

# **THE BOURNEMOUTH & POOLE COLLEGE**

## **Report and Financial Statements**

**for the year ended**

**31 July 2018**

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

### **Key management personnel**

Key management personnel are defined as Senior Post Holders within the College Leadership Team and were represented by the following in 2017/18:

Mrs D Grannell	Principal and CEO; Accounting Officer
Mr M Johnson	Vice Principal, Finance and Commercial Development
Mrs J Page	Vice Principal, Curriculum
Mrs C Wayment	Executive Director of HR and Workforce Development
Mr K Roberts	Executive Director of Resources

### **Board of Governors**

A full list of the Board of Governors is given in the Statement of Corporate Governance and Internal Control.

Mrs M Barnard acted as Clerk to the Corporation throughout the period.

### **Professional advisers**

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

KPMG LLP  
Gateway House  
Tollgate  
Chandlers Ford  
Hampshire  
SO53 3TG

#### **Internal auditors:**

TIAA Ltd  
53-55 Gosport Business Centre  
Aerodrome Rd  
Gosport  
PO13 0FQ

#### **Bankers:**

Lloyds Bank plc  
Bournemouth Branch  
PO Box 5  
45-47 Old Christchurch Road  
Bournemouth  
Dorset  
BH1 1ED

## **Operating and Financial Review**

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

The members present their report and the audited financial statements for the year ended 31 July 2018.

#### **Legal Status**

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

#### **Mission**

'Through inspiring teaching and learning, we develop our students' works skills and knowledge, and so help to build a thriving local economy and community.'

This Statement is supported by a set of core values:

- A passion for learning and success
- Supportive and caring
- Respectful and considerate
- A champion for equality through learning
- Ambitious and tenacious.

#### **Public Benefit**

The Bournemouth & Poole College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17-21.

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

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

- high quality teaching,
- widening participation and tackling social exclusion,
- excellent employment record for students,
- strong student support systems,
- links with employers, industry and commerce,
- links with Local Enterprise Partnerships.

## **The Bournemouth and Poole College Strategy 2017 – 2020: Inspiring Excellence**

Our Strategic Plan sets out how we will ensure our mission is delivered brilliantly everyday across our college and how, by working together, we will achieve our vision. Our ambition is to be recognised for excellence and responds to the needs of employers, local communities and other stakeholders.

By 2020, the college will be outstanding with student achievement rates amongst the highest.

### **Our strengths...**

Our students and our vision drives us to be even bolder and better. We are recognised and highly valued within both our local community and across Dorset.

We have dedicated, passionate and well qualified staff, brilliant facilities and produce great results. We are confident in ourselves and look forward to a great future. We completely believe in what we are here to do and will be determined in our approach to move forward confidently to excellence.

### **Things we want to concentrate on:**

- Improve achievement rates even further
- Offer flexibility in delivery, developing our curriculum to meet the skills needs of the local economy
- Be the market leader in our area for higher level skills
- Value and empower our staff and unlock their potential and make the college an attractive place to work
- Foster innovation and be prepared to take risks, whilst ensuring a high trust culture
- Develop our brand and better connect with our core marketers
- Further strengthen links with our local community

### **Our 2017 – 2020 Strategic Priorities**

Our Board have agreed the following ten priorities in order to deliver our strategy. Each priority is underpinned by objectives and a set of Board-approved KPIs which are reported at each meeting of the Board.

- Our curriculum reflects current and future skills needs and provides students with relevant routes to work.
- To create an environment in which students are highly engaged and are supported to make the most of their potential
- To be in the top quartile of colleges for achievement
- Create a culture of continuous improvement
- To develop the skills of our staff so that everyone can contribute to the delivery of our vision
- An environment and culture in which staff feel highly valued and respected, demonstrated through high levels of engagement and performance
- Be the first choice provider in all our areas of work
- Partnerships and collaborative working that complement and strengthen opportunities to deliver our mission

- Work within our local community to become a true community college
- Achieve financial surpluses that enable continual investment in state-of-the-art facilities

### **Financial Condition and Objectives**

With regard to Financial Condition, the Board's Governance Policy Manual stipulates that:

The Principal shall not:

- Allow The College's financial health assessment to fall below "satisfactory".
- Spend funds that would exceed any approved overdraft facility.
- Enter into any long-term borrowing arrangement.
- Breach any loan covenants.
- Deliver surpluses that are lower than agreed.
- Allow the cash flow delivery to be lower than agreed.

The Board considers that there was full compliance with the following objectives:

- The Financial Health category was Good and so exceeded requirements.
- There was no overdraft facility and the College remained in funds throughout the year.
- A new long term borrowing facility was approved by the Board in February 2014.
- Loan covenants were fulfilled.

In response to the Financial Condition and Objectives, and also in support of "Student First", the Finance Response Plan sets out four strategic financial priorities:

- Revenue budgets enable our teaching and learning priorities to be delivered.
- Capital investment ensures that facilities and resources are high quality, contemporary and in excellent condition.
- We remain financially viable.
- Our financial control framework is robust and we are externally compliant.

### **Performance Indicators**

We are committed to observing the importance of sector measures and indicators and we use the FE Choices data available on the GOV.UK website which looks at measures such as success rates. We are required to complete the annual Finance Record for the Education & Skills Funding Agency. The Finance Record produces a financial health grading and we consider the current rating of Good to be an acceptable outcome.

The Board continued to operate a framework for setting key performance targets and monitoring these at Board meetings throughout the year.

## FINANCIAL POSITION

### Financial Results

	Year ended July 2018	Year ended July 2017
	£000	£000
Total Income	32,040	32,584
Staff costs	(21,194)	(20,857)
Non staff costs <i>note1</i>	(11,568)	(11,895)
<b>Operating (Deficit) /Surplus</b>	<b>(722)</b>	<b>(168)</b>
FRS 102 pension charge (incl. in staff costs)	(1,310)	(798)
FRS 102 pension interest (incl. in Interest – Non Pay)	(855)	(714)
Share of deficit in Joint Venture <i>note2</i>	(124)	(92)
<b>(Deficit) for the year</b>	<b>(3,011)</b>	<b>(1,772)</b>

*Note 1* Includes profit and loss on disposal and investment Income

*Note 2* The joint venture's loss included £223k of FRS102 pension related charges (2016-17 £230k).

The group generated a deficit for the year of £ (3,011k) (16/17: £ (1,772k), with total comprehensive income of £2,942k (2017: (£3,059k)). Total comprehensive income is after accounting for actuarial gains on pension schemes, including the joint venture's gains, of £5,953k (2017: loss (£1,287k)).

Accumulated income and expenditure reserves at 31 July 2018 were £ (16,092k) (16/17:£(19,034k) Reserves excluding the pension liability were £12,839k (16/17:£13,285k) Cash balances were £2.8M (16/17: £4.2M).

Tangible fixed asset additions during 2017/18 totalled £1.04m (16/17: £1.3m). Of this, £0.4m was property related expenditure (16/17: £0.5m) and expenditure on new equipment was £0.64m (16/17: £0.8m). Our strategy continues to be that we will invest to improve our estate and our resources that directly impact on teaching and learning.

We have significant reliance on the education sector funding bodies as our principal funding sources, largely from recurrent grants. In 2017/18 the funding bodies provided 69% of our total income (16/17: 69%).

The College has one subsidiary company, Bournemouth & Poole College Services Ltd (BPCS Ltd) which did not trade during the year.

We are also involved in a Joint Venture company, Wessex Education Shared Services Ltd (WESS) with Brockenhurst College. The principal activity of WESS is to provide shared administrative services to the colleges. WESS is a cost sharing group and as such, plans only to recover its operating costs from the colleges.



## **Treasury Policies and Objectives**

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

The College has a separate treasury management policy in place.

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

### **Cashflows and liquidity**

The cash inflow from operating activities was £0m (16/17: £3.5m). Total cash balances decreased by £1.5M in year (16/17: increase £1.7M). Cash at bank and in hand on 31 July 2018 was £4.3M. (16/17: £4.3M).

Following a period of significant investment in our estate funded through a mix of Skills Funding Agency capital grant, new loan funding, Dorset Local Enterprise funding and our own cash reserves we plan to enter a period of consolidation and re-build our cash reserves to fund future projects.

### **Reserves Policy**

We have no formal reserves policy but recognise the importance of reserves in the financial stability of any organisation, and we ensure there are adequate reserves to support the College's core activities. The College's reserves include £299k held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £12,839k (16/17 £13,285k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

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

### **Student Numbers**

In 2017/18 the College delivered activity that produced £22.0M in funding body main allocation funding (2016/17: £22.4m). The College had 7443 FE funded students, 526 HE students and 3,018 non funded students (2016/17: 5,417, 624 and 3,285).

### **Student Achievements**

Student success continues to focus on success rates but now incorporates a number of additional outcomes:

- Progression and employment rates
- English and Mathematics achievement
- Employment skills
- Value Added measures

Students continue to be challenged to be the best they can be and to access the exceptional support provided to ensure they reach their potential. The new success rate



Following the creation of a Science, Technology, Engineering and Mathematics (STEM) Centre, the Marine Technology Centre, a Financial Services Centre and an International Centre, further modernisation and response to Local Enterprise Partnership (LEP) priority is needed and we are bidding to build an Engineering Skills Escalator to meet employer needs in this sector. Students benefit from the contemporary Learning Resource Centres at the North Road and Lansdowne sites and a Fitness Centre. Also included are outstanding resources in our science laboratories, Jellicoe theatre, Mac

**Curriculum Developments**  
All full time 16-18 year old students access Study Programmes which includes their main qualification, English, Maths and ICT qualifications as appropriate to their starting point, study skills, work experience, volunteering and community activities, fund raising and other career related experiences to enhance their employability. We continue to review the effectiveness of this important reform to ensure Study Programmes evolve in response to student feedback and success.

To ensure our students are equipped to progress to their next level of study, develop the skills required by industry and successfully compete for jobs we have focused on a number of additional measures of success including:-

- Ensuring Maths and English skills development is central to 16-18 study programmes and that every student coming to college without GCSE grade 9 to 4 (reformed grades) or A\* to C (legacy grading) is enrolled onto a Mathematics and English course to work towards achieving a GCSE at grade 9 to 4 (reformed grading) or A\*-C (legacy grading)
- Ensuring students are positioned to progress successfully. Ensuring students have a career plan, develop employment skills and access work experience and related activities such as volunteering and enterprise.
- Supporting students to make good progress from their starting point, gain high grades and develop the required skills.
- Developing our curriculum in response to the LEP; market research and other intelligence to meet local and regional needs
- Encouraging our students to be aspirational and ambitious.

16-18 year olds	19+	Maths Inc.	GCSE English	Total
79.10%	86.94%	68.35%	69.93%	82.22%
80.32%	84.22%	64.80%	75.37%	81.37%
76.88%	79.88%	60.11%	66.73%	77.65%
75.26%	81.18%	55.98%	69.61%	77.11%
17/18	16/17	15/16	14/15	

methodology is now included below and identifies all qualifications for both age groups and Maths and English qualifications for 16-18 year olds. This has been applied to previous year's data to provide an effective comparator. The impact of the significant increase in maths and English delivery is evident.

suites and a green room. Our composites centre at the Fulcrum enhances Marine Engineering. An internal and external refurbishment of Engineering and Advance Manufacturing has been completed at North Road, to support LEP priorities.

Our broad provision includes a significant proportion of Engineering, the Creative and Service Industries, Health and Applied Sciences, Teacher Training, Management, Admin & IT and our International College.

Our provision is employer focused ensuring it meets need both locally and regionally. We continue to grow apprenticeships and have experienced considerable growth in these including recently launching a Degree Apprenticeship in Engineering as a direct result on employer demand. We have established Employer Advisory Boards (EABs). These boards provide an industry-led platform for sector experts to advise us on the development and delivery of high-class, innovative, employer responsive services and training programmes, to meet local, regional and national priorities whilst recognising global trends.

### **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 68 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### **Events After The End of the Reporting Period**

There are no significant post balance sheet events.

### **Future Prospects**

The current economic climate is challenging for the whole of the public sector. The further education sector, and colleges in particular, is taking its share of the reductions in public expenditure and levels of funding and financial support for students are both diminishing. At the same time, we are seeking to ensure that our core activities are aligned to the needs of individual students, the local economy and our wider community. At the heart of all that we need to do, is a full range of learner outcomes that equip our students to move to their chosen destination, whether that is the next level of their education or into employment.

Our two key financial challenges in relation to our ambitions are to ensure that we continue to develop and improve further our core infrastructure to support teaching and learning and to reduce the costs of our delivery without impacting on the quality of our students' learning experience.

We are also focussing on building opportunities for new / additional income streams. While we do not anticipate significant growth in relation to our funded activity we are seeking ways of expanding our delivery of apprenticeships and professional training.

It is the view of the Board that the College remains a Going Concern.

## RESOURCES

We have various resources to support the achievement of our strategic objectives.

### Financial

Tangible resources include £31.5M held in fixed assets on the three College sites, this includes £0.4M of Heritage assets.

At 31 July 2018, we had total net liabilities of £(12.8M), including £28.9M pension liability and long term bank debt of £6.6M and deferred capital grant of £8.8M.

The pension liability relates to non-teaching staff who are members of the Local Government Pension Scheme administered by Dorset County Council. Further detail of this can be seen at note 24.

### People

During 2017/2018 we employed 572 full-time equivalent staff (FTE's), of which 287 FTE's were teaching staff.

The College's Employee Engagement Strategy ("teambpc") has now been in place for a year and beginning to embed. All members of SLT play a part in how the strands are developing, together with a "bottom up" approach the strands are becoming instrumental to how we continually improve and engage our people at all levels of the College. Some of the initiatives that have been implemented in 2017/18 include:

- July's Annual Staff Celebration Day, including staff recognition awards.
- Regular "teambpc" Newsletters
- Improved communications - photos recognition on emails, plaques outside rooms/offices indicating who and what happens with that area.

The Workforce Development Strategy was launched and includes a more transparent and fairer approach to people development, including on-line mandatory training and people development policy. A multi-disciplinary Steering Group has been set up to manage learning from a from College wide perspective.

The Government implemented the Trade Union (Facility Time Publication Requirements) Regulations in April 2017 and this will be an annual submission through the Government Portal. The College published the following return relating to the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 on the 19<sup>th</sup> July 2018:

#### Employees in your organisation

- 1,501 to 5,000 employees

#### Trade union representatives and full-time equivalents

- Trade union representatives: 7
- FTE trade union representatives: 0.59

#### Percentage of working hours spent on facility time

- 0% of working hours: 1 representatives
- 1 to 50% of working hours: 6 representatives
- 51 to 99% of working hours: 0 representatives
- 100% of working hours: 0 representatives

#### **Total pay bill and facility time costs**

- Total pay bill: £20,750k
- Total cost of facility time: £21,232.96
- Percentage of pay spent on facility time: 0.10%

#### **Paid trade union activities**

- Hours spent on paid facility time: 1123
- Hours spent on paid trade union activities: 24
- Percentage of total paid facility time hours spent on paid TU activities: 2.14%

#### **Reputation**

We continue to build a strong reputation for excellent teaching and delivering students with the skills and knowledge to progress onto further education or into employment.

This reputation is evidenced by our:

- most recent Ofsted inspection (February 2016) and HE Review by the QAA in March 2017,
- growing links with major local, national and international businesses,
- Collaboration on several major initiatives with national bodies.

Maintaining a quality brand is essential for us to continue to attract students and businesses and to develop external relationships in a highly competitive market.

## PRINCIPAL RISKS AND UNCERTAINTIES

We have a developed and embedded system of internal control, including financial, operational and risk management that is designed to protect our assets, operations and reputation. The whole process of risk management and board assurance was the subject of a review by the internal auditors throughout 2016/17 under the direction of our Audit Committee. An updated Risk Management Policy was approved by the full Board in July 2017.

Based on the strategic and operational plans, the Senior Leadership Team, which acts as the Risk Management Group, undertakes a comprehensive review of the risks we face. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact. The internal controls are then implemented and progress and effectiveness are regularly reviewed to ensure that, as far as possible, risks are mitigated by management actions. In addition to reviews, the Risk Management Group considers any new risks which may arise e.g. as a result of new activities or by changes in the external environment.

A detailed risk register and a risk dashboard is maintained at college level and is reviewed at each Audit Committee meeting and is then reported at the subsequent Board meeting. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The Audit Committee and Board obtain assurance that risks are being mitigated appropriately by virtue of the fact the risk register classifies mitigations depending whether the assurance is operational, management or independent

We have identified the principal risk factors that may affect our ability to achieve our strategic objectives; not all factors are within our control and other factors besides those listed below may also adversely affect us.

Principal themes concern:

- the need to ensure the high quality of our educational delivery,
- the need to secure a wide range of outcomes for our students,
- the importance of the recruitment, reward and development of staff and of engagement with our staff,
- the impact of the current recession on the appetite and / or ability of individuals and organisations to pay for education and training,
- the scale of current and future funding reductions that now demand radically new approaches to service delivery,
- the strategic importance of collaboration and external engagement to our future success,
- the impact on our reputation of any adverse event or poor perception,
- failures of control and / or statutory compliance, including fraud and error,
- business continuity risks,
- change management and project implementation risks.



Risks are being mitigated in a variety of ways including:

- maintaining relationships with key partners, including funding agencies, local bodies (including LEP, Local Authorities and planners) and delivery partners.
- ensuring that we are aware of political thinking and likely policy change.
- defining our own strategic direction and focussing on our key strategic aims.
- scrutinising our performance regularly, in terms of efficiency, effectiveness and relevance.
- ensuring that expectations of staff are clearly communicated.
- maintaining rigorous systems of scrutiny and control that ensure that all our activities, both teaching and non-teaching, are of high quality, are efficient and encompass the core values that generate a safe, equal and diverse environment.
- maintaining open channels of communication with staff and students and ensuring that feedback is acted upon.
- adopting a mindset that the situation represents a challenge and generates an opportunity to foster innovation.
- undertaking a fundamental review of all areas of our activities.
- setting realistic targets and monitoring to ensure that they are met.
- developing long term resource plans and ensuring they are fully integrated into financial planning.
- implementing and monitoring our Value for Money Strategy and Plan.
- undertaking sensitivity analysis and contingency planning.

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, we have many stakeholders. These include:

- Students
- Staff
- Local employers
- The local community
- Local authorities
- Trade unions
- Education sector funding bodies
- Government offices / LEP
- Other educational institutions
- Professional and sector bodies.

We recognise the importance of these relationships and communicate regularly with all stakeholders by various means.

## **Equality, Diversity and Inclusion**

Our Equality, Diversity and Inclusion Policy is available on our website, and the key principles are set out below.

We champion equality and diversity which, for us, are about being pro-active, practical and positive. We promote equality because we believe it is the right thing to do and we value diversity because it makes the College a more creative place to learn and work.

Because we receive public funds, we are bound by the Equality Act 2010 and the Public Sector Equality Duty. This requires us, in all that we do, to have due regard to the need to:

- eliminate unlawful discrimination and harassment,
- advance equality of opportunity between people who share a protected characteristic and those who do not,
- foster good relations between people who share a protected characteristic and those who do not.

Our equality priorities are set to provide protection from discrimination or harassment on the basis of eight characteristics: age, race, gender, gender identity, religion / belief, sexuality and disability, marriage and civil partnership and pregnancy, maternity and paternity.

Equality and diversity are managed by the Senior Leadership. There is an Equality, Diversity and Inclusion Group that researches and promotes best practice and helps to write the annual Equality Action Plan. Progress against the Plan is monitored by the Group and also by the Corporation. We also have six Equality Champions who help us to keep issues in the spotlight.

Our Policy sets out our approach to Equality, Diversity and Inclusion in the following areas:

- students and studying,
- staff and working,
- leadership and managing,
- local community and procurement,
- places and spaces – our environment.



### **Disability Statement**

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

As part of the Property Strategy, we complete Access Audits at the end of each stage. The results form the basis for future capital projects aimed at improving access. We also publish a Property Strategy Access and Inclusion Statement to achieve the objectives set down in The Equality Act 2010.

The College has an appointed staff member who provides information and advice and arranges support where necessary for students with disabilities.

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

We have a Student Admissions Policy and appeals against a decision not to offer a place are dealt with under the Complaints Policy.

The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and / or disabilities. There are a number of learning support staff who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and / or disabilities.

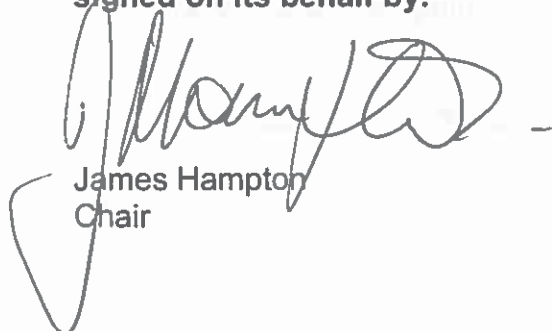
Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard college format.

Counselling and welfare services and the Complaints and Disciplinary Procedures are described in the College Student Handbook, which is issued to students at induction.

### **Disclosure of Information to Auditor**

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 13 December 2018 and signed on its behalf by:**



James Hampton  
Chair

## Statement of Corporate Governance and Internal Control

### Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of our annual report and accounts to obtain a better understanding of our 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.

We endeavour to conduct our business:

1. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("The Code"); *and*
3. Having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Corporation, the College complies with all the provisions of The Code and it has complied throughout the year ended 31 July 2018. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 October 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The members of the Corporation, 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 within our Operating & Financial Review.

### The Corporation

Lists of members who served on the Corporation during the year and up to the date of signature of this report are set out on pages 17-18.

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, academic quality indicators and HR related matters such as health and safety and environmental issues.

The Corporation operates the Policy Governance® model. In 2017/18 the requirement was for at least seven meetings a year and this was the case. During the year, the Corporation was supported in the conduct of its business by a number of committees, each of which has terms of reference that have been approved by the Corporation. These committees are Remuneration, Search, Audit and the Collaborative Partnership Group, together with a semi-formal Finance Advisory Group. 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:

The Bournemouth and Poole College  
North Road  
Poole  
BH14 0LS.

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on a regular basis and Board members participate in strategic planning each year. The Corporation has overall responsibility for reviewing and approving the annual Financial Statements, taking assurance from the opinions of the Finance Advisory Group and the Audit Committee.

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

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

All members are non-executive volunteers and carry out their roles without receiving payment or personal financial benefit.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of four members of the Corporation including the Principal. The Committee 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 initially appointed for a 3-year term of office. This may be extended to two terms. Membership will only be extended beyond 6 years in exceptional circumstances.

### **Corporation Performance – SAR Statement**

Governance is good. Governance policies are reviewed annually to ensure compliance and accountability. Board Members use their wide-ranging skills to provide rigorous scrutiny and to contribute to and ratify the strategic direction of the College. They challenge management reports appropriately and ensure that risk management is carried out. The Board receives regular performance reports and monitors under-performing areas. Agreed performance targets are regularly monitored and Board Members are well informed about the financial health of the College.

Safeguarding training for Board Members, including Prevent training, is up to date and is regularly refreshed. Emphasis is placed on the promotion of Equality and Diversity throughout all aspects of the Board's business. Board Members carry out learning walks and networking activities with College managers and students.

The Board annually reviews its own performance through group and individual self-assessment. Performance reviews of individual Members were carried out by the Chair during Summer 2018. The Chair's performance was reviewed by the Corporation on 5 July 2018. The Corporation assessed its overall performance on 4 October 2018 from which an Improvement Plan for 2018-19 is being developed.

#### **Remuneration Committee**

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

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

#### **Audit Committee**

Throughout the year ending 31 July 2018 the Audit Committee comprised two members of the Corporation (excluding the Accounting Officer) plus two external co-opted members. The Committee operates in accordance with the written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers those reports from the main FE funding bodies that affect the College's business. The Audit Committee is responsible for reviewing the corporate statements within the draft annual Financial Statements before presentation to the Corporation, taking into consideration the opinion of the Finance Advisory Group on the reliability of the year-end accounts, the management letter from the External Audit and Regularity Audit, and that correct accounting treatments have been applied.

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

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

#### **Financial Advisory Group**

The Financial Advisory Group, attended by two Board members, the Vice Principal Finance & Commercial Development and the Head of Finance (WESS) meets termly to more thoroughly review and monitor the College's management accounts on behalf of the Corporation. It also has a responsibility to review the draft annual Financial Statements each November and to give an opinion to the Audit Committee regarding the reliability of the year-end accounts, to give assurance that they are in line with expected outcomes based on the monthly management accounts.



## **Internal Control**

### ***Scope of Responsibility***

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

### ***The Purpose of the System of Internal Control***

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

### ***Capacity to Handle Risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2018 and up to the date of approval of the annual reports 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 Corporation
- regular reviews by the Corporation, of periodic and annual financial reports which indicate financial performance against forecasts
- setting and monitoring targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the Education Funding Agency and Skills Funding Agency's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of Effectiveness**

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and reporting accountant to regularity assurance.

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

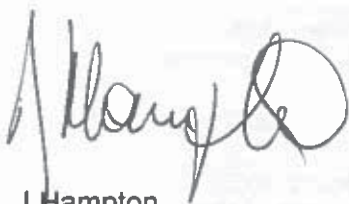
The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 13 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Executive Team and internal audit, and taking account of events since 31 July 2018.

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

### **Going Concern**

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

**Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:**



J Hampton  
Chair



D Grannell  
Accounting Officer

**MEMBERS**

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

**Table 2a: Members serving on the College Board during 2017-18**

<u>Name</u>	<u>Date of Appointment</u>	<u>Term of Office</u>	<u>Date of Resignation</u>	<u>Committees Served</u>	<u>Attendance*</u> Total No. of meetings held: Board: 8 Audit Committee: 3 Search Committee: 4 Remuneration Committee: 1
Mr R Blaber	December 2008 Re-appointed: December 2012 December 2016	3 years		Vice-Chair: Corporation Chair: Audit Rep: Board Shared Services	Board: 88% Audit: 100%
Mr F Bove	October 2017	2 years (Staff Member)		Board Lead for Equality & Diversity	Board: 100%
Mrs L Carver	March 2015 Re-appointed March 2018	3 years		Board Lead for Safeguarding & Prevent	Board: 43%
Mr B Cotton	March 2018	3 years			Board: 75%
Mr D Ford	April 2015 Re-appointed April 2018	3 years		Member: Finance Advisory Group Member: Collaborative Partnership Group	Board: 88%
Mrs C Foster	September 2015 Re-appointed September 2018	3 years		Member: Search Member: Remuneration	Board: 88% Search Committee: 75% Remuneration: 100%
Mrs D Grannell	1 September 2015	Principal		Member: Search Member: Collaborative Partnership Group	Board: 100% Search: 100% Remuneration: 100%



Mr J Hampton	September 2014 Re-appointed September 2017	3 years		Chair: Corporation Chair: Search Chair: Remuneration Member: Collaborative Partnership Group (Chair from March 2017)	Board: 88% Search: 100% Remuneration: 100%
Mr D Mason	September 2017	1 academic year (Student Member)			Board: 57%
Mrs G Ninnim	September 2014 Re-appointed September 2017	3 years		Member: Finance Advisory Group	Board: 75%
Mrs A Rowley	March 2017	3 years		Member: Search Member: Remuneration	Board: 88% Search:
Miss W Sharp	September 2017	1 academic year (Student Member)			Board: 57%
Mr J Taylor	1 August 2016	3 years		Board Lead for Safeguarding & Prevent (March 2017 to November 2017) Member: Audit Member: Collaborative Partnership Group	Board: 75%
Miss S Wellman	March 2018	3 years			Board: 100%
Mr G Spencer - Co-opted member of Audit Committee from January 2017					Audit: 100%
Mr M Lucas – Co-opted member of Audit Committee from November 2016					Audit: 100%
<b>Overall Attendance 2017-18*</b>					<b>Total: 84%</b>

\* It should be noted that Members also attended various College events, meetings and external AoC events during the year.

## MEMBERS

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

**Table 2b: Members serving on the College Board during the period 1 August 2018 – 13 December 2018**

<u>Name</u>	<u>Date of Appointment</u>	<u>Term of Office</u>	<u>Date of Resignation</u>	<u>Committees Served</u>	<u>Attendance*</u> [A1] Total No of meetings held: Board: 4 Audit Committee: 1 Search Committee: 1 Remuneration Committee: 1
Mr R Blaber	December 2008 Re-appointed: December 2012 December 2016	3 years		Vice-Chair: Corporation Chair: Audit Rep: Board Shared Services	Board: 100% Audit: 100%
Mr F Bove	October 2017	2 years (Staff Member)		Board Lead for Equality & Diversity	Board: 75%
Mrs L Carver	March 2015 Re-appointed March 2018	3 years		Board Lead for Safeguarding & Prevent	Board: 67%
Mr B Cotton	March 2018	3 years			Board: 100%
Mr D Ford	April 2015 Re-appointed April 2018	3 years		Member: Finance Advisory Group Member: Collaborative Partnership Group	Board: 100%
Mrs C Foster	September 2015 Re-appointed September 2018	3 years		Member: Search Member: Remuneration	Board: 100% Search Committee: 100% Remuneration: 100%

Mrs D Grannell	1 September 2015	Principal		Member: Search Member: Collaborative Partnership Group	Board: 100% Search: 100%
Mr J Hampton	September 2014 Re-appointed September 2017	3 years		Chair: Corporation Chair: Search Chair: Remuneration Member: Collaborative Partnership Group (Chair from March 2017)	Board: 100% Search: 100% Remuneration: 100%
Mrs G Ninnim	September 2014 Re-appointed September 2017	3 years		Member: Finance Advisory Group	Board: 25%
Miss K Northover	September 2018	1 academic year (Student Member)			Board: 100%
Mrs A Rowley	March 2017	3 years		Member: Search Member: Remuneration	Board: 75% Search: 0% Remuneration: 0%
Mr J Taylor	1 August 2016	3 years		Member: Audit Member: Collaborative Partnership Group	Board: 75% Audit: 100%
Miss S Wellman	March 2018	3 years			Board: 75%
Mr C Whittingham	September 2018	1 academic year (Student Member)			Board: 100%
Mr G Spencer - Co-opted member of Audit Committee from January 2017					Audit: 100%
Mr M Lucas – Co-opted member of Audit Committee from November 2016					Audit: 100%
<b>Overall Attendance 1 August 2018 – 13 December 2018*</b>					<b>Total: 84%</b>

\* It should be noted that Members also attended various College events, meetings and external AoC events during this period.

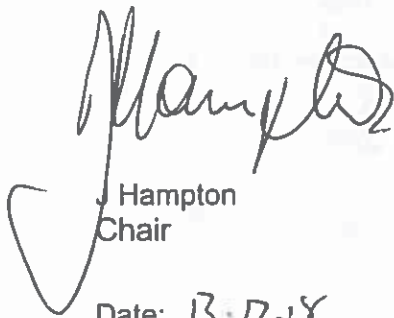
## Statement of Regularity, Propriety and Compliance

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

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

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

**Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:**



J Hampton  
Chair

Date: 13.12.18



D Grannell  
Accounting Officer

Date: 13.12.18

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

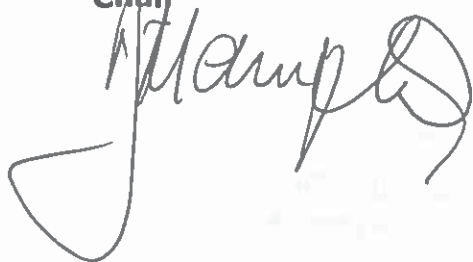
Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 13<sup>th</sup> December 2018 and signed on its behalf by:

**James Hampton**

Chair

A handwritten signature in black ink, appearing to read 'J Hampton', with a large, stylized loop at the end.

## **INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF Bournemouth and Poole COLLEGE**

### **Opinion**

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

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Going concern**

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

### **Other information**

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

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

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

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

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

We have nothing to report in these respects.



## **Corporation's responsibilities**

As explained more fully in their statement set out on page 26, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



**Victoria Sewell**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Gateway House  
Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

*20 December 2018*

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

In accordance with the terms of our engagement letter dated 28 June 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Bournemouth and Poole College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of Bournemouth and Poole College and the reporting accountant**

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

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

### **Approach**

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

## 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.



---

Victoria Sewell  
**For and on behalf of KPMG LLP, Reporting Accountant**  
Gateway House  
Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

20 December 2018

THE BOURNEMOUTH AND POOLE COLLEGE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2018

		2018 £'000	2017 £'000
	Notes		
<b>INCOME</b>			
Funding body grants	2	22,029	22,468
Tuition fees and education contracts	3	7,666	7,390
Other income	4	2,339	2,713
Endowment and investment income	5	6	13
Donations and Endowments	6	0	0
<b>Total income</b>		<b>32,040</b>	<b>32,584</b>
<b>EXPENDITURE</b>			
Staff costs	7	22,504	21,655
Other operating expenses	8	9,124	8,886
Depreciation	12	2,325	2,713
Interest and other finance costs	9	974	836
<b>Total expenditure</b>		<b>34,927</b>	<b>34,090</b>
<b>(Deficit) before other gains and losses</b>		<b>(2,887)</b>	<b>(1,506)</b>
Profit/(Loss) on disposal of assets		0	(200)
Gain on investments		(0)	26
Share of operating surplus/(deficit) in joint venture		(124)	(92)
<b>(Deficit) before tax</b>		<b>(3,011)</b>	<b>(1,772)</b>
Taxation	10	-	-
<b>Deficit for the year</b>	11	<b>(3,011)</b>	<b>(1,772)</b>
Actuarial gain /(loss) in respect of pensions schemes		5,553	(1,694)
Share of Joint venture's actuarial gain in respect of pensions schemes		400	407
Movement on endowment funds		-	-
<b>Total Comprehensive income for the year</b>		<b>2,942</b>	<b>(3,059)</b>
<b>Represented by:</b>			
Unrestricted comprehensive income		2,942	(3,080)
Restricted Endowment comprehensive income		(0)	21
		<b>2,942</b>	<b>(3,059)</b>
<b>Deficit for the year attributable to:</b>			
Non controlling interest		0	0
Group		<b>(3,011)</b>	<b>(1,772)</b>
<b>Total Comprehensive Income for the year attributable to:</b>			
Non controlling interest		0	0
Group		<b>2,942</b>	<b>(3,059)</b>

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES**

	Income and Expenditure account		Revaluation reserve	Total excluding Non controlling interest
	Endowment	Unrestricted		
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Balance at 1st August 2016</b>	278	(16,038)	3,122	(12,638)
Surplus/(deficit) from the income and expenditure account	21	(1,793)	-	(1,772)
Other comprehensive income	-	(1,287)	-	(1,287)
Transfers between revaluation and income and expenditure reserves	-	84	-84	-
<b>Total Comprehensive income for the year</b>	<b>21</b>	<b>(2,996)</b>	<b>(84)</b>	<b>(3,059)</b>
<b>Balance at 31st July 2017</b>	<b>299</b>	<b>(19,034)</b>	<b>3,038</b>	<b>(15,697)</b>
Surplus/(deficit) from the income and expenditure account	(0)	(3,011)	-	(3,011)
Other comprehensive income	-	5,953	-	5,953
Transfers between revaluation and income and expenditure reserves	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(0)</b>	<b>2,942</b>	<b>-</b>	<b>2,942</b>
<b>Balance at 31st July 2018</b>	<b>299</b>	<b>(16,092)</b>	<b>3,038</b>	<b>(12,755)</b>
<b>College</b>				
<b>Balance at 1st August 2016</b>	278	(14,608)	3,122	(11,208)
Surplus/(deficit) from the income and expenditure account	21	(1,701)	-	(1,680)
Other comprehensive income	-	(1,694)	-	(1,694)
Transfers between revaluation and income and expenditure reserves	-	84	(84)	-
<b>Total comprehensive income for the year</b>	<b>21</b>	<b>(3,311)</b>	<b>(84)</b>	<b>(3,374)</b>
<b>Balance at 31st July 2017</b>	<b>299</b>	<b>(17,919)</b>	<b>3,038</b>	<b>(14,582)</b>
Surplus/(deficit) from the income and expenditure account	-	(2,887)	-	(2,887)
Other comprehensive income	-	5,553	-	5,553
Transfers between revaluation and income and expenditure reserves	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,666</b>	<b>-</b>	<b>2,666</b>
<b>Balance at 31st July 2018</b>	<b>299</b>	<b>(15,253)</b>	<b>3,038</b>	<b>(11,916)</b>

THE BOURNEMOUTH AND POOLE COLLEGE

BALANCE SHEETS AS AT 31 JULY 2018

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Fixed assets</b>					
Tangible assets - Property & Equipment	12	31,113	31,113	32,399	32,399
Tangible assets - Heritage assets	13	399	399	399	399
<b>Total fixed assets</b>		<b>31,512</b>	<b>31,512</b>	<b>32,798</b>	<b>32,798</b>
<b>Current assets</b>					
Stock		16	16	14	14
Trade and other receivables	15	2,542	2,542	1,700	1,737
Investments	14	414	414	414	414
Cash and cash equivalents	23	2,788	2,788	4,252	4,215
<b>Total current assets</b>		<b>5,760</b>	<b>5,760</b>	<b>6,380</b>	<b>6,380</b>
Creditors: amounts falling due within one year	16	(4,961)	(4,961)	(5,675)	(5,675)
<b>Net current assets/(liabilities)</b>		<b>799</b>	<b>799</b>	<b>705</b>	<b>705</b>
<b>Total assets less current liabilities</b>		<b>32,311</b>	<b>32,311</b>	<b>33,503</b>	<b>33,503</b>
Creditors: amounts falling due after more than one year	17	(14,825)	(14,825)	(15,296)	(15,296)
<b>Provisions</b>					
Investment in joint venture	29	(838)	-	(1,115)	-
Defined benefit obligations	19	(470)	(470)	(470)	(470)
<b>Net assets excluding pension liability</b>		<b>16,178</b>	<b>17,016</b>	<b>16,622</b>	<b>17,737</b>
Net pension liability	24	(28,931)	(28,931)	(32,319)	(32,319)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>		<b>(12,753)</b>	<b>(11,915)</b>	<b>(15,697)</b>	<b>(14,582)</b>
<b>Restricted endowments</b>	21	<b>299</b>	<b>299</b>	<b>299</b>	<b>299</b>
<b>Unrestricted reserves</b>					
Income and expenditure account excluding pension reserve		12,839	13,678	13,285	14,400
Pension reserve		(28,931)	(28,931)	(32,319)	(32,319)
Income and expenditure account including pension reserve		(16,092)	(15,253)	(19,034)	(17,919)
Revaluation reserve	22	3,038	3,038	3,038	3,038
<b>Total unrestricted reserves</b>		<b>(13,054)</b>	<b>(12,215)</b>	<b>(15,996)</b>	<b>(14,881)</b>
<b>TOTAL</b>		<b>(12,755)</b>	<b>(11,916)</b>	<b>(15,697)</b>	<b>(14,582)</b>

The financial statements on pages 32 to 58 were approved and authorised for issue by the corporation on 13 December 2018 and were signed on its behalf on that date by:

J Hampton  
Chair

D Grannell  
Accounting Officer

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(3,011)	(1,772)
<b>Adjustment for non cash items</b>			
Depreciation		2,325	2,713
(Gain) on investments			(26)
Decrease/(Increase) in debtors		(842)	139
Increase/(decrease) in creditors due within one year		(714)	396
Increase in creditors due after one year		(208)	103
(Decrease) in provisions		-	-
Pensions costs less contributions payable		1,310	798
Share of operating deficit in joint venture		124	92
<b>Adjustment for investing or financing activities</b>			
Investment income		(6)	(13)
Interest payable		119	122
FRS 102 pension finance costs		855	714
Loss/(profit) on sale of fixed assets		0	200
		<u>(48)</u>	<u>3,466</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	93
Investment income		6	13
Withdrawal of deposits		-	-
Payments made to acquire fixed assets		(1,040)	(1,303)
New current asset investments		0	(114)
		<u>(1,034)</u>	<u>(1,311)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(119)	(122)
New secured loans		-	-
Repayments of amounts borrowed		(263)	(311)
Capital element of finance lease rental payments		-	-
		<u>(382)</u>	<u>(433)</u>
<b>(Decrease) / Increase in cash and cash equivalents in the year</b>		<u>(1,464)</u>	<u>1,721</u>
Cash and cash equivalents at beginning of the year	23	4,252	2,531
Cash and cash equivalents at end of the year	23	2,788	4,252
<b>(Decrease) / Increase</b>		(1,464)	1,721



## NOTES TO THE FINANCIAL STATEMENTS

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

### Basis of preparation

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

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

### Basis of Accounting

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

### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The college had total loans of £6.6 million as at 31 July 2018. In October 2014 the College refinanced its previous loans, drawing down a loan to the value of £5.5 million to fund the ongoing College Capital Investment Fund project, part funded by the SFA. Of this £1.9 million was repaid in September 2015 following the sale of the Lower Constitutional Hill site, with the remaining balance crystallising into a long term loan. The College's forecasts and financial projections indicate that it will be able to operate within this existing and planned facility and covenants for the foreseeable future.

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

### Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Bournemouth and Poole College Services Limited using acquisition accounting. Intra-group sales, balances and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018. Bournemouth and Poole College Services Limited was dormant in 2018. The investment in the subsidiary is held at nil value in the college's accounts.

## **Recognition of income**

### **Revenue grant funding**

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

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

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

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

### **Capital grant funding**

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

### **Fee income**

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

### **Investment income**

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

### **Agency arrangements**

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

### **Retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which are multi-employer defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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

cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified Government actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised in the Statement of Comprehensive Income as they are paid each year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals.

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

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

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

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

#### **Tangible Fixed Assets**

##### **Land and Buildings**

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at deemed cost. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life of up to 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

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.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July less any impairment loss. Finance set-up costs directly attributable to freehold developments are capitalised up to the date of completion of the project. Buildings are not depreciated until they are brought into use. Depreciation in the first year of use is charged from the month the building comes into use.

Where land and buildings are acquired 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 economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of inherited land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future.

Where significant expenditure is incurred on existing buildings, it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. Previously this was £500.

All other equipment is capitalised at cost.

Capitalised equipment has been depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	5 years
Computer equipment	3 years

Depreciation in the first year of use is charged in full.

Fully depreciated items are removed from the balance sheet on an annual basis.

#### Heritage Assets

Where an asset is deemed to have historic, artistic, scientific, technological, geophysical, or environmental qualities, and is held principally for its contribution to knowledge and culture it is classified as a heritage asset.

The College has a collection of artwork, consisting of sculptures and paintings, collected over the years for their educational value to art students in particular, but also to all vocational students and to the community as a whole.

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at market value for insurance purposes ascertained by the College at the time of the donation.



Heritage assets which were acquired on incorporation for no consideration, and pieces of artwork acquired after that date and prior to 31 July 2010, were brought into the accounts during the year ended 31<sup>st</sup> July 2010 via a prior year adjustment, at their market value for insurance purposes, or at the most reliable valuation available for each piece. The comparatives were restated to reflect the increase to their 2010 value for insurance purposes, with the surplus on revaluation being reported in the Statement of Comprehensive income, and within the revaluation reserve.

The collection of artwork is deemed to have an indeterminate life and a high residual value: hence the Trustees do not consider it appropriate to charge depreciation.

Preservation costs – expenditure which, in the Trustees' view, is required to preserve individual pieces of artwork is recognised in the Income and Expenditure account when it is incurred.

Further information on the collection is given in Notes 13 in the accounts.

### **Borrowing costs**

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

### **Leased assets**

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

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

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

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

### **Investments and endowment assets**

Listed investments held as fixed assets or endowment assets are stated at market value with movements recognised in Comprehensive Income. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

### **Stocks**

Stocks are stated at the lower of their cost using the FIFO method and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## **Cash and cash equivalents**

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

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

## **Financial liabilities and equity**

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

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

## **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

## **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks and building societies.

## **Provisions and contingent liabilities**

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

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

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



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

### **Endowment Funds**

The College has Restricted Endowment Funds that are managed on the College's behalf by the Community Foundation for Bournemouth Dorset and Poole (Charity no 1122113). Income to the funds is expended in accordance with the relevant trust deeds.

### **Jointly controlled entities**

Undertakings in which the group has a long term interest and shares control under a contractual arrangement are defined as jointly controlled entities. Jointly controlled entities are accounted for under the gross equity method.

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

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

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

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

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# THE BOURNEMOUTH AND POOLE COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

### 2 FUNDING BODY GRANTS

	2018	2017
	Group & College	Group & College
	£'000	£'000
<b>Recurrent grant</b>		
ESFA - Adult	2,820	2,350
ESFA - 16-18	14,536	14,738
ESFA - Apprenticeships	4,093	4,708
Higher Education Funding Council	226	340
<b>Specific Grants</b>		
Release of deferred capital grant	354	332
<b>TOTAL</b>	<b>22,029</b>	<b>22,468</b>

### 3 TUITION FEES AND EDUCATION CONTRACTS

	2018	2017
	Group & College	Group & College
	£'000	£'000
Adult education fees	1,552	1,627
Apprenticeship fees and contracts	1,343	634
Fees for FE loan supported courses	825	905
Fees for HE loan supported courses	1,459	1,859
International students fees	901	994
Education contracts *	1,586	1,371
<b>TOTAL</b>	<b>7,666</b>	<b>7,390</b>

\* The College is the lead partner in a consortium to deliver the Government's new Work Programme. The income shown above includes that earned by the College in its capacity both as a provider and as the consortium lead. All other income claimed from Working Links and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners were as follows:

	2018	2017
	Group & College	Group & College
	£'000	£'000
Work Programme income	669	761
Payments to non college partners	(320)	(440)
Payments to FE college partners	0	0
<b>Net income</b>	<b>349</b>	<b>321</b>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**4 OTHER INCOME**

	<b>2018</b>	<b>2017</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Other income:		
Cafeterias	837	820
Other income generating activities (Sales of books, equipment and materials)	260	255
Other grant income	225	255
Miscellaneous income	1,017	1,383
	<u>2,339</u>	<u>2,713</u>

**5 ENDOWMENT AND INVESTMENT INCOME**

	<b>2018</b>	<b>2017</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Income from investments (note 21)	0	8
Interest receivable	6	5
	<u>6</u>	<u>13</u>

The Endowment fund was granted to the College by the College Foundation during 2011. The entire endowment fund is on deposit with the Community Foundation for Bournemouth Dorset and Poole (Charity no 1122113), for use in accordance with specific restrictions as defined in the relevant trust deeds. The funds will be applied at the direction of the college, and the funds are repayable to the college upon written direction from the college directors. Income to this fund during the year under review was Nil (2017: £2,857.)

A separate Endowment fund was set up during 2013-14, as an Arts Prize Fund, using proceeds from the sale of artwork during the year ended July 2013. It is also on deposit with the Community Foundation for Bournemouth Dorset and Poole. Income to the Arts Prize Fund during the year under review was Nil (2017: £6,564.)

**6 DONATIONS**

	<b>2018</b>	<b>2017</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Unrestricted donations	0	0
	<u>0</u>	<u>0</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

## 7 STAFF COSTS - GROUP AND COLLEGE

The average number of persons (including senior post holders) employed by the College during the year, expressed as full-time equivalents, was:

	2018 No.	2017 No.
Teaching staff	287	291
Non-teaching staff	285	281
	<u>572</u>	<u>572</u>

	2018	2017
<b>Staff costs for the above persons:</b>		
Wages and salaries	16,254	16,286
Social security costs	1,463	1,461
Other pension costs (Note 24)	4,165	3,378
Payroll sub-total	<u>21,882</u>	<u>21,125</u>
Contracted out staffing services	363	429
	<u>22,245</u>	<u>21,554</u>
Fundamental restructuring costs- contractual	155	66
non contractual	104	35
<b>Total</b>	<u>22,504</u>	<u>21,655</u>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Vice Principals and Executive Director of Resources and Human Resources Director. 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 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>6</u>

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

	Key Management Personnel		Other Staff	
	Year ended 31 July 2018 No.	Year ended 31 July 2017 No.	Year ended 31 July 2018 No.	Year ended 31 July 2017 No.
£60,001 to £70,000	1	1	1	1
£70,001 to £80,000	0	1	0	0
£80,001 to £90,000	3	3	-	0
£120,001 to £130,000	0	0	0	0
£130,001 to £140,000	1	1	0	0
£140,001 to £150,000	0	0	0	0
	<u>5</u>	<u>6</u>	<u>1</u>	<u>1</u>

The above numbers include 1 person who were in post for part of the year (2016-17 - 2 people). In line with accounting guidance they have been included within the salary bandings as if they had been in post for the whole year.

**Key management personnel emoluments are made up as follows:**

	2018 £'000	2017 £'000
Salaries	448	465
National Insurance	54	59
Benefits in kind	-	-
	<u>502</u>	<u>524</u>
Pension contributions	142	56
<b>Total emoluments</b>	<u>644</u>	<u>580</u>

The above emoluments include an amount of £90k compensation for loss of office

The above emoluments include amounts payable to those who served as Accounting Officer (who is also the highest paid officer) of:

	2018 £'000 D Grannell	2017 £'000 D Grannell
Salary	138	135
National Insurance	18	18
Benefits in kind	-	-
	<u>156</u>	<u>153</u>
Pension contributions	21	18
<b>Total</b>	<u>177</u>	<u>171</u>

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

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**8 OTHER OPERATING EXPENSES**

	2018	2017
	Group & College	Group & College
	£'000	£'000
Teaching costs	4,233	4,071
Non teaching costs	3,021	2,896
Premises costs	1,870	1,919
Total	<u>9,124</u>	<u>8,886</u>

**Other operating expenses include:**

**Auditors' remuneration**

Financial Statements audit		
College	26	19
Wholly owned subsidiary	0	2
Internal audit	20	19
Other services from external audit	<u>0</u>	<u>0</u>
	46	40

Hire of plant and machinery - operating leases	227	211
	<u>273</u>	<u>251</u>

# THE BOURNEMOUTH AND POOLE COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

### 9 INTEREST PAYABLE

	2018	2017
	Group & College	Group & College
	£'000	£'000
On bank loans and overdrafts: Repayable in more than five years	119	122
Net interest on defined pension liability (note 24)	855	714
<b>Total</b>	<b>974</b>	<b>836</b>

### 10 TAXATION

	2018	2017
	Group & College	Group & College
	£'000	£'000
United Kingdom corporation tax		
The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.		

### 11 (DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

The deficit on continuing operations is made up as follows:

	2018	2017
	£'000	£'000
College's (deficit) for the year	(3,011)	(1,772)
Surplus generated by subsidiary undertakings and transferred to the college under gift aid	-	-
	<b>(3,011)</b>	<b>(1,772)</b>

The College owns 100% of the issued ordinary £1 shares of Bournemouth and Poole College Services Limited, a company incorporated in England and Wales. The company has not traded during the year.



THE BOURNEMOUTH AND POOLE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

12 TANGIBLE FIXED ASSETS (GROUP AND COLLEGE)

	Land and Buildings		Equipment	TOTAL
	Freehold	Leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	42,053	1,992	8,130	52,175
Additions	414		625	1,039
Disposals	0		0	0
At 31 July 2018	42,467	1,992	8,755	53,214
<b>Depreciation</b>				
At 1 August 2017	11,111	1,952	6,713	19,776
Charge for the year	1,315		1,010	2,325
Eliminated on disposals				0
At 31 July 2018	12,426	1,952	7,723	22,101
<b>Net book value</b>				
At 31 July 2018	30,041	40	1,032	31,113
<b>Net book value</b>				
At 1 August 2017	30,942	40	1,417	32,399

Inherited land and buildings were valued at open market value for existing use on 3 February 1993 at an amount of £6,985,000. They were acquired at incorporation at nil cost.

13 TANGIBLE FIXED ASSETS - HERITAGE ASSETS (GROUP AND COLLEGE)

	Sculptures	Paintings & Other	TOTAL
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2017	383	16	399
At 31 July 2018	383	16	399

A market valuation of the artwork acquired by the College on incorporation for no consideration was carried out for insurance purposes by Hazlitt Holland-Hibbert in September 2010. The artwork is disclosed on the balance sheet at 31 July 2017 and 31 July 2018 at the September 2010 valuation for insurance purposes.

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**14 CURRENT INVESTMENT ASSETS**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Short term investments in shares	414	414	414	414
Balance at 31 July	414	414	414	414

Funds are held and managed on behalf of the college by the Community Foundation for Bournemouth Dorset and Poole (Charity no 1122113).

**15 DEBTORS**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
<b>Amounts Falling Due Within One Year</b>				
Trade debtors	617	617	812	812
Amount due from subsidiary	126	126	-	36
Prepayments and accrued income	764	764	716	717
Amounts owed by the ESFA	1,035	1,035	172	172
	2,542	2,542	1,700	1,737

**16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Bank loans and overdrafts	302	302	302	302
Finance Leases	7	7	7	7
Trade payables	362	362	228	228
Pension scheme contributions	297	297	279	279
Other taxation and social security	383	383	352	352
Payments received in advance	648	648	949	949
Deferred income- government capital grants	346	346	440	440
Amounts owed to the ESFA	459	459	1,222	1,222
Accruals	2,157	2,157	1,843	1,843
VAT Provision	0	0	53	53
	4,961	4,961	5,675	5,675

THE BOURNEMOUTH AND POOLE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	6,335	6,335	6,598	6,598
Finance Leases	-	-	7	7
Deferred capital grants	8,490	8,490	8,691	8,691
	<u>14,825</u>	<u>14,825</u>	<u>15,296</u>	<u>15,296</u>

18 BORROWINGS

(a) Bank loans and overdrafts

The bank loans are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	302	302	302	302
Between one and two years	604	604	604	604
Between two and five years	906	906	906	906
In five years or more	4,825	4,825	5,088	5,088
	<u>6,637</u>	<u>6,637</u>	<u>6,900</u>	<u>6,900</u>

The college has loans to fund the ongoing college capital investment fund project, part funded by the SFA. The loans are secured on the college's land and buildings. One bank loan is repayable by instalments falling between 1/1/2016 and 1/1/2028. Interest is payable on this loan at 2% above LIBOR. The other loan is repayable by instalments falling due between 3/2/2015 and 31/8/2037. Interest is payable on this loan at 1.5% above LIBOR.

(b) Finance leases

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

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Not later than one year	7	7	7	7
Later than one year and not later than five years	-	-	7	7
Later than five years	-	-	-	-
	<u>7</u>	<u>7</u>	<u>14</u>	<u>14</u>

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

THE BOURNEMOUTH AND POOLE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Group and College	
	Enhanced Pension Provision	Total
	£'000	£'000
At 1 August 2017	470	470
Expenditure in the year	0	0
Transferred from income and expenditure account	0	0
At 31 July 2018	470	470

The Enhanced Pension Provision relates to the ongoing cost for staff who have left the College. It is calculated in accordance with guidance issued by the funding bodies.

20 LEASE OBLIGATIONS

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

	Group and College 2018 £'000	Group and College 2017 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>
<b>Other</b>		
Not later than one year	208	186
Later than one year and not later than five years	205	285
later than five years	-	-
	<u>413</u>	<u>471</u>

# THE BOURNEMOUTH AND POOLE COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

### 21 ENDOWMENTS RESERVE

	Restricted Permanent £'000	2018 Total £'000	2017 £'000
At 1 August	299	299	278
Increase in market value of investments	0	0	26
Investment income	0	0	9
Expenditure	0	0	(14)
Total endowments comprehensive income for the year	0	0	21
As at 31 July 2017	299	299	299
Represented by:			
Capital	275	275	275
Accumulated income	24	24	24
	299	299	299
Analysis by type of purpose			
Arts prize	197	197	197
General	102	102	102
	299	299	299
Analysis by asset			
Current asset investment		299	299
		299	299

Endowment funds owned by the College Foundation (charity no 1042508) were granted to the College in July 2011, prior to the winding up of the College Foundation. These funds are being held and managed on behalf of the college by the Community Foundation for Bournemouth Dorset and Poole (Charity no 1122113) in accordance with the terms of the trust deeds.

A separate Endowment fund was set up during 2013-14, as an Arts Prize Fund, using proceeds from the sale of artwork during the year ended July 2013. It is also on deposit with the Community Foundation for Bournemouth Dorset and Poole.

### 22 REVALUATION RESERVE

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
At beginning of year	3,038	3,038	3,122	3,122
Transfer from revaluation reserve to general reserve				
in respect of:				
Disposal of revalued land & buildings	0	0	-	-
Depreciation on revalued assets	0	0	(84)	(84)
At 31 July	3,038	3,038	3,038	3,038

### 23 CASH AND CASH EQUIVALENTS

	1 August 2017	Cashflows	31 July 2018
Cash at bank and in hand	4,252	(1,464)	2,788

## THE BOURNEMOUTH AND POOLE COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

#### 24 DEFINED BENEFIT OBLIGATIONS

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

##### Total pension cost for the year

	2018 £'000	2017 £'000
Teachers Pension Scheme contribution paid	1,449	1,441
Local Government Pension Scheme:		
Contributions paid	1,371	1,112
FRS 102 (28) adjustment	1,310	798
Charge to the Statement of Comprehensive Income	2,681	1,910
Enhanced pension charge to Statement of Comprehensive Income	35	26
<b>Total Pension Cost for Year</b>	<b>4,165</b>	<b>3,377</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries.

The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

##### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

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

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fee), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,449k (2017: £1,441k).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.



# THE BOURNEMOUTH AND POOLE COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

### 24 DEFINED BENEFIT OBLIGATIONS (continued)

#### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions 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.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Dorset Local Authority. The total contribution for the year was £1,853k of which employer's contributions totalled £1,448k and employees contributions totalled £405k. The agreed contribution rates for future years for employers are 15.5% and lump sums of £551k in year to April 2018 and £566k in year to April 2019 range from 5½% to 7½% for employees dependent on their salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2018 by a qualified independent actuary.

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

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

	At 31 July 2018	At 31 July 2017
<i>Retiring today</i>		
Males	24.0	23.9
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	26.3	26.1
Females	28.4	28.3

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**24 DEFINED BENEFIT OBLIGATIONS (continued)**

The College's estimated share of assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 18	Value at 31 July 17
	£'000	£'000
Equities	24,186	22,902
Gilts	5,546	5,527
Other Bonds	3,061	4,704
Other Assets	6,583	3,637
Property	4,490	3,656
Cash	413	1,116
Total market value of assets	<u>44,279</u>	<u>41,542</u>

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

	2018 £'000	2017 £'000
Fair value of plan assets	44,279	41,542
Present value of plan liabilities	(73,210)	(73,861)
Net pension (liability)	<u>(28,931)</u>	<u>(32,319)</u>

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

	2018 £'000	2017 £'000
Amounts Included in staff costs		
Current service cost and administration expenses	2,610	1,897
Past service costs	148	20
	<u>2,758</u>	<u>1,917</u>

	2018 £'000	2017 £'000
Amounts included in Interest and other finance charges		
Net interest cost	855	714
	<u>855</u>	<u>714</u>

Amounts recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on pension plan assets	1,137	4,769
Changes in assumptions underlying the present value of plan liabilities	4,416	(6,463)
Amounts recognised in Other Comprehensive Income	<u>5,553</u>	<u>(1,694)</u>

THE BOURNEMOUTH AND POOLE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

24 DEFINED BENEFIT OBLIGATIONS (continued)

Movement in net defined benefit (liability) during the year

	2018 £'000	2017 £'000
Deficit in scheme at 1 August	(32,319)	(29,113)
Movement in the year:		
Current service cost	(2,576)	(1,868)
Administrative expenses	(34)	(29)
Employer contributions	1,448	1,119
Net interest on the defined (liability)	(855)	(714)
Curtailments and settlements	(148)	(20)
Actuarial Gain (loss)	5,553	(1,694)
Net defined benefit (Liability) at 31 July	<u>(28,931)</u>	<u>(32,319)</u>

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at the start of period	73,861	64,982
Current service cost	2,576	1,868
Interest cost	1,983	1,611
Employee contributions	405	372
Changes in financial assumptions	(4,416)	4,847
Changes in demographic assumptions	0	945
Experience loss/(gain) on defined benefit obligation	0	671
Past service costs, including curtailments	148	20
Benefits paid	<u>(1,347)</u>	<u>(1,455)</u>
Defined benefit obligations at the end of period	<u>73,210</u>	<u>73,861</u>

	2018 £'000	2017 £'000
Reconciliation of Assets		
Fair value of plan assets at start of period	41,542	35,869
Interest on plan assets	1,128	897
Return on plan assets	1,137	4,769
Administrative expenses	(34)	(29)
Employer contributions	1,448	1,119
Employee contributions	405	372
Benefits paid	<u>(1,347)</u>	<u>(1,455)</u>
Fair value of plan assets at end of period	<u>44,279</u>	<u>41,542</u>

The estimated value of employer contributions for the year ended 31 July 2018 is £1,448k (2017 £1,119k).

## THE BOURNEMOUTH AND POOLE COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

#### 25 CONTINGENT LIABILITIES

The College has provided a guarantee to the Dorset County Pension Fund section of the Local Government Pension Scheme, in respect of the past and future liabilities to the Funds for 49 employees. These 49 employees had their employment transferred to Wessex Education Shared Services Limited, a joint venture company of the College, on 1 August 2013. The guarantee will only be triggered in the event that the joint venture company is declared insolvent, or that the joint venture company fails to pay a contribution to the Fund within sixty days of the date it falls due. It is not possible to quantify what the liability would be in this event.

#### 26 CAPITAL COMMITMENTS

	Group and College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	365	159

#### 27 RELATED PARTY TRANSACTIONS

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

The total expenses paid to or on behalf of the Governors during the year was £xxxx; x governors (2017: £1,497; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings, conferences and other events in their official capacity.

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

*Wessex Education Shared Services Limited (WESS) - A joint venture between Bournemouth and Poole College and Brockenhurst College*

During the year under review income to the College from its joint venture (WESS) amounted to £60,066 relating to recharged expenses (2017 £86,096). Also during the year under review the College paid £1,447,000 to its joint venture (2017 £1,425,820), which represented payments in respect of the Service Level Agreement existing between the two entities. At the year end the College was owed £89,935 by WESS (2017 £40,935) and the College owed WESS nil (2017 nil). The College's share of net liabilities in its joint venture are shown at note 29.

The College has provided a guarantee to the Dorset County Pension Fund section of the Local Government Pension Scheme, in respect of the past and future liabilities to the Funds for 49 employees. These 49 employees had their employment transferred to Wessex Education Shared Services Limited on 1 August 2013.

# THE BOURNEMOUTH AND POOLE COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

### 28 AMOUNTS DISBURSED AS AGENT

<b>Learner Support Fund</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Funding body grants - bursary support	443	388
Funding body grants - discretionary learner support	204	204
Other funding body grants	73	185
	<hr/>	<hr/>
	719	777
Disbursed to students	(581)	(620)
Audit and administration	(21)	(22)
	<hr/>	<hr/>
Balance unspent as at 31 July and included in creditors	117	135

Funding Body grants are available solely for students. In the majority of instances, the College only acts as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. Learner Support Funds have been accounted for in line with the College Accounts Direction Handbook 2017.

### 29 JOINT VENTURES

	<b>2018 £'000</b>	<b>2017 £'000</b>
Share of assets		
Share of fixed assets	50	49
Share of current assets	73	37
	<hr/>	<hr/>
	123	86
Share of liabilities		
Liabilities due within one year or less	(130)	(81)
Share of pension liabilities	(831)	(1,120)
	<hr/>	<hr/>
	(961)	(1,201)
Share of net liabilities	<hr/>	<hr/>
	(838)	(1,115)

The College has a 50% share with Brockenhurst College in a jointly owned venture called Wessex Education Shared Services Limited (WESS). Its principal activities is the provision of Finance, HR, Payroll, and MI services to its member colleges.

