



**Report and Financial Statements  
for the year ended 31 July 2019**

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

### **Key management personnel**

Key management personnel are defined as the College Leadership Team and were represented by the following in 2018/19:

Laurel Penrose – Principal, CEO and Accounting Officer

Jayne Davis – Deputy Principal

Rachel Hepworth – Director of Finance and Corporate Services (1 August 2017 – 10 September 2018)

Jo Whistler – Director of Finance and Corporate Services (1 March 2019 – 31 July 2019)

Barbara Owen – Director of Human Resources & Organisational Development

Daisy Walsh – Interim Commercial Director (1 August 2018– 31 December 2018)

### **Board of Governors**

A full list of Governors is given on pages 11 and 12 of these financial statements.

Heather Cross acted as Clerk to the Corporation during the period 1 August 2018 – 15 February 2019.

Anne Roberts acted as Head of Governance from 18 March 2019.

### **Professional advisers**

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

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

#### **Internal auditors:**

Icca Education, Training and Skills Limited  
11<sup>th</sup> Floor  
The McLaren Building  
456 Priory Queensway  
Birmingham  
B4 7LR

#### **Bankers:**

Barclays Bank Plc  
Corporate Banking  
Bridgewater House  
Counterslip  
Finzels Reach  
Bristol  
BS1 6BX

#### **Solicitors:**

Shakespeare Martineau LLP  
1 Colmore Square  
Birmingham  
B4 6AA

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# Report of the Governing Body

## NATURE, OBJECTIVES AND STRATEGIES

The Governing Body presents its Report and the audited Financial Statements for the year ended 31<sup>st</sup> July 2019.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting City of Bath College. The College is an exempt charity for the purposes of Schedule 3 to the Charities Act 2011.

The Corporation was incorporated as City of Bath College. On 4<sup>th</sup> June 2015, the Secretary of State granted consent to the Corporation to change the College's name to Bath College.

### Mission

The Corporation's mission is:

We provide innovative training to develop skills, inspire individuals, enrich the wider community and encourage all to achieve and progress.

### Public Benefit

Bath College is an exempt charity under Schedule 3 to the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are given on page 12 of this document.

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. Bath College has adopted a statement concerning the public benefit it provides.

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment and positive progression record for students
- Strong student support and welfare systems
- Links with employers, industry and commerce
- Effective partnership and community focus

The delivery of public benefit is covered throughout the Governing Body's report.

### Implementation of strategic plan

The College set a medium-term business plan in 2016/17 to 2020. As a key part of the Bath and North East Somerset and West of England Combined Authority (WECA), the College knows that its major focus has to be on the provision of excellent professional and technical skills to support business growth and economic development locally and within the region.

Alongside this, the College remains deeply committed to its community college ethos and its role as a place where communities can come to learn together.

The College's aim is to be recognised as an excellent College within the learning and skills sector. Therefore, it has set itself the challenge that by 2020 it will:

- Become the country's most enterprising community college, focussing on collaboration and innovation
- Unashamedly celebrate the world of work and professional and technical education and training
- Celebrate emerging talent and be the first choice for those who want to enter the world of work or improve their place in it
- Make its students highly employable and enterprising by developing the skills employers want
- Be a place for the community to keep learning and for businesses to grow and develop

## Report of the Governing Body (continued)

- Impact positively on the West of England economy and play an active role in the economic development and regeneration
- Value the efforts and talents of our people and further develop their skills, impacting positively on their careers

In order to demonstrate its effectiveness and to ensure the College focuses on the right things to achieve the vision, the Board has set the following objectives to measure and monitor performance:

- Enterprise – the College is recognised for its enterprise culture, ambition, innovation and excellent partnerships.
- Employability – the College will co-create high quality professional and technical routes to employment which progress individuals to the high-level skills valued by employers.
- Economic Impact – the College will establish effective partnerships to make a significant contribution to economic growth and regeneration, improving the competitiveness of the sub-region.
- Expertise – the College will develop its team to excel at customer service, to be better connected with industry; systematically developing talents and aiding careers

### Financial objectives

The College's strategic financial aims are that:

- The College will achieve its ambitions and meet the needs of its learners through sound financial management.
- The College will grow and develop through innovation, specialisation, investment and partnerships.

### Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

Key Performance Indicator	Measure/ Target	Actual
Ofsted Grading	Good	Good
Education Specific EBITDA	£894k	£864k
% of Education Specific EBITDA	4.56%	4.45%
Cash Days	47.40	54.60
Current Ratio	1.19:1	1.07:1
Net Cash Reserves	£2,544k	£2,902k
Staff Costs as % of Income (Excluding FRS102)	59.68%	62.00%
Bank Loan Covenants	Compliance	Compliance
ESFA Financial Health Grade	Good	Good

## FINANCIAL POSITION

### Financial results

The College generated a deficit before other gains and losses in the year of £883k (2017/18: £1,020k), with Total Comprehensive Deficit of £5,854k (2017/18: £2,171 Income). Total Comprehensive Deficit in 2018/19 is stated after accounting for an actuarial loss relating to the Local Government Pension Scheme of £5,086k (2017/18 £3,318k gain). The College has accumulated reserves of £2,176k (2017/18: £8,029k). The College had a cash balance of £2,902k at 31 July 2019 (2017/18: £2,329).

Non-current asset additions during the year amounted to £671k. This was split between tangible assets acquired of land and buildings of £306k and equipment of £365k, and intangible assets of software costs of £Nil.

The element of loans repayable within one year makes up the loans and overdraft due within one year.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 education funding bodies provided 81% of the College's total income.

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

### **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.

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

### **Cash flows and liquidity**

The net cash inflow from operating activities of £1,398k (2017/18: £773k outflow) reflects the operating loss experienced by the College in 2018/19.

The College currently has a £2.65m term loan (balance: £1,908k) relating to the construction of the Roper Building and a £2.0m term loan (balance: £1,625k) relating to the Norton Radstock College merger. All facilities are with Barclays PLC. These combined arrangements ensure that the College has the liquidity it requires for its day-to-day business.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the cost of servicing debt and operating cash flow.

### **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, the Income and Expenditure Account Reserve stands in deficit at £2,110k (2018: £3,651k). 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 achievements**

Students continue to perform well at the College. In 2018/19, overall achievement rates for FE were 82.3%, in line with the national average and in-line with the previous year's outturn. Apprenticeships overall achievement rate was 65.8% , with Higher Education achievement rates being 85.6%.

### **Curriculum developments**

The College seeks to ensure the curriculum offer is well matched to local economic needs and particularly with the priorities of the West of England Combined Authority. The curriculum is organised around the core economic areas of construction and engineering, creative and digital industries, health and care, professional services, rural and land-based economies, leisure, hospitality and tourism. Modest growth is targeted across the next 5 years for the 16-18 cohort. The Medium-Term Business Plan remains a key strategy document for the College and highlights priorities including growing apprenticeship, Higher Education, Special Educational Needs and Disabilities (SEND) and the full time 16-18 provision.

### **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 of suppliers within 30 days is 95 per cent. The College's payment policy complies with this requirement.

### **Post-balance sheet events and future developments**

None.

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

### **Going concern**

The Governing Body knows of no material uncertainties that may cast significant doubt about the College's ability to continue as a going concern. In 2015/16, the College launched a five-year financial plan (reviewed in 2016/17) covering the period to 31 July 2020, based on the Strategic Intentions set out in the Report of the Governing Body. This College is currently developing a new five-year financial plan covering the period 1 August 2020 to 31 July 2025.

Therefore, the Governing Body is satisfied that the College has adequate resources to continue as a going concern for the foreseeable future.

### **RESOURCES**

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

#### **Financial**

The College's tangible resources include the two main campuses, one located in the heart of Bath and the other at Radstock.

The College has £2.181 million of net assets (including a £15.104 million pension liability) and long-term debt of £3.310 million.

#### **People**

The College employed 475 people at 31 July 2019.

#### **Reputation**

Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College has a good reputation locally and continues to build its reputation by focussing on the quality of the service it provides and by working in partnership with employers and other local organisations.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Senior Management Team regularly undertakes reviews of the risks to which the College is exposed. A risk register is maintained at the College level which is reviewed regularly by the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College management team.

The subsequent year's appraisal will review the effectiveness of, and progress made against the risk mitigation actions. In addition to the risks identified in the regular reviews, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

Two aspects of work that will have prominence in 2019/20 and which demonstrate increasing risk for the College, are the estates strategy and the AEB funding stream governed by the West of England Combined Authority (WECA). In regard to the estates strategy, it is recognised that a review on the current intent to develop and income maximisation focus from the Somer Valley Campus needs to be undertaken in line with local housing needs and the Local Authority "PLACE" strategy, which has recently been updated in line with WECA regional demands. In addition, the growing need and opportunity to host a special education needs and disabilities (SEND) residential centre at the same campus needs to be assessed. It is therefore the Colleges intent to evaluate possible developmental options and align viable opportunities to maximise income and address local housing/residential needs, this will be done in the 2019/20 academic year. Concerning AEB funding from WECA, the mayoral authority guaranteed the use of the same funding mechanism as the ESFA for the allocation of AEB funds for 2019/20 and a 5% growth, (which the college secured). WECA has now committed to a review of the allocation mechanisms in line with their industrial and skills priorities for 2020/21. This has increased risk, as well as the possibility of additional growth opportunities for the College. Key performance indicators and timeframes of both the allocation mechanisms and priorities have yet to be released and therefore there is a growing risk to the College in 2019/20.

## Report of the Governing Body (continued)

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

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector's funding bodies and through the Office for Students (OfS), formerly HEFCE. In 2018/19, 81% of the College's revenue was ultimately public funded. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

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

### **2. Human resource capacity**

As a result of non-competitive pay rates for lecturers in specialist 'hard to recruit' areas. Also for certain service staff roles, the College may not have the capability to deliver and support the curriculum offer in specialist areas such as Construction/Building Services; or to fill niche service roles which result in complaints, loss of reputation and increased risk of failing to comply with statutory requirements

This risk is mitigated in a number of ways:

- Review of business / project requirements and prioritisation including reviewing skill sets required.
- Specialists such as project managers appointed as required
- Secondment process for development opportunities (initially for managers) created
- Regular meetings with managers and/or staff in areas of peak activity to monitor progress, review priorities and identify if support is needed
- Introduction of an improved internal staff development programme, focused on skills and higher-level qualifications

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

The financial statements report the share of the Local Pension Government Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

## **STAKEHOLDER RELATIONSHIPS**

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

- Students
- Parents
- Funding bodies
- Staff
- Local employers
- Local Authorities
- The local community
- West of England Combined Authority
- Other FE institutions
- Schools
- Universities
- Trade unions and,
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College intranet site, online media and by meetings and events.



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

### **Equality and diversity and employment of disabled persons**

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

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

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an on-going basis.

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

### **Disability statement**

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

- 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 in the learning centre.
- The admissions policy for all students is described in the College's charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- There are a number of student facilitators who can provide a variety of support for learning. 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.

In addition, the college actively focuses on individual student needs, successfully providing a curriculum that prepares learners with special needs for the transition to adulthood. It currently has over 100 learners with high needs from 7 different local authorities providing access to learning.

## Report of the Governing Body (continued)

### Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were relevant trade union officials during the relevant period	FTE employee number
7	6.36

Percentage of time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0
Total cost of facility time	£11,048.62
Total pay bill	£11,229,809.15
Percentage of total bill spent on facility time	0.10%
Time spent on paid trade union activities as a percentage of total paid facility time	0.00%

### Disclosure of information to auditors

The Governing Body who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Governing Body on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Carole Stott**  
Chair

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the Annual Report and Accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<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:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("GGEC") 2015 and amended May 2019; and
- having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with GGEC. Whilst the Corporation has not adopted the UK Corporate Governance Code, the Corporation has due regard to its principles and guidance. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. An internal audit on Corporate Governance undertaken in 2019 provides further assurance in this regard.

In the opinion of the Governors, the College complies with all the provisions of GGEC, and it has complied throughout the year ended 31<sup>st</sup> July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges dated March 2015 (amended May 2019).

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

### The Corporation

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

Name	Appointment date	Term of office	Resignation date	Appointment status	Committees served	Attendance during 2018-19 *
Mrs L Penrose	October 2016	Ex-officio		Principal		100%
Ms C Stott	September 2012 and re-appointed Summer 2016	4 years		External	Chair of the Corporation, Chair of SSEC	78%
Mr A Furse	October 2013 and re-appointed Summer 2017	4 years		External	Vice-Chair of Corporation, SSEC, Audit	89%
Mr J Young	December 2013 and re-appointed Summer 2017	4 years		External	Chair of Audit	67%
Mr G Waylen	June 2014 and re-appointed June 2018	4 years		External	Chair Finance and Estates Working Group	89%

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

Ms J Shaw	July 2015	4 years	June 2019 (end of term of office)	External	Chair, Quality Working Group to June 2018	75%
Ms E Draisey	February 2016	4 years		External	Chair, Quality Working Group from July 2018	56%
Mr N Wilson	February 2016	4 years		External		100%
Mr V da Cunha	October 2016	4 years		External		67%
Mr P Blenkinsopp	January 2018	4 years		Staff		78%
Mr M Oram	June 2018	4 years		External		44%
Ms J Williams	June 2018	4 years		External		89%
Mr A Parker	June 2018	4 years		External		67%
Mr D Ball	July 2019	1 year		Student		100%
Ms H Cross acted as Clerk to the Corporation until 15 February 2019						
Mrs A Roberts, Head of Governance acts as Clerk to the Corporation from 18 March 2019						

\* Percentage attendance is given for Corporation Board meetings only.

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

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

The Corporation has established the following committees: Senior Staff Employment Committee, Search & Governance Committee and Audit Committee. These committees have terms of reference, which have been approved by the Corporation. Two working groups of the Corporation also operate (Quality and Finance & Estates). Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Governance at:

Bath College  
Avon Street  
Bath  
BA1 1UP

The Head of Governance 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 Head of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance are matters for the Corporation as a whole.

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

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

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

### **Corporate Performance**

The Corporation has considered its performance against the Code of Good Governance for English Colleges. In addition, it carries out a self-assessment as part of the overall College Self-Assessment report. An analysis of performance and an action plan for further development was discussed and agreed at the annual Corporation Strategy day in 2018 and will be reviewed in 2019/20. The Chair of the Corporation also has regular meetings with individual governors to discuss and review performance.

### **Senior Staff Employment Committee**

Throughout the year ending 31<sup>st</sup> July 2019, the College's Senior Staff Employment Committee comprised of three members of the Corporation. The Corporation has adopted the Association of Colleges Governors Council's Senior Staff Remuneration Code 2018. One of the committee's responsibilities is to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31<sup>st</sup> July 2019 are set out in note 6 to the financial statements.

### **Search & Governance Committee**

The Search & Governance Committee comprises four members of the Corporation, including the Principal and CEO. The Committee's responsibilities include review of governance practices and policies and recommendations to the Corporation on the recruitment of governors.

### **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation and in line with the ESFA's Post-16 Audit Code of Practice. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

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

### Internal control

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Bath College and the Education & Skills Funding Agency. She 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 on-going 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 Bath College for the year ended 31<sup>st</sup> 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31<sup>st</sup> 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, and
- the adoption of formal project management disciplines, where appropriate.

Bath College engages an internal auditor service, which operates in accordance with the requirements of the ESFA's *Post-16 Audit Code of Practice*. The work of the internal auditors is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Internal Auditors provide the governing body with a report on internal audit activity in the College. The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

#### *Review of effectiveness*

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

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

- the work of the internal auditors,
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and
- comments made by the College's financial statements and regularity auditors in their management letter and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Principal and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from the internal auditors 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. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31<sup>st</sup> July 2019 by considering documentation from the senior management team and the internal auditors, and taking account of events since 31<sup>st</sup> July 2019.

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".

### Going concern

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

Approved by order of the members of the Corporation on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Carole Stott**  
Chair



**Laurel Penrose**  
Principal

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Education & Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction 2018-19* issued by the Education & Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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 including the further and Higher Education Act 1992 and Charities Act 2011 and relevant accounting standards. It is responsible for the effective and efficient use of resources and the solvency of the Corporation, taking steps that are reasonably open to it in order to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of its website; 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 & Skills Funding Agency, and any other public funds, are used only in accordance with the Education & Skills Funding Agency's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the Education & Skills Funding Agency, or any other public funder. 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 economic, 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 & Skills Funding Agency and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Carole Stott**  
Chair



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

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with the Education & Skills Funding Agency's terms and conditions of funding, under the Corporation's grant funding agreements and contracts with the Education & Skills Funding Agency.

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 Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreements and contracts with the Education & Skills Funding Agency, or any other public funder.

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 & Skills Funding Agency.

Approved by order of the members of the Corporation on 16<sup>th</sup> December 2019 and signed on its behalf by:



**Carole Stott**  
Chair



**Laurel Penrose**  
Principal & CEO

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

### **Opinion**

We have audited the financial statements of Bath College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows 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 over for the year then ended; and
- 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 College's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the College 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 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 College 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.

## **Independent auditor's report to the Members of the Corporation of Bath College (continued)**

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; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of College**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 16, the College 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 College 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 College 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 College 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 College 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 College 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 College, as a body, for our audit work, for this report, or for the opinions we have formed.

**Independent auditor's report to the Members of the Corporation of Bath College  
(continued)**

*Mazars LLP*

**Mazars LLP**

**Chartered Accountants and Statutory Auditor  
90 Victoria Street  
Bristol  
BS1 6DP**

**Date:** 7 January 2020

## **Reporting accountant's assurance report on the Regularity to the corporation of Bath 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 Bath 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 Bath 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 Bath 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 Bath College and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Bath College and the reporting accountant**

The corporation of Bath 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:

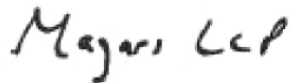
- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

**Reporting accountant's assurance report on the Regularity to the corporation of Bath College and Secretary of State for Education acting through the Department for Education ("the Department") (continued)**

- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- 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 where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- 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.



**Mazars LLP**  
**Chartered Accountants and Statutory Auditor**  
**90 Victoria Street,**  
**Bristol**  
**BS1 6AN**

**Date:** 7 January 2020

## Bath College - Statement of Comprehensive Income

	Notes	2018 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	2	15,007	15,649
Tuition fees and education contracts	3	2,678	2,745
Other income	4	2,466	1,918
Endowment and investment income	5	4	-
<b>Total income</b>		<b>20,154</b>	<b>20,313</b>
<b>EXPENDITURE</b>			
Staff costs	6	12,491	14,355
Fundamental restructuring costs	6	13	440
Other operating expenses	7	6,775	6,924
Depreciation	10	1,341	1,359
Amortisation	11	63	57
Interest and other finance costs	8	491	555
<b>Total expenditure</b>		<b>21,174</b>	<b>23,690</b>
<b>Deficit before other gains and losses</b>		<b>(1,020)</b>	<b>(3,378)</b>
Profit on disposal of assets	10	-	4,923
<b>(Deficit)/Surplus before tax</b>		<b>(1,020)</b>	<b>1,545</b>
Taxation	9	-	-
<b>(Deficit)/Surplus for the year</b>		<b>(1,020)</b>	<b>1,545</b>
Actuarial gain in respect of pensions schemes		3,318	1,561
Actuarial (loss) in respect of enhanced pension scheme		(127)	(141)
<b>Total Comprehensive Income for the year</b>		<b>2,171</b>	<b>2,965</b>

## Bath College - Statement of Comprehensive Income

	Notes	2019 £'000	2018 £'000
<b>INCOME</b>			
Funding body grants	2	16,083	15,007
Tuition fees and education contracts	3	2,328	2,678
Other income	4	1,420	2,466
Endowment and investment income	5	20	4
		<u>19,850</u>	<u>20,154</u>
<b>EXPENDITURE</b>			
Staff costs	6	12,576	12,491
Fundamental restructuring costs	6	9	13
Other operating expenses	7	6,400	6,775
Depreciation	10	1,252	1,341
Amortisation	11	45	63
Interest and other finance costs	8	450	491
		<u>20,733</u>	<u>21,174</u>
<b>Total expenditure</b>		<b>20,733</b>	<b>21,174</b>
		<u>(883)</u>	<u>(1,020)</u>
<b>(Deficit) before other gains and losses</b>		<b>(883)</b>	<b>(1,020)</b>
Profit on disposal of assets	10	-	-
		<u>(883)</u>	<u>(1,020)</u>
<b>(Deficit) before tax</b>		<b>(883)</b>	<b>(1,020)</b>
Taxation	9	-	-
		<u>(883)</u>	<u>(1,020)</u>
<b>(Deficit) for the year</b>		<b>(883)</b>	<b>(1,020)</b>
Actuarial (loss)/ gain in respect of pensions schemes		(5,086)	3,318
Actuarial gain/(loss) in respect of enhanced pension scheme		114	(127)
		<u>(5,854)</u>	<u>2,171</u>
<b>Total Comprehensive Income for the year</b>		<b>(5,854)</b>	<b>2,171</b>



## Bath College - Statement of Change in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Balance at 31st July 2017</b>	<b>1,385</b>	<b>4,472</b>	<b>5,857</b>
(Deficit) from the Income and Expenditure Account	(1,020)	-	(1,020)
Other comprehensive income	3,191	-	3,191
Transfer between Revaluation and Income and Expenditure Reserves	94	(94)	-
<b>Total comprehensive income for the year</b>	<b>2,265</b>	<b>(94)</b>	<b>2,171</b>
<b>Balance at 31st July 2018</b>	<b>3,651</b>	<b>4,378</b>	<b>8,029</b>
(Deficit) from the Income and Expenditure Account	(883)	-	(883)
Other comprehensive income	(4,972)	-	(4,972)
Transfer between Revaluation and Income and Expenditure Reserves	94	(94)	-
<b>Total comprehensive income for the year</b>	<b>(5,761)</b>	<b>(94)</b>	<b>(5,854)</b>
<b>Balance at 31st July 2019</b>	<b>(2,110)</b>	<b>4,284</b>	<b>2,175</b>

## Bath College - Balance Sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Tangible fixed assets	10	30,194	30,776
Intangible assets	11	<u>60</u>	<u>105</u>
		<b>30,254</b>	<b>30,881</b>
<b>Current assets</b>			
Stocks		69	68
Trade and other receivables	12	1,177	960
Cash and cash equivalents	17	<u>2,902</u>	<u>2,329</u>
		<b>4,149</b>	<b>3,357</b>
Less: Creditors – amounts falling due within one year	13	<u>(3,887)</u>	<u>(3,042)</u>
<b>Net current assets</b>		<b>262</b>	<b>315</b>
Total assets less current liabilities		<b>30,517</b>	<b>31,196</b>
Less: Creditors – amounts falling due after more than one year	14	<u>(11,196)</u>	<u>(11,651)</u>
<b>Provisions</b>			
Defined benefit pension obligations	16	<u>(15,104)</u>	<u>(9,218)</u>
Other provisions	16	<u>(2,041)</u>	<u>(2,299)</u>
<b>Total net assets</b>		<b>2,176</b>	<b>8,029</b>
Unrestricted reserves			
Income and expenditure account		(2,110)	3,651
Revaluation reserve		<u>4,286</u>	<u>4,378</u>
<b>Total unrestricted reserves</b>		<b>2,176</b>	<b>8,029</b>

The financial statements on pages 23 to 52 were approved and authorised for issue by the Corporation on 16 December 2019 and were signed on its behalf on that date by:

  
Carole Stott  
Chair

  
Laurel Penrose  
Principal

## Bath College - Statement of Cash flows

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
(Deficit) for the year		(883)	(1,020)
<b>Adjustment for non cash items</b>			
Add back depreciation		1,252	1,341
Add back amortisation		45	63
Add back releases of government capital grants		(442)	(496)
Add back FRS 102 (28) charge		542	481
(Increase) in stocks		(1)	(19)
(Increase) in debtors		(217)	(37)
Increase/ (decrease) in creditors due within one year		876	(1,052)
(Decrease) in provisions		(205)	(521)
<b>Adjustment for investing or financing activities</b>			
Add back investment income		(20)	(4)
Add back interest payable		450	491
		<b>1,398</b>	<b>(773)</b>
<b>Cash flows from investing activities</b>			
Investment income		20	4
Government capital grants received		167	180
Payments made to acquire non-current assets		(671)	(923)
		<b>(484)</b>	<b>(739)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(130)	(134)
Interest element of finance lease rental payments		(1)	(7)
Movement on bursary scheme		(4)	(5)
Repayments of amounts borrowed		(206)	(206)
Capital element of finance lease rental payments		-	(23)
		<b>(341)</b>	<b>(375)</b>
<b>Increase/ (decrease) in cash and cash equivalents in the year</b>		<b>573</b>	<b>(1,887)</b>
Cash and cash equivalents at beginning of the year	17	2,329	4,216
<b>Increase/ (decrease) in cash and cash equivalents in the year</b>		<b>573</b>	<b>(1,887)</b>
Cash and cash equivalents at end of the year	17	2,902	2,329

## **Bath College – Notes to the accounts**

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

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bath College. The College is an exempt charity for the purposes of Schedule 3 of the Charities Act 2011. The Corporation was established in England and the registered office is Bath College, Avon Street, Bath, BA1 1UP.

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 and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

#### **Basis of consolidation**

The financial statements do not include the income and expenditure of the Students' Union activities as the College does not exert control or dominant influence over policy decisions. However, the financial statements do include the salary costs of the Students' Union president which represents the College's support to the Union

#### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The College currently has £3.31m of loans outstanding with its bank on terms as disclosed in note 14. The College's forecasts and financial projections indicate that, subject to it achieving its property strategy as set out in the Member's Report, it will be able to operate within these existing facilities and existing covenants for the foreseeable future.

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

#### **Recognition of income**

Government revenue grants, which include funding body recurrent grants, are accounted for in line with best estimates for the period of what is receivable and depends on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

## **Bath College – Notes to the accounts (continued)**

### **1. Statement of accounting policies and estimation techniques (continued)**

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 non-government capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

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

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

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

#### **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. Severance payments are accounted for when an obligation is deemed to exist.

#### **Enhanced Pensions**

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

## **Bath College – Notes to the accounts (continued)**

### **1. Statement of accounting policies and estimation techniques (continued)**

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

Tangible fixed assets are stated at cost / deemed 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 inherited from the Local Education Authority (LEA) 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 really obtainable. Freehold buildings are depreciated over the expected useful economic life to the College of 50 years. Freehold land is not depreciated. The College depreciates major adaptations to buildings over the building's remaining useful economic life.

Where land and buildings are acquired with the aid of government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

#### ***Assets under construction***

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

#### ***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. All other equipment is capitalised at cost.

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
- fixtures and fittings                                5-15 years

Where equipment is acquired with the aid of government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income 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.

## **Bath College – Notes to the accounts (continued)**

### **1. Statement of accounting policies and estimation techniques (continued)**

#### **Non-current assets - Intangible assets**

##### **Computer software licences**

Acquired computer software licences are initially capitalised at cost, which includes the purchase price and other directly attributable costs of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the Statement of Comprehensive Income using the straight-line method over their estimated useful lives of four years.

The amortisation period and amortisation method of computer software licences are reviewed at least at each balance sheet date. The effects of any revision are recognised in the Statement of Comprehensive Income when changes arise.

##### **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.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding

##### **Stocks**

Stocks of raw materials and consumables are stated at the lower of their purchase 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.

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

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

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

## **Bath College – Notes to the accounts (continued)**

### **1. Statement of accounting policies and estimation techniques (continued)**

#### **Financial liabilities**

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. Loans and investments that are payable or receivable within one year are not discounted.

#### **Foreign currency translation**

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

#### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% 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 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.



## **Bath College – Notes to the accounts (continued)**

### **1. Statement of accounting policies and estimation techniques (continued)**

#### **Agency arrangements**

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

#### **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. Loans and investments that are payable or receivable within one year are not discounted.

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

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

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

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

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, 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.

## Bath College - Notes to the Accounts (continued)

### 2 Funding council grants

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	3,229	2,916
Education and Skills Funding Agency – 16 -18	9,960	9,387
Education and Skills Funding Agency - apprenticeships	1,558	1,256
Higher Education Funding Council	255	254
Other recurrent grant	639	698
<b>Specific Grants</b>		
Releases of government capital grants	442	496
<b>Total</b>	<b>16,083</b>	<b>15,007</b>

### 3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult Education fees	968	908
Apprenticeship fees and contracts	18	54
Fees for FE loan supported courses	372	433
Fees for HE loan supported courses	515	628
International students fees	397	586
<b>Total tuition fees</b>	<b>2,270</b>	<b>2,609</b>
Education contracts	57	69
<b>Total</b>	<b>2,328</b>	<b>2,678</b>

**Bath College**  
**Notes to the Accounts (continued)**

**4 Other income**

	2019 £'000	2018 £'000
Catering and residences	282	629
Miscellaneous income	1,138	1,837
<b>Total</b>	<b>1,420</b>	<b>2,466</b>

**5 Investment income**

	2019 £'000	2018 £'000
Other interest receivable	20	4
	<b>20</b>	<b>4</b>

**6 Staff costs**

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

	2019		2018	
	Staff No.	FTE No.	Staff No.	FTE No.
Teaching staff	250	190	242	185
Non-teaching staff	225	162	226	167
	<b>475</b>	<b>352</b>	<b>468</b>	<b>352</b>

**Staff costs for the above persons**

	2019 £'000	2018 £'000
Wages and salaries	9284	9227
Social security costs	776	803
Direct pension costs	1349	1321
Other pension costs	181	161
FRS 102 (28) charge	542	481
<b>Payroll sub total</b>	<b>12133</b>	<b>11993</b>
Contracted out staffing services	443	498
	12576	12491
Fundamental restructuring costs		
- contractual	9	13
	<b>12585</b>	<b>12504</b>

Restructuring costs are approved in accordance with College policy and are recognised at the point at which an 'obligating event' has occurred.

## Bath College - Notes to the Accounts (continued)

### 6 Staff costs (continued)

#### 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 College Leadership Team which comprises the Principal, the Deputy Principal and three Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	6	5

The number of employees earning an annual salary in excess of sixty thousand pounds, split between key management personal and other staff, who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£5,001 to £10,000	1	-	-	-
£20,001 to £25,000	1	-	-	-
£30,001 to £35,000	-	1	-	-
£35,001 to £40,000	1	-	-	-
£60,001 to £65,000	1	2	-	-
£95,001 to £100,000	1	1	-	-
£145,001 to £150,000	1	1	-	-
	<b>6</b>	<b>5</b>	<b>0</b>	<b>0</b>

## Bath College

### Notes to the Accounts (continued)

#### 6 Staff costs (continued)

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	337	356
Employers National Insurance	42	44
Benefits in kind	0	0
	<u>379</u>	<u>400</u>
Pension contributions	54	57
	<u>54</u>	<u>57</u>
Total emoluments	<u>433</u>	<u>457</u>

The above emoluments include severance payments of nil (2018: nil).

The above emoluments include amounts payable to the Principal (who is also the highest paid member of staff) of:

	2019 £'000	2018 £'000
<b>Laurel Penrose</b>		
Salaries	131	130
Employers National Insurance	17	17
Benefits in kind	0	0
	<u>148</u>	<u>147</u>
Pension contributions	22	21
	<u>22</u>	<u>21</u>
<b>Total emoluments</b>	<u>170</u>	<u>168</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme, and are paid at the same rate as for other employees.

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

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2019	2018
Principal's basic salary as a multiple of the median of all staff	5.2	5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	5.1	5.1

## Bath College - Notes to the Accounts (continued)

### 7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	867	527
Non-teaching costs	3,936	4,138
Premises costs	1,597	2,110
	<u>6,400</u>	<u>6,775</u>
Total	<u>6,400</u>	<u>6,775</u>

### Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	24	23
Internal audit	19	21
Hire of asset under operating leases	45	47
	<u>86</u>	<u>91</u>

### 8 Interest payable

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	<u>130</u>	<u>134</u>
	130	134
On finance leases	1	7
Interest costs on enhanced pension provision	62	53
Pension finance costs (note 21)	<u>258</u>	<u>297</u>
Total	<u>450</u>	<u>491</u>

### 9 Taxation

The college is not liable for any corporation tax from its activities for the current or prior period.

## Bath College - Notes to the Accounts (continued)

### 10 Tangible fixed assets

	Land and buildings Freehold £'000	Long leasehold £'000	Assets in the Course of Construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2018	37,230	687	123	9,115	47,155
Additions	277	-	29	365	671
Transfer	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 July 2019</b>	<b>37,507</b>	<b>687</b>	<b>152</b>	<b>9,480</b>	<b>47,826</b>
<b>Depreciation</b>					
At 1 August 2018	8,023	521	-	7,835	16,379
Charge for the year	775	-	-	477	1,252
Elimination in respect of disposals	-	-	-	-	-
<b>At 31 July 2019</b>	<b>8,798</b>	<b>521</b>	<b>-</b>	<b>8,312</b>	<b>17,632</b>
<b>Net book value at 31 July 2019</b>	<b>28,709</b>	<b>165</b>	<b>152</b>	<b>1,168</b>	<b>30,194</b>
Net book value at 31 July 2018	29,207	165	123	1,280	30,775

The College carries inherited assets at a value of £4,284,380 (2018: £4,377,960). These assets were valued on incorporation and the historic cost of these assets is £nil. Should these assets be sold, then the proceeds would be used within the guidelines set down by the Education and Skills Funding Agency, or surrendered to them.

Land and buildings with a net book value of £7,670,975 (2018: £7,720,022) have been funded by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Skills Funding Agency, to surrender the proceeds.

The net book value for equipment includes an amount of £13,095 (2018: £36,247) in respect of assets held under finance leases. The depreciation charge on these assets is £19,642 (2018: £14,563).

## Bath College - Notes to the Accounts (continued)

### 11 Intangible assets

	Computer Software Costs £'000
<b>Cost or valuation</b>	
At 1 August 2018	269
Additions	-
Disposals	-
<b>At 31 July 2019</b>	<b>269</b>
<b>Amortisation</b>	
At 1 August 2018	164
Charge for the year	45
Elimination in respect of disposals	-
<b>At 31 July 2019</b>	<b>209</b>
<b>Net book value at 31 July 2019</b>	<b>60</b>
Net book value at 31 July 2018	105

### 12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	320	430
Prepayments and accrued income	352	417
Amounts owed by Funding Bodies	505	113
<b>Total</b>	<b>1,177</b>	<b>960</b>



## Bath College - Notes to the Accounts (continued)

### 13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	206	206
Obligations under finance leases	-	2
Trade payables	724	195
Payments received in advance	434	250
Other taxation and social security	191	194
Accruals and deferred income	987	990
		101
Amounts owed to the Education & Skills Funding Agency	(0)	
Other creditors	848	669
Apprenticeship Incentive Control Account	92	-
Deferred income - government capital grants	405	435
<b>Total</b>	<b>3,887</b>	<b>3,042</b>

### 14 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans	3,310	3,516
Bursary scheme	115	120
Deferred income - government capital grants	7,770	8,015
<b>Total</b>	<b>11,196</b>	<b>11,651</b>

The Bursary scheme is a donated fund made available to assist eligible full-time students with course fees, travel and course related items.

## Bath College - Notes to the Accounts (continued)

### 15 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

		2019 £'000	2018 £'000
In one year or less	- overdraft	-	-
	- bank loans	206	206
Between one and two years	- bank loans	1,631	206
Between two and five years	- bank loans	318	1,743
In five years or more	- bank loans	1,361	1,567
<b>Total</b>		<b>3,516</b>	<b>3,722</b>

Bank borrowings consist of:

- a loan of £2,650,000 repayable over 25 years from September 2012, with a 5-year fixed rate of interest of 2.555% until March 2021.
- a loan of £2,000,000 repayable over 5 years from October 2015, with a 5-year fixed rate of interest of 3.990% until October 2020;

All facilities are secured against the William Herschel building, Bath. Barclays also holds a general mortgage over the freehold property at South Hill Park, Radstock.

#### (b) Finance leases

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

	2019 £'000	2018 £'000
In one year or less	-	2
Between two and five years	-	-
<b>Total</b>	<b>-</b>	<b>2</b>

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

## Bath College - Notes to the Accounts (continued)

### 16 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2018	9,218	2,197	102	11,517
Expenditure in the period	615	(123)	(82)	410
Additions in the period	5,271	-	-	5,271
Interest cost	-	62	-	62
Actuarial loss on Enhanced Pension	-	(114)	-	(114)
<b>At 31 July 2019</b>	<b>15,104</b>	<b>2,021</b>	<b>20</b>	<b>17,145</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 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.20%	2.50%
Discount rate	2.20%	2.80%

### 17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Overdraft	-	-	-	-
Cash at bank	2,329	574	-	2,902
<b>Total</b>	<b>2,329</b>	<b>574</b>	<b>-</b>	<b>2,902</b>

### 18 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	2,344	200

## Bath College - Notes to the Accounts (continued)

### 19 Lease Obligations

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

	2019 £'000	2018 £'000
<b>Future minimum annual lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	84	345
Later than one year and not later than five years	350	250
Later than five years	234	250
	<u>668</u>	<u>845</u>
<b>Other</b>		
Not later than one year	26	28
Later than one year and not later than five years	52	83
	<u>78</u>	<u>111</u>

### 20 Events after the reporting period

There were no events after the balance sheet date to report.

## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations

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

Total pension cost for the year	2019 £'000	2018 £'000
Teachers' Pension Scheme: contributions paid	760	754
Local Government Pension Scheme:		
Contributions paid	466	446
FRS 102 (28) charge	542	481
	1,008	927
Charge to the Statement of Comprehensive Income		
Enhanced pension charge to Statement of Comprehensive Income	123	121
<b>Total Pension Cost for Year</b>	<b>1,891</b>	<b>1,802</b>

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

### Teachers' Pension Scheme

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

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

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

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

## **Bath College - Notes to the Accounts (continued)**

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

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

Not less than every four years the Government Actuary ("GA") using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

#### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,349,342 (2018: £1,326,808)

## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### FRS 102 (28)

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2019 was £834,754, of which employer's contributions totalled £466,118, employees' contributions totalled £198,436 and deficit contributions totalled £170,200. The agreed contribution rates for future years are 14.6 % for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

On 26 October, 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'). 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.

#### 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 a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.70%	3.60%
Future pensions increases	2.30%	2.20%
Discount rate for scheme liabilities	2.20%	2.90%
Inflation assumption (CPI)	2.20%	2.10%
Commutation of pensions to lump sums	50%	50%

## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

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

	At 31 July 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	23.7	23.6
Females	26.2	26.1
<i>Retiring in 20 years</i>		
Males	26.3	26.2
Females	29.0	28.8

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	13,045	10,231
Government Bonds	-	3,027
Other Bonds	3,038	3,210
Property	1,533	2,427
Cash	334	992
Other	9,922	6,212
<b>Total market value of assets</b>	<b>27,872</b>	<b>26,099</b>
 <b>Actual return on plan assets</b>	 <b>2,051</b>	 <b>1,540</b>

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	27,872	26,099
Present value of plan liabilities	(42,976)	(35,317)
<b>Net pensions liability (Note 16)</b>	<b>(15,104)</b>	<b>(9,218)</b>



## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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	(934)	(1,101)
Employer contributions	615	705
Past Service Cost	(207)	-
Effect of curtailments	-	(68)
Administration expenses	(16)	(17)
<b>Total costs</b>	<b>(542)</b>	<b>(481)</b>
<b>Amounts included in investment income</b>		
Expected return on pension scheme assets	756	633
Interest on pension liabilities	(1,014)	(930)
<b>Net interest (cost)/income</b>	<b>(258)</b>	<b>(297)</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	1,070	1,064
Changes in assumptions underlying the present value of plan liabilities	(6,156)	2,254
<b>Amount recognised in Other Comprehensive Income</b>	<b>(5,086)</b>	<b>3,318</b>

## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

<b>Movement in College's share of the Scheme deficit</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Net defined benefit liability at 1 August</b>	<b>(9,218)</b>	<b>(11,758)</b>
Movement in year:		
Current service cost	(934)	(1,101)
Employer contributions	615	705
Curtailment	-	(68)
Past Service Cost	(207)	-
Admin charge	(16)	(17)
Net interest on the defined (liability)/asset	(258)	(297)
Actuarial gain or loss	<u>(5,086)</u>	<u>3,318</u>
<b>Net defined benefit liability at 31 July</b>	<b><u>(15,104)</u></b>	<b><u>(9,218)</u></b>
<b>Asset and Liability Reconciliation</b>		
	<b>2019 £'000</b>	<b>2018 £'000</b>
<b><i>Reconciliation of defined benefit obligations</i></b>		
<b>Defined benefit obligations at start of period</b>	<b>35,317</b>	<b>35,999</b>
Current Service cost	934	1,101
Interest cost	1,014	930
Contributions by Scheme participants	180	206
Changes in financial assumptions	6,156	(2,254)
Estimated benefits paid	(832)	(733)
Past Service cost	207	-
Curtailments and settlements	<u>-</u>	<u>68</u>
<b>Defined benefit obligations at end of period</b>	<b><u>42,976</u></b>	<b><u>35,317</u></b>

## Bath College - Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

	2019 £'000	2018 £'000
<i>Reconciliation of fair value of plan assets</i>		
<b>Fair value of plan assets at start of period</b>	<b>26,099</b>	<b>24,241</b>
Interest on plan assets	756	633
Return on plan assets	1,070	1,064
Admin expenses	(16)	(17)
Employer contributions	615	705
Contributions by Scheme participants	180	206
Estimated benefits paid	<u>(832)</u>	<u>(733)</u>
<b>Fair value of plan assets at end of period</b>	<b><u>27,872</u></b>	<b><u>26,099</u></b>

### 22 Financial Instruments

	2019 £'000	2018 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>3,727</u>	<u>2,873</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>5,419</u>	<u>5,101</u>

Financial assets that are debt instruments measured at amortised cost comprise debtors excluding prepayments and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise trade creditors, loans, amounts due from connected parties and other creditors.

## Bath College - Notes to the Accounts (continued)

### 23 Related Party Transactions

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

A summary of such transactions is as follows:

Organisation	Governor	Capacity	2018/19		2017/18		Nature of transaction
			Total	Out-standing	Total	Out-standing	
			£000	£000	£000	£000	
<b>Income</b>							
Curo Ltd	Mr Victor da Cunha	Director	4	-	11	-	Course Income
Rotork Plc	Mr G Waylen	Director	16	-	30	-	Course Income
Wessex Water Services Ltd	Mr Neil Wilson	Director	5	-	19	-	Course Income
Altran Limited	Mr Andy Furse	Employee	-	-	1	-	Sundry income
BuroHappold Engineering Limited	Mr Andy Parker	Employee	-	-	2	-	Course Income
<b>Expenditure</b>							
Association of Colleges	Ms C Stott & L Penrose	Director	2	-	2	-	Training/ exhibition
			25	-	24	-	College membership
			-	-	10	-	Recruitment
Curo Ltd	Mr Victor da Cunha	Director	7	-	-	-	Rent
			-	-	14	-	Staff costs
Wessex Water Services Ltd	Mr Neil Wilson	Director	24	-	5	-	Utilities
Asdan Ltd	Jenny Williams	Employee	1	-	-	-	Annual Centre Fee / Extended Project
Bath and North East Somerset Council	Mr Andrew Furse	Employee	65	-	-	-	Rates/Waste Disposal/Var ious

## Bath College - Notes to the Accounts (continued)

### 23 Related party transactions (continued)

Jacqui Buffton works with the Bath Learning and Skills Partnership through her own company. The Bath Learning and Skills Partnership is funded by members which includes Bath College. The College is the "banker" for the funds. The balance of these funds is £59,399 (2018: £56,774) and is included in Creditors.

Transactions with the Funding Bodies and HEFCE are detailed in notes 2, 12, 13 and 23.

### 24 Amounts disbursed as agent

#### Learner support funds

	2019 £'000	2018 £'000
Balance brought forward	-	-
Funding body grants – discretionary learner support	264	209
Other Funding body grants	-	-
	<u>264</u>	<u>209</u>
Disbursed to students	(264)	(199)
Administration costs	-	(10)
	<u>-</u>	<u>(10)</u>
<b>Balance unspent as at 31 July, included in creditors</b>	<u><u>-</u></u>	<u><u>-</u></u>

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

