	58	-
<b>Total</b>	<u>803</u>	<u>715</u>
<b>Amounts included in interest and other finance cost (note 10)</b>		
Net interest cost	49	71
	<u>49</u>	<u>71</u>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	492	615
Experience losses arising on defined benefit obligations	0	0
Changes in assumptions underlying the present value of plan liabilities	(2,420)	597
Changes in demographic assumptions	851	0
<b>Amount recognised in Other Comprehensive Income</b>	<u>(1,077)</u>	<u>1,212</u>

**Movement in deficit during the year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability) in scheme at 1 August	(1,627)	(2,473)
Movement in year:		
Current service cost	(745)	(715)
Employer contributions	499	420
Past service cost	(58)	-
Net interest on the defined (liability)/asset	(49)	(71)
Actuarial gain or loss	(1,077)	1,212
<b>Net defined (liability) at 31 July</b>	<b><u>(3,057)</u></b>	<b><u>(1,627)</u></b>

**Asset and Liability Reconciliation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>13,286</b>	<b>12,935</b>
Current service cost	745	715
Interest cost	381	357
Contributions by Scheme participants	115	101
Experience gains and losses on defined benefit obligations	0	-
Changes in financial assumptions	2,420	(597)
Estimated benefits paid	(218)	(225)
Past Service cost	58	-
Demographic changes	(851)	-
<b>Defined benefit obligations at end of period</b>	<b><u>15,936</u></b>	<b><u>13,286</u></b>

**Changes in fair value of plan assets**

<b>Fair value of plan assets at start of period</b>	<b>11,659</b>	<b>10,462</b>
Interest on plan assets	332	286
Return on plan assets	492	615
Employer contributions	499	420
Contributions by Scheme participants	115	101
Estimated benefits paid	(218)	(225)
<b>Fair value of plan assets at end of period</b>	<b><u>12,879</u></b>	<b><u>11,659</u></b>

**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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the ESFA are detailed in notes 2 and 16.

**27 Amounts disbursed as agent**

<b>Learner support funds</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – 16-19 ESFA discretionary bursary support	149	130
Funding body grants – Advance learning bursary	2	15
Funding body grants – childcare	0	
Other Funding body grants (excluding Free School meals)	11	0
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
	162	145
Disbursed to students	(123)	(130)
Administration costs	(7)	(6)
Balance unspent as at 31 July, included in creditors	32	9

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

Payment of nursery fees, travel costs and other incidental costs of education by the College, on the student's behalf, are consolidated in the income and expenditure of the College's financial statements