Bilborough College

Members' report and financial statements

For the year ended 31 July 2018

Members' report and financial statements

Contents

Reference and Administrative Details

Board of Governors

Mrs Eileen Hartley – Chair of Governors

Dr Doug Ingram – Vice Chair of Governors

Ms Frances Warburton

Mrs Lyn Sugden

Mr Jon Parr

Ms Kate Godfrey

Dr Nicky Harrold

Mr Matt Barratt

Mr Chris Bradford (Principal)

Parent Governor

Dr Andrew Durrant

Staff Governors

Ms Anne Thompson

Mrs Lisa Lewis

Student Governors

Mr Tobias Green

Ms Anna Young

Senior Management Team

Mr Chris Bradford – Principal

Mrs Karen Lowe – Assistant Principal (Guidance & Support)

Ms Ruth Pender – Director of Human Resources

Mrs Helen Dennis – Director of Marketing & Information

Mr David Rennison – Director of Curriculum, Quality & Systems

Principal and Registered Office

Bilborough SFC, College Way, Bilborough, Nottingham NG8 4DQ

Professional advisers

External auditor:	Grant Thornton UK LLP, 2 Broadfield Court, Sheffield S8 0XF
Internal auditor:	ICCA Education, Training and Skills, McClaren House, 46 Priory, Queensway, Birmingham, B4 7LR
Bankers:	Allied Irish Bank (GB), Park View House, 58 The Ropewalk, Nottingham NG1 5DW
Solicitors:	Shakespeare Martineau, 1 Colmore Square, Birmingham, B4 6AA Nelsons Solicitors, Pennine House, 8 Stanford Street, Nottingham, NG1 7BQ

Members' report (incorporating the Operating & Financial Review)

Objectives and Strategy

The governing body present their annual report together with the financial statements and auditor's report for Bilborough College for the year ended 31 July 2018.

Legal status

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

Vision, Mission, Values and Objectives

As approved by the Corporation, these are:

Vision

To be the unique and vibrant sixth form college of choice, celebrating individuality, pushing boundaries, achieving excellence and launching exciting careers.

Mission

To offer outstanding teaching, learning and support to 16-19 year-olds to facilitate progression from school into university, further training, apprenticeships and employment. We provide a relevant, broad and rich curriculum so that our students can reach their full academic and wider potential while developing the independence, resilience and awareness necessary for success as responsible global citizens.

Values

- **Ambitious** for our students, challenging them to reach their full potential, academic and otherwise.
- **Inspiring** in our students an enjoyment of learning and a sense of what might be possible.
- **Supportive** of our students, helping them to address their needs in order to achieve successful outcomes.
- **Inclusive** of all our students, celebrating their diversity and responding to their different backgrounds, cultures, faiths and talents.
- **Committed** to helping our students rise to challenges, learn from doing so and overcome any barriers to achieving everything of which they're capable.
- **Open** to new ideas and to opportunities for working with others – academies, universities, employers and the local community - for our students' benefit

Objectives 2017-18

1. To increase the number of students who successfully complete their courses over the two years of their study programmes and for the proportion of these to be above national averages for A level and for BTEC.
2. To increase the numbers of students making outstanding progress in their subjects
3. To ensure that an even greater proportion of students go on to positive destinations at the end of their study programmes thanks to activities and strategies which improve their readiness for progression.

4. To maintain student numbers and if possible see modest and sustainable growth while remaining within our capacity in the current building. To ensure planning is smart so that all students are accommodated as efficiently as possible and staff contingency is avoided.
5. To maintain the financial health of the college as at least 'satisfactory' by managing budgets efficiently and effectively throughout the year.
6. To deliver on the outcomes of the Area Based Review so that the college is strongly placed to serve its community of learners in a stable and well-resourced environment.

Resources

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

The College employs 120 FTE people, of whom 82 FTE are teaching staff.

The college enrolled approximately 1,680 16-18 year-old students in 2017-18 of whom 1,620 were on ESFA-funded study programmes and the remainder fee-paying international students. This represented 7% growth on the previous year.

The College has £5,861,000 of net assets (including £2,972,000 pension liability) and long term debt of £1,754,000. Tangible resources include the main college building and sports hall, jointly completed at a cost of £23,600,000 and occupied from September 2005. The capacity of the college has been increased over the intervening period by extensions to the refectory, the creation of a Study Zone on the ground floor by opening up office space and converting what was previously storage space for teaching and learning purposes. The College has installed a new wireless network system, purchased additional laptops and enabled access via staff, students' and visitors' own devices.

The College has a good reputation locally, regionally and nationally. Maintaining a strong brand is essential for the College's success at attracting students and sustaining external relationships. This has been supported by the judgement of Good from the September 2016 OFSTED inspection and the published report and by subsequent further improvements in student outcomes as well as high profile case studies promoted through a reinvigorated marketing strategy.

Stakeholder relationships

In line with other colleges, Bilborough College has many stakeholders which include:

- students
- parents
- alumni
- staff
- ESFA
- Local Authorities
- The Local Enterprise Partnership: D2N2
- Partner Academies and Schools
- Universities
- the local community
- other colleges
- Trade Unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication and consultation with them through face-to-face meetings, written communication, email, social media channels and the College website.

Development and Performance

Financial results

The College generated an operating deficit in the year of £459,000 (2016/17 – deficit of £506,000). There was an actuarial gain in the year of £981,000 (2016/17: loss of £146,000).

Tangible fixed asset additions during the year amounted to £154,000. This was in respect of equipment purchased and minor building works.

Reserves

The College has accumulated reserves of £5,861,000 and cash and short-term investment balances of £774,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Sources of income

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2017/18 the ESFA provided 86% of the College's total income.

Future Prospects

Developments

The college took very deliberate steps in 2015/16 and 2016/17 to increase efficiency in the delivery of curriculum, support services and back office functions. This involved very precise planning to ensure that staffing levels were matched to planned levels of activity and involved instituting a programme of voluntary redundancy in areas where there was surplus staffing.

This was a response to an anticipated substantial reduction in income in 2016/7 and 2017/18 as a result of reduced student enrolments in 2015/16 and 2016/7 because of damage to the college's reputation stemming from an RI Ofsted judgement in January 2015.

An Ofsted judgement of Good in September 2016 combined with a refreshed marketing and promotional strategy has contributed to growth in ESFA funded enrolments from 1,514 to 1,620 in 2017/18 and 1,740 in 2018/19 which is reflected in the two-year plan. The plan will deliver an operating surplus in 2019-20. From 2019-20 the recent demographic trend of reducing numbers of 16 year-olds in the region will reverse, resulting in small amounts of year-on-year growth in the cohorts from which the college recruits.

In July 2018 the board asked the FE Commissioner to lead a process of Structure and Prospects Appraisal to help identify potential partnership opportunities to strengthen the college's position as a sixth form college delivering from its current site. In December it will take a decision on whether to proceed with any preferred partnership option which comes out of the process, having compared its likely impact with the option of remaining a standalone, designated sixth form college.

Financial Plan

The board approved a three-year financial plan for the period 2017-18 to 2019-20, taking into account the particular challenges faced. This has since been updated with a two-year plan with objectives for the period 2018-19 to 2019-20.

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.

The College reviews its funds and banking arrangements on a regular basis to determine whether they are most appropriate for the needs of the College.

Cash flows and liquidity

The college's cash position reduced by £376,000 during 2017-18. However, the size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded and based on the revised financial forecasts this position is expected to continue for the foreseeable future.

Reserves

The college has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. Of particular importance is the maintenance of adequate reserves to ensure compliance with the loan covenants.

As at the balance sheet date the Income and expenditure reserve stands at £3,755,000 (2017: £3,234,000). It is the Corporation's intention to increase reserves from 2019-20 onwards through the generation of annual operating surpluses.

Going Concern

After making appropriate enquiries the Corporation considers that, notwithstanding any decision it may take as a result of the Structure and Prospect Appraisal to be completed in December 2018, 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.

Principal risks and uncertainties

High level risks and risk management

The college has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the statement on Corporate Governance.

The College has a Risk Management strategy which is reviewed annually by the Audit Committee This includes the generation of a board assurance framework which addresses the strategic priorities and objectives in the Strategic Plan. The Corporation reviews an updated version of the board assurance framework at each of its meetings within the annual cycle noting any changes to risks or to their grading. The potential impact on the College's ability to achieve its financial and other objectives is reviewed at each meeting of the senior management team. In addition, the governors are kept fully informed of the various scenarios considered by the senior management team.

The main risk factors affecting the college are outlined below along with the action taken to minimise them.

No.	Risks	Key Controls
1	Governors, leaders, staff or students lose focus on college Vision, Mission and Values and it becomes more difficult to achieve related strategic goals	Publish Vision, Mission and Values Statements. Hold workshops with Governors, Staff and Students to interpret Values statements
2	Vision, Mission and Values become diluted as a result of strategic alliance	Continue to emphasise their significance and prioritise attention through the consultation and due diligence process with any potential strategic partners
3	There is inconsistency in the quality of teaching, learning and assessment because teachers are unaware of best practice and inadequately supported	Implement departmental Learning Visits, In-house CPD Programme, External training sourced as required
4	Through inattention and lack of priority student attendance, retention, success rates, and value added measures deteriorate or fail to improve.	Implement Quality Improvement Plans - whole college and subject-specific
5	Introduction of 2 year linear programmes causes more students to leave without qualifications because of the withdrawal of AS accreditation opportunity	Promote change in structure of study programmes, expectations and culture across the college community. Communicate expectations to students through tutorials and assemblies
6	Changing economic context, attitudes towards costs and benefits of university degrees and new T-Levels make current curriculum less relevant to student career goals	Carry out annual review of strategic environment. Develop and implement medium term curriculum strategic plan
7	Pay inflation and inefficient class sizes increase the proportion of income spent on pay above current levels	Continue to engage in careful curriculum and resource planning to maximise efficiency
8	Competition or damage to reputation results in under-recruitment of students against targets	Proactive promotion and presence at key events. Regular, close monitoring of impact.
9	Poorer than anticipated financial performance leads to larger deficit and erosion of income and expenditure reserve causing breach of loan covenant	Careful attention to assumptions in financial planning. Close monitoring of monthly management accounts
10	Poorer than anticipated financial performance causes a decline to inadequate financial health	Close monitoring of monthly management accounts and action to manage within budget constraints and achieve in-year efficiencies as required

No.	Risks	Key Controls
11	College is not compliant with GDPR and becomes subject to legal action, fines and damage to reputation	Regular review of progress in implementing GDPR action plan
12	Lapses in Safeguarding put students at risk	Thorough implementation of safeguarding policy underpinned by regular meetings of Chair of governors with safeguarding lead (AP:G&S)
13	Lapses in campus security put students and/or staff at risk	Regular meetings of security working group to review progress against security policy
14	Ineffective self-assessment and/or lack of impact in improvement actions leads to a decline in standards	Implement robust quality improvement plans and close in-year monitoring of impact
15	Reduced capacity in finance department (permanent FD) impacts on performance	Continue with temporary part-time FD cover arrangements. Regular meetings with Principal and Dir HR.
16	Inaccurate or distorted messages about proposed structural change as a result of SPA damage the college's reputation and affect application to enrolment conversion rates	Comprehensive and careful communications plan implemented - staff, students, applicants, parents, other stakeholders with tailored messages
17	As a result of proposed change staff become anxious and resistant to change and morale suffers, potentially affecting student experience and outcomes	Careful, proactive management of consultation with staff and close liaison with trades unions Early clarification of any points causing concern where possible
18	Lack of clarity leads to a sense that vital criteria regarding choice of partnership option will not be met. This affects the level of commitment of staff, leaders and governors to the proposed partnership	Seeking clarity about: "scheme of delegation", how resources will be allocated and how the college will be presented and marketed to the outside world

Performance indicators

The College uses a range of indicators against which it monitors its performance. These are closely related to the strategic priorities and objectives and are reviewed annually by the Corporation and its committees. They relate to volumes of activity and quality of delivery and are both financial and non-financial in nature.

In the period 2017-18 the College performed as follows:

Key performance indicator	Measure/target	Actual 2017-18
Student recruitment • ESFA fundable students	1,574	1,620
Value-added (ALPS) measures of student progress relative to qualifications on entry (on a scale 1 - high to 9 - low) • A Level QI • A Level T score • BTEC QI	4 (very good) 4 (very good) 5 (satisfactory to good)	4 (very good) 3 (excellent) 5 (satisfactory to good)
Level 3 value added score	+0.10	+0.14 (provisional)
Student progression	95%	97%
OFSTED rating	Good/Outstanding	Good (Sept 2016)
International student income	£600k (as per annual budget)	£472k
ESFA Financial Health score and rating • EBITDA • Current ratio • Gearing ratio • Total • Rating	As per mid-year forecast 10 50 70 130 Satisfactory	As per July 18 Management Accounts 20 40 70 130 Satisfactory

Public benefit

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

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education for 1,800 16-19 year-old students annually. This involves:

- A relatively inclusive admissions policy in relation to entry requirements for Level 3 study programmes
- A proactive approach to recruitment from under-represented schools within Nottingham City
- High quality teaching
- An excellent record of facilitating progression to higher education, further training and employment
- Higher rates of good degree classifications amongst its alumni than national average comparators
- Strong student support systems
- Links with employers
- The generation of international fee income for the benefit of the local community

Equality and Diversity Policy and Objectives

The College seeks to achieve the objectives set down in the Equality Act (2010) through a **Corporate Equality and Diversity Policy**, which is agreed by its members.

Aims of the Policy

Some of the ways in which the College will seek to promote Equality and embrace Diversity are expressed as follows:

- We will aim to eliminate discrimination, harassment and victimisation against anyone with protected characteristics;
- We will advance equality of opportunity and foster good relations between all members of the College and the communities we serve;
- We will promote awareness of Equality and Diversity issues through curriculum Delivery;
- We will monitor all aspects of our provision with the aim of continuously improving equality of opportunity;
- We will actively challenge expressions of prejudice and take action to stop discriminatory practices or behaviour;
- We will provide appropriate learning support for all those students identified as being in need of it;
- We will continue to develop ways of encouraging students from protected groups to apply to the College;
- We will seek to appoint staff and governors to reflect the diversity of the community we live in;
- We will actively promote the use of Bursary Funding to increase student representation from low-income households;

The College publishes annually a set of **Equality Objectives**, sets targets for their achievement, and evaluates its progress against them. In 2018/19 these comprise:

1. Planning monitoring and evaluation. To ensure that we collect all relevant equality information so that it can be used to best support all students
2. Planning, monitoring and evaluation. To ensure that we collect all relevant equality information so that it can be used to best support all members of staff and to change the staff profile so that it reflects the composition of the local community and the student body more closely.
3. To close the gaps in student performance based on protected characteristics.

4. To promote and raise EDI awareness in the classroom and across the whole college community.
5. Consultation with stakeholders on key areas of college activity by protected characteristics. To review and strengthen processes for staff and student consultation, feedback and evaluation.

Employment of disabled persons

The College is an approved user of the disability symbol. The College has given full commitment to the following criteria:

- to interview all applicants with a disability who meet the minimum criteria for a job vacancy and consider them on their abilities
- to make every effort when employees become disabled to enable them to stay in employment
- to take action to ensure that key employees develop the awareness of disability needed to make our commitments work
- to ask disabled employees at least once a year what we can do to make sure they can fully develop and use their abilities, and;
- to review these commitments each year, to improve on them and let all our employees know what progress has been made and what future plans have been determined.

The current buildings give the College full DDA compliance.

The College has engaged with 'DisabledGo', who have completed an audit of its accessibility.

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 union officials during the relevant period	FTE employee number
3	2.2

Percentage of time	Number of employees
0%	-
1-50%	3
51-99%	-
100%	-

Total cost of facility time	£4,485.35
Total pay bill	£5,300,842.00
Time spent on paid trade union activities as a percentage of total paid facility time	0.085%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid the majority of its invoices within 30 days. The College incurred negligible interest charges in respect of late payment for this period.

Disclosure of information to auditors

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

Approved by order of the Members of the Corporation on 10 December 2018 and signed on its behalf by:-

……………………………………………

Eileen Hartley (Chair of Corporation)

Corporate Governance Statement incorporating Statement of Internal Control

Corporate Governance

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

The College endeavours to conduct its business:-

i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii) in full accordance with the guidance to colleges from the Association of Colleges in Code of Good Governance for English Colleges ("the Code of Good Governance"); and
iii) having due regard to the UK Corporate Governance Code ("the Code") 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/Board has complied with the Code of Good Governance. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

Name	Original Date of Appointment	Periods of Reappo-intment	Term of Office	Date of Resign-ation	Status of Appointment	Committees Served	Attendance at corporation meeting 2017/18	Attendance % (corporation meetings 2017/18)
Mrs E Hartley	14 July 2008	19 July 2012 18 July 2016	4 Years 4 Years	-	Independent Member	Chair of Corporation (appointed 13th July 2015) Standards Search & Governance Chair Remuneration Chair (Safeguarding Governor)	10	100
Mr C J Bradford	18 June 2007	-	-	-	Principal	(Audit – in attendance) Search & Governance	10	100
Mr G Calverley	18 October 2010	18 Oct 2014	4 Years	-	Independent Member	Audit (Chair) Search & Governance Remuneration Risk Champion Health & Safety Governor	3	30
Mr A Hogg	16 October 2005	15 Oct 2009 8 July 2013 10 July 2017	4 Years 4 Years 1 year	16th July 2018	Independent Member	Remuneration	5	50
Mr R Irons	12 December 2011	11 Dec 2015	4 Years	-	Independent Member	(Equality & Diversity Governor)	6	60
Dr D Ingram	11 July 2016		4 Years		Independent Member		10	100
Ms L Lewis	12 October 2009	9 Oct 2013	4 Years	-	Staff Member		6	60
Mr T Nosakhere	8 May 2010	8 May 2014	4 Years	16/7/18	Independent Member	Search & Governance Remuneration	9	90
Mr J Parr	12 September 2016		4 Years		Independent Member	Audit (Chair)	4	40
Dr A Pears	9 November 2015		4 years	30/9/17	Independent Member			
Ms H Sanders	12 December 2016	-	2 Years	16/7/18	Parent Member		8	80
Mrs L Sugden	4 November 2013	-	4 Years	-	Independent Member		9	90
Ms A Thompson	10 October 2017	-	4 Years		Staff Member		10	100
Ms F Warburton	14 July 2008	19 July 2012 18 July 2016	4 Years 4 years	-	Independent Member	Audit (Vice Chair)	8	80
Ms K Godfrey	1 September 2017		4 years		Independent Member		9	90
Ms L Wildman	26 June 2017	-	1 year	16/7/18	Student Member		3	30
Mr N Lee	26 June 2017	-	1 year	16/7/18	Student Member		1	10
Ms A Young	8 May 2018	-	1 year		Student Member		1	100
Mr T Green	8 May 2018	-	1 year		Student Member		1	100

* G Calverley – sabbatical

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

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

The Corporation conducted some of its business during 2017/8 through a number of standing committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are remuneration, search and governance, audit. The college moved to a Carver Governance model in 2017/18 with removal of employment policy and finance, and standards committees.

Corporate Governance Statement incorporating Statement of Internal Control

Full Minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at: Bilborough College, College Way, Bilborough, Nottingham, NG8 4DQ.

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee which comprises the Chair and three other members of the Corporation (including the Principal), which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years. A member, with the exception of student and parent governors, may be appointed for up to 3 terms.

The members of the Corporation's Committees are detailed on page 15.

Remuneration Committee

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised the Chair and at least three other members of the Corporation (excluding the Principal). The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal.

Details of remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

Corporate Governance Statement incorporating Statement of Internal Control

Audit Committee

The Audit Committee comprises a Chair and three other members of the Corporation (excluding the Principal). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets three times per year and provides a forum for reporting by the College's internal and external 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 Education & Skills Funding Agency (ESFA) as they affect the College's business. The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently and economically. The system of internal control has been in place in Bilborough College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Corporate Governance Statement incorporating Statement of Internal Control

Internal control (Continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2018 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 performances
- clearly defined capital investment control guidelines, and;
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, provided by ICCA Education for 2017/18. This service operates in accordance with the requirements of the ESFA's Audit Code of Practice. Internal audit work 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 internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the internal auditor provides the governing body with a report on internal audit activity in the College. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive 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 auditors, regularity auditors and appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review or the effectiveness of the system of internal control by the audit committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Corporate Governance Statement incorporating Statement of Internal Control

Review of effectiveness (Continued)

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The 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 meeting on 10 December 2018, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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"*.

Approved by order of the Governors on 10 December 2018 and signed on its behalf by:

....
Eileen Hartley (Chair of Corporation)

....
Chris Bradford (Principal)

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the grant funding agreement and controls with ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreement and controls with ESFA.

We confirm, on behalf of the Corporation, to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreement and controls with ESFA. 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 ESFA.

Going concern

After making appropriate enquiries, the Corporation considers that the College is responding appropriately to its current financial challenges and considers that, notwithstanding any decision it may take as a result of the Structure and Prospect Appraisal to be completed in December 218, the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the Governors on 10 December 2018 and signed on its behalf by:

....
Eileen Hartley (Chair of Corporation)

....
Chris Bradford (Principal)

Statement of the 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 ESFA 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, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, 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 the apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the Members of the Corporation on 10 December 2018 and signed on its behalf by:

E. A. Hartley
....

Eileen Hartley (Chair of Corporation)

Independent auditor's report to the Corporation of Bilborough College

Opinion

We have audited the financial statements of Bilborough College for the year ended 31 July 2018 which comprise 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 Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. 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 group 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.

Who are we reporting to

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

Conclusions relating to going concern

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

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, set out on pages 4 to 21 other than the financial statements and our auditor's report thereon. The Corporation are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our 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.

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. This description forms part of our auditor's report.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
10 December 2018

Reporting accountant's assurance report on regularity to the Corporation of Bilborough College and the Secretary of State for Education acting through the Skills Funding Agency and Education Funding Agency

In accordance with the terms of our engagement letter dated 8 June 2017 and further to the requirements of the financial memorandum with funding agreement with Education 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 Bilborough College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('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 Bilborough College, as a body, and the Department, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Bilborough College and the Department those matters we are required to state in a limited assurance 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 Bilborough College, as a body, and the Department, as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Bilborough College and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the 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 our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

Conclusion

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

Grant Thornton UK LLP
Chartered Accountants
SHEFFIELD
10 December 2018

Statement of comprehensive income
for the year ended 31 July 2018

	Note	2018 £000	2017 £000
Income			
Funding body grants	2	**6,567**	7,444
Tuition fees and education contracts	3	**472**	684
Other income	4	**626**	529
Investment income	5	**2**	1
Total income		**7,667**	8,658
Expenditure			
Staff costs	6	**5,508**	6,227
Other operating expenses	7	**1,965**	2,240
Depreciation	10	**499**	553
Interest and other finance costs	8	**154**	144
Total expenditure		**8,126**	9,164
(Deficit)/surplus on continuing operations after depreciation of assets at valuation but before tax		**(459)**	(506)
Taxation	9	**-**	-
(Deficit)/surplus before other gains and losses		**(459)**	(506)
Profit/(loss) on disposal of assets		**-**	-
(Deficit)/surplus for the year		**(459)**	(506)
Other comprehensive income			
Actuarial loss in respect of pension schemes	15	**981**	(146)
Total comprehensive income for the year		**522**	(652)

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of changes in reserves
for the year ended 31 July 2018

	Income and expenditure account £000	Revaluation reserve £000	Total £000	Restricted Reserves £000	Total £000
Balance at 1 August 2016	3,886	2,100	5,986	5	5,991
Surplus/(deficit) from the income and expenditure account	(506)	-	(506)	-	(506)
Other comprehensive income	(146)	-	(146)	-	(146)
Total comprehensive income	(652)	-	(652)	-	(652)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
Balance at 31 July 2017	3,234	2,100	5,334	5	5,339
Surplus/(deficit) from the income and expenditure account	(459)	-	(459)	-	(459)
Other comprehensive income	981	-	981	-	981
Total comprehensive income	522	-	522	-	522
Transfers between revaluation and income and expenditure reserves	(1)	1	-	-	-
Balance at 31 July 2018	**3,755**	**2,101**	**5,856**	**5**	**5,861**

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet
at 31 July 2018

	Note	2018 £000	2017 £000
Non current assets			
Tangible assets	10	**17,410**	17,755
Current assets			
Stocks	11	**-**	2
Trade and other receivables	12	**256**	238
Cash and cash equivalents		**774**	1,150
		1,030	1,390
Creditors: Amounts falling due within one year	13	**(1,302)**	(1,548)
Net current (liabilities)/assets		**(272)**	(158)
Total assets less current liabilities		**17,138**	17,597
Creditors: Amounts falling due after more than one year	14	**(8,305)**	(8,610)
Provisions			
Defined benefit obligations	15	**(2,972)**	(3,648)
Total net assets		**5,861**	5,339
Restricted reserves			
Restricted reserve (College fund)		**5**	5
Total restricted reserves		**5**	5
Unrestricted reserves			
Income and expenditure account including pension reserve	19	**3,755**	3,234
Revaluation reserve	19	**2,101**	2,100
Total unrestricted reserves		**5,856**	5,334
Total funds		**5,861**	5,339

The financial statements on pages 27 to 48 were approved and authorised for issue by the Corporation on 10 December 2018 and were signed on its behalf on that date by:

Eileen Hartley (Chair of Corporation)

Chris Bradford (Principal)

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash flow statement
for the year ended 31 July 2018

	2018	2017
	£000	£000
Cash flow from operating activities		
(Deficit) for the year	**(459)**	(506)
Adjustment for non-cash items		
Depreciation	**499**	553
Decrease in stocks	**2**	1
(Increase) in debtors	**(18)**	(73)
(Decrease) in creditors due within one year	**(240)**	(145)
(Decrease) in creditors due after one year	**(209)**	(275)
Pension costs less contributions payable	**207**	184
Adjustment for investing or financing activities		
Investment income	**(2)**	(1)
Interest payable	**154**	144
Net cash flow from operating activities	**(66)**	118
Cash flows from investing activities		
Investment income	**2**	1
Payments made to acquire fixed assets	**(154)**	(156)
	(152)	(155)
Cash flows from financing activities		
Interest paid	**(56)**	(60)
Repayment of amounts borrowed	**(102)**	(99)
	(158)	(159)
(Decrease) in cash and cash equivalents in the year	**(376)**	(432)
Cash and cash equivalents at beginning of year	**1,150**	1,582
Cash and cash equivalents at end of year	**774**	1,150

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

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

The financial statements are presented in Sterling (£).

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.

The principal accounting policies are set out below and have remained unchanged from the previous period.

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 cash flow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The College has £1.85m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreement are for up to another 5 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in the 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 include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

The recurrent grants from the EFA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under achievement against this planned activity is adjusted in the year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Notes to the financial statements (continued)

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

Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Government capital grants are capitalised, held as deferred income and recognised as income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

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

Bus pass income is recognised in full in the year it is received, and is included within other income.

Accounting for post-employment benefits

Post-employment benefits for most employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Nottinghamshire County Council Pension Fund (NCCPF). These are defined benefit plans, which are externally funded.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives within the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 15, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement as they are paid each year.

The NCCPF is a funded scheme. The assets of the NCCPF are measured using closing fair values. NCCPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at lease 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 incurred. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term employment benefits

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

Notes to the financial statements (continued)

Non-current assets - Tangible assets

Land and buildings

Tangible fixed assets are stated at 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 transition.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at deemed cost. Land and buildings acquired since transition to FRS 102 are included in the balance sheet at cost. Freehold land is not depreciated as is is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

Where land and buildings are acquired after transition to FRS 102 with the aid of specific 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 income and expenditure account over the expected useful 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.

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

All equipment, including inherited equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

Motor vehicles and general equipment	-	10 years	Mechanical installation	-	40 years
Computers	-	3 years	Electrical installation	-	30 years
Computer systems	-	5 years	Computer infrastructure	-	10 years
Furniture, fixtures & fittings (substantial)	-	20 years	Costs of commission	-	10 years
Furniture, fixtures and fittings (small)	-	10 years			

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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.

Notes to the financial statements (continued)

Leased assets

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the College. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account based on the sum of the digits calculation for interest over the period of the lease.

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Inventories

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

Maintenance of premises

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

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Liquid resources

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the 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.

Notes to the financial statements (continued)

Provisions

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

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 of the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of certain Discretionary Support Funds. Related payments received from the EFA and subsequent disbursements to students are excluded from the income and expenditure account where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 18, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Discretionary Support Fund applications and payments.

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 (historic 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 risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes to the financial statements (continued)

Other key sources of estimation uncertainty:

- Tangible fixed assets
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposed values. In preparing these statements, management have used the transitional fair value as deemed cost provisions of FRS 102 to revise the valuation of fixed assets in respect of the land and Bilborough College's properties. The restated asset valuation now recognises the non-depreciating and value inherent in Bilborough College's property assets at current market rates.

- Useful economic lives of tangible assets
  The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Upon transition to FRS 102, the estimated useful life of the properties was deemed to be 50 years.

- 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 15, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

2. Funding body grants

	2018	2017
	£000	£000
Recurrent grants		
Education and Skills Funding Agency – 16-19	**6,224**	7,182
Specific grants		
Releases of deferred capital grants (LSC)	**253**	262
Other specific grants	**90**	-
Total	6,567	7,444

Notes to the financial statements (continued)

3. Tuition fees and education contracts

	2018 £000	2017 £000
Non-EU Students	472	684
Total fees paid by or on behalf of individual students	472	684

4. Other income

	2018 £000	2017 £000
Bus passes	323	258
Other income	303	271
	626	529

5. Investment income

	2018 £000	2017 £000
Bank interest receivable	2	1

6. Staff numbers and costs

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

	2018 Number	2017 Number
Teaching staff	82	88
Non-teaching staff	38	55
	120	143

Staff costs for the above persons were as follows:

	2018 £000	2017 £000
Teaching staff	4,054	4,297
Non-teaching staff	1,454	1,930
	5,508	6,227
Wages and salaries	4,267	4,875
Social security costs	401	443
Other pension costs (FRS 102 pension costs £207,000, 2016 £184,000)	840	909
	5,508	6,227
Total staff costs	5,508	6,227

Notes to the financial statements (continued)

6. Staff numbers and 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 Senior Leadership Team which comprises the Principal and other key management personnel. Staff costs include compensation paid to key management personnel for loss of office.

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

	2018 Number	2017 Number
The number of key management personnel including the Accounting Officer was:	7	7

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

	Number of key management personnel 2018	**Number of other staff 2018**	Number of key management personnel 2017	Number of other staff 2017
£20,001 to £30,000	-	-	-	-
£30,001 to £40,000	-	-	-	-
£40,001 to £50,000	2	-	2	-
£50,001 to £60,000	4	-	4	-
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	-	1	-
	7	-	7	-

Key management personnel emoluments are made up as follows:	**2018 £000**	2017 £000
Salaries – gross of salary sacrifice and waived emoluments	370	400
Employers National Insurance	44	47
Pension costs	58	61
	472	508

The above emoluments figure includes the gross salary paid to the employee, and also the employer's national insurance contributions and any benefits in kind.

Notes to the financial statements (continued)

6. Staff numbers and costs (continued)

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of :	2018 £000	2017 £000
Emoluments	99	99
Employer's National Insurance	13	12
Pension costs	16	16
Total emoluments	128	127

The pension contributions in respect of the Principal is in respect of the contributions to the teachers' pension scheme.

Compensation for loss of office paid to some key management personnel	2018 £000	2017 £000
Compensation paid to former post-holders	-	-

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

7. Other operating expenses

	2018 £000	2017 £000
Teaching costs	172	227
Non-teaching costs	1,444	1,667
Premises costs	349	346
	1,965	2,240

	2018	2017
Other operating expenses include:	£000	£000
Auditor's remuneration:		
External audit – audit of financial statements	14	15
Internal audit (includes IT systems review)	7	9
Other services provided by the financial statements auditor	-	-
Hire of assets under operating leases	2	22

8. Interest and other finance costs

	2018 £000	2017 £000
On bank loans/overdrafts and other loans:		
Repayable wholly or partly in more than five years	56	60
Net interest on defined pension liability (note 15)	98	84
	154	144

Notes to the financial statements (continued)

9. Taxation

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

10. Tangible fixed assets

	Land Freehold £000	New College Freehold Buildings £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2017	2,100	15,816	3,484	21,400
Additions	-	17	137	154
Disposals	-	-	-	-
Transfer	1	(1)	-	-
At 31 July 2018	2,101	15,832	3,621	21,554
Depreciation				
At 1 August 2017	-	948	2,697	3,645
Charge for the year	-	299	200	499
Disposals	-	-	-	-
At 31 July 2018	-	1,247	2,897	4,144
Net book value				
At 31 July 2018	**2,101**	**14,585**	**724**	**17,410**
At 1 August 2017	2,100	14,868	787	17,755
Inherited	2,101	-	-	2,101
Financed by capital grant	-	6,454	236	6,690
Other	-	8,131	488	8,619
	2,101	**14,585**	**724**	**17,410**

The cost/valuation of land and buildings is held at deemed cost based on the valuation as at the date of transition to FRS 102, carried out by Innes England Limited (Chartered Surveyors).

The land, as detailed above, has been financed from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the relevant funding body, to surrender the proceeds, unless the sale forms part of a strategic plan agreed with the relevant funding body.

11. Stocks

	2018 £000	2017 £000
Stationery	-	2

Notes to the financial statements (continued)

12. Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade receivables	**95**	36
Other receivables	**1**	2
Prepayments and accrued income	**160**	200
	256	238

13. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Bank loan	**98**	104
Trade payables	**107**	90
Accruals	**679**	811
Other creditors	**216**	281
Deferred income – government capital grants	**202**	262
	1,302	1,548

14. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Other creditors	**63**	79
Bank loan	**1,754**	1,850
Deferred income – government capital grants	**6,488**	6,681
	8,305	8,610

The bank loans are repayable as follows:

	2018 £000	2017 £000
In one year or less	**96**	104
Between 1 - 2 years	**101**	107
2 – 5 years	**324**	338
Over 5 years	**1,331**	1,405
	1,852	1,954

The college has two bank loans, the first is repayable by instalments over a remaining 5 years with interest payable at 2.5% above LIBOR. The second loan is repayable by instalments over a remaining 5 years with interest payable at 2.5% above LIBOR.

Bank loans are secured by a first Legal Mortgage over land at Bilborough College.

Notes to the financial statements (continued)

15. Defined benefit obligations

Retirement benefits for most employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Nottinghamshire County Council Pension Fund (NCCPF). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme, the assets of the schemes being held in separate trustee-administered funds.

Total pension cost for the year	2018 £000	2017 £000
Teachers' Pension Scheme: contributions paid	**481**	548
Local Government Pension Scheme:		
Contributions paid	**152**	177
FRS 102 (28) charge	**207**	184
Charge to the income and expenditure account	**359**	361
Total pension cost for year within staff costs	**840**	909

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

Teachers' Pension Scheme

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

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

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

Notes to the financial statements (continued)

15. Defined benefit obligations (continued)

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

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

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

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £481,000 (2017 - £548,000).

FRS 102 (28)

Under the definitions set out in FRS (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 scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes to the financial statements (continued)

15. Defined benefit obligations (continued)

LGPS

The Local Government Pension Scheme is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2018 was £212,000, of which employer's contributions totalled £157,000 and employees' contributions totalled £55,000. The agreed contribution rates for future years are 13.8% for employers and between 2.75% and 8.5% for employees.

Principal Actuarial Assumptions	**At 31 July 2018**	At 31 July 2017
Rate of increase in salaries	**3.85%**	4.2%
Rate of increase for pensions in payment/inflation	**2.35%**	2.7%
Discount rate for liabilities	**2.65%**	2.7%

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

	At 31 July 2018	At 31 July 2017
Retiring today		
Males	**22.7**	22.6
Females	**25.6**	25.5
Retiring in 20 years		
Males	**24.9**	24.7
Females	**28.0**	27.8

Sensitivity analysis

	At 31 July 2018 £000	At 31 July 2017 £000
Present value of total obligations:		
Discount rate +0.1%	**8,539**	8,615
Discount rate -0.1%	**8,927**	9,006
Mortality assumptions – 1 year increase	**9,040**	9,121
Mortality assumptions – 1 year decrease	**8,433**	8,506
CPI rate +0.1%	**8,753**	8,976
CPI rate -0.1%	**8,709**	8,644

Notes to the financial statements (continued)

15. Defined benefit obligations (continued)

The assets and liabilities in the scheme allocated to the College (the College's share is estimated to be less than 1% of the total scheme assets) and the expected rates of return were:

	% of total plan assets as at 31 July 2018	Value at 31 July 2018 £000	% of total plan assets as at 31 July 2017	Value at 31 July 2017 £000
Equities	64.1	3,689	66.1	3,413
Government bonds	2.4	140	3.2	164
Other bonds	11.5	663	12.0	621
Property	13.5	776	11.7	602
Cash	2.7	155	2.1	108
Other	5.8	336	4.9	252
Total market value of assets	100.0	5,759	100.0	5,160
Present value of scheme liabilities		(8,731)		(8,808)
Deficit in the scheme		(2,972)		(3,648)

Analysis of the amount charged to income and expenditure account

	2018 £000	2017 £000
Employer service cost	364	340
Curtailment or settlement	-	21
Total operating charge	364	361

Analysis of pension finance expense

	2018 £000	2017 £000
Expected return on pension scheme assets	-	-
Interest on pension liabilities	(96)	(82)
Administration expenses	(2)	(2)
Pension finance expense	(98)	(84)

Amount recognised in other comprehensive income

	2018 £000	2017 £000
Actual return less expected return on pension scheme assets	351	541
Change in financial and demographic assumptions underlying the scheme liabilities	630	(687)
Experience gains and losses	-	-
Actuarial loss recognised in other comprehensive income	981	(146)

Notes to the financial statements (continued)

15. Defined benefit obligations (continued)

Movement in deficit during year

Movement in year:	2018 £000	2017 £000
Deficit in scheme at beginning of year	**(3,648)**	(3,234)
Employer service cost (net of employee contributions)	**(364)**	(340)
Past service cost	**-**	(21)
Employer contributions	**157**	177
Net interest/return on assets	**(96)**	(82)
Admin expenses	**(2)**	(2)
Actuarial loss	**981**	(146)
Deficit in scheme at end of year	**(2,972)**	(3,648)

Asset and liability reconciliation

Reconciliation of liabilities

	2018 £000	2017 £000
Liabilities at beginning of year	**8,808**	7,610
Service cost	**364**	340
Past service cost	**-**	21
Interest cost	**237**	197
Employee contributions	**55**	64
Actuarial loss:		
- changes in financial and demographic assumptions	**(630)**	687
Benefits paid (net of transfers in)	**(103)**	(111)
Liabilities at end of year	**8,731**	8,808

Reconciliation of assets

	2018 £000	2017 £000
Assets at beginning of year	**5,160**	4,376
Interest on assets	**141**	115
Actuarial gain:		
- actual return less expected return on assets	**351**	541
Administration expenses	**(2)**	(2)
Employer contributions	**157**	177
Employee contributions	**55**	64
Benefits paid (net of transfers in)	**(103)**	(111)
Assets at end of year	**5,759**	5,160

History of experience gains and losses

	2018 £'000	2017 £000	2016 £000	2015 £000
Difference between the expected and actual return on assets	**351**	541	144	179
Total amount recognised in other comprehensive income	**981**	(146)	(1,015)	(380)

Notes to the financial statements (continued)

16. Operating lease commitments

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

	2018 £000	2017 £000
Other		
Not later than one year	2	19
Later than one year and not later than five years	-	2
Total lease payments due	2	21

17. Related party transactions

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was NIL.

No Governor has received any remuneration or waived payments from the College during the year (2017 - NIL).

18. Amounts disbursed as agents

	2018 £000	2017 £000
Funding body grants – bursary support	208	220
	208	220
Disbursed to Students	(258)	(160)
Admin Costs	(7)	(9)
Balance unspent at beginning of the period	193	142
Balance unspent as at 31 July, included in creditors	136	193

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 grant and related disbursement are therefore excluded from the Income and Expenditure Account.

Notes to the financial statements (continued)

19. Reserves

Reserves include income and expenditure, pension and revaluation of land.

	Income & expenditure £000	Pension £000	Sub total £000	Revaluation reserve £000
At 1 August 2017	6,882	(3,648)	3,234	2,100
Deficit in year	(459)	-	(459)	-
Transfer	(1)	-	(1)	1
Other comprehensive income and other pension movements	305	676	981	-
At 31 July 2018	**6,727**	**(2,972)**	**3,755**	**2,101**

This note shows the balance of the income and expenditure account, excluding the Defined Benefit Pension reserve. This has been included as this is the reserve balance which the bank loan covenant (note 14) is based on.

20. Events after the reporting period

A recent High Court ruling found Guaranteed Minimum Pensions (GMPs) must be equalised between men and women, and that past underpayments must be corrected. Employers, such as the College, with a defined benefit pension scheme and contracted out of the State Second Pension from 17 May 1990 to 5 April 1997 are covered by the ruling, and will be impacted by increased defined benefit pension obligations. The specific impact on the College is unknown.