

# **THE BOURNEMOUTH & POOLE COLLEGE**

## **ANNUAL REPORT** **and** **FINANCIAL STATEMENTS**

**For Year Ended 31 July 2016**

# **THE BOURNEMOUTH AND POOLE COLLEGE**

## **REPORTS and FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2016**

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**THE BOURNEMOUTH & POOLE COLLEGE**  
**OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

**NATURE, STRATEGIES AND OBJECTIVES**

The members present their report and the audited financial statements for the year ended 31 July 2016.

**Legal Status**

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

**Mission**

Our mission is:

'Everything we do ensures that our students become qualified, find jobs, keep them and progress in their careers.'

This Statement is supported by a set of core values:

- Committed to Learning
- Make it Enjoyable
- Consistent and Fair
- Respectful and Considerate
- Valuing the Contribution.

**Public Benefit**

The Bournemouth & Poole College is an exempt charity under Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17-18.

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 set 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,
- partnerships with employers, industry and commerce,
- partnerships with local voluntary organisations.

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

### **Implementation of Strategic Plan**

The Board has agreed the following Strategic Outcomes as the defining purpose of The Bournemouth and Poole College:

The Bournemouth & Poole College exists so that students, employers and communities from Bournemouth, Dorset and Poole and beyond are equipped for the futures to which they aspire at a cost that represents excellent value for money.

#### **SO-1 for our Students**

Students have the skills, confidence and knowledge to make a successful transition into work or the next stage of their career or education.

#### **SO-2 for Employers**

Employers have the skilled people they need to create and develop a prosperous and sustainable economy.

#### **SO-3 for Communities**

Community organisations have relationships with the College that help them fulfil their aims / outcomes.

In March 2014 we adopted a new Strategic Plan "Student First" for the three year period 2014 to 2017. The Strategic Plan sets out our ten strategic priorities which are:

- To improve the quality of teaching, learning and assessment.
- To modernise and reform the curriculum.
- To grow, consolidate or reduce the curriculum offer.
- To improve student progression, employability and wider student outcomes.
- To increase the involvement of businesses / employers in curriculum design and delivery.
- To enhance the learning environment.
- To more effectively support students.
- To more effectively support teaching staff.
- To improve the student voice.
- To develop effective partnerships.

These priorities are underpinned by sets of objectives that are contained in the Teaching, Learning and Assessment Strategy. In addition, "Student First" is supported by a set of response plans:

- Finance Response Plan,
- Human Resources Response Plan,
- Property Response Plan,
- Marketing and Sales Response Plan,
- Media and IT Response Plan.

Each year, we set key performance targets relating to the achievement of all elements of the Strategic Plan and progress against these is monitored at each business meeting of the Corporation.

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

### **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 website which looks at measures such as Success Rates. We are required to complete the annual Finance Record for the 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**

The College generated a deficit for the year of £(189k) (15/16: £(1,083k), with total comprehensive income of £(9,681k) (2015: £(217k)). Total comprehensive income is after accounting for actuarial gains and (losses) on pension schemes of £(9,492k) (2015: gain £866k).

Accumulated income and expenditure reserves at 31 July 2016 were £(16,038k) (14/15: £(6,803k) and cash balances were £2.5M (14/15: £1.6m).

Tangible fixed asset additions during 2015/16 totalled £4.2M (14/15: £10.2m). Of this, £2.9M was property related expenditure (14/15: £8.6m) and expenditure on new equipment was £1.3M (14/15: £1.6M). The increase reflects our continuing strategy of investing 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 2015/16 the funding bodies provided 69% of our total income (14/15: 68%).

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

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. Borrowing requires the authorisation of the Corporation and must comply with the requirements of the Financial Memorandum agreed with the Skills Funding Agency.

We are proactive in maximising the return from Treasury Management activities and work to the following requirements:

- funds are available to cover outgoings as they fall due.
- temporary cash surpluses are invested to earn the best return available – consistent with appropriate management effort and the minimisation of risk – bearing in mind that investment is not a primary activity of colleges.
- borrowing is only undertaken when commercially prudent and on the most advantageous terms – consistent with the need to ensure financial stability.

### **Cashflows and liquidity**

The cash inflow from operating activities was £4,922k (14/15: £4,402k). Total cash balances increased by £954k in year (14/15: decrease £415k). Cash at bank and on hand on 31 July 2016 was £2.5M. (14/15: £1.6M).

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.

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

### **Student Numbers**

In 2015/16 the College delivered activity that produced £24.1M in funding body main allocation funding (2014/15: £24.6m). The College had 6,850 FE funded students, 598 HE students and 3101 non funded students (2014/15: 7,283, 703 and 1,855).

### **Student Success**

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

## **THE BOURNEMOUTH & POOLE COLLEGE**

### **OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

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 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.

	<b>15/16</b>	<b>14/15</b>	<b>13/14</b>
16-18 year olds	76.88%	75.26%	84.12%
19+	79.88%	81.18%	90.85%
Maths inc GCSE	60.11%	55.98%	64.43%
English	66.73%	69.61%	68.38%
<b>Total</b>	<b>77.65%</b>	<b>77.11%</b>	<b>78.76%</b>

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 is enrolled onto a Mathematics and English course to work towards achieving a minimum grade A\*-C GCSE
- 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.

### **Curriculum**

All full time 16-18 year old students access Study Programmes which includes their main qualification, English, maths and ICT skills, 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.

Following the creation of a Science, Technology, Engineering and Mathematics (STEM) Centre, the Peter Jones Enterprise Academy, the Marine Technology Centre, a Financial Services Centre and an International Centre, further modernisation and response to Local Enterprise Partnership (LEP) priority is evident in the Care Innovation Care Centre. Students are also benefiting from contemporary Learning Resource Centres at the North Road and Lansdowne sites and a Fitness Centre. Students have now relocated from Lower Constitution Hill to the new wing at North Road. This has been enhanced by a number of 'Heppell' rooms to provide innovative and contemporary learning spaces. Also included are new science laboratories, Jellicoe theatre, Mac suites and a green room. A new composites centre, at the Fulcrum, has opened to enhance Marine Engineering. An internal and external refurbishment of Engineering and Advance Manufacturing has commenced at North Road, to support LEP priorities. At Lansdowne work has commenced refurbishing Finance and Business delivery areas, also in support of LEP priorities.

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

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

### **Future Developments**

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 professional training and also some measured expansion of our overseas activities.

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 £34.5M held in fixed assets on the three College sites, this includes £0.4M of Heritage assets.

At 31 July 2016, we had total net liabilities of £(12.6M), including £29.1M pension liability and long term debt of £6.8M.

#### **People**

During 2015/16 we employed 617 full-time equivalent staff (FTE's), of which 328 FTE's were teaching staff.

During the year, we restructured a number of areas in the college in order to realign our organisation to future priorities and needs. The key organisational change was the reorganisation of the curriculum (teaching and learning) areas into a smaller number of larger directorates. This resulted in a significant reduction in the number of senior management posts. In addition to this the management and support for apprenticeship provision was centralised under one new director level post to enable a more consistent service provision together with an enhanced ability to prepare effectively for the introduction of the new apprenticeship levy and apprenticeship standards that will replace existing frameworks.

A further change was to enhance the focus on developing and growing our commercial (full-cost) business again through the centralising of business development and delivery planning capacity through a new post of Head of Commercial Delivery.



## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

Better strategic overview of training and development priorities also enabled more targeted personal development provision to be delivered together with cross-college development days that enabled all staff to participate in mixed groups, facilitating the sharing of best practice.

Employee Engagement remains as a major focus for 2016/17 and our next Employee Survey is scheduled for February 2017. Within this staff development will continue to be a key priority.

### **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 IQER (March 2012),
- 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 developed and embedded a system of internal control, including financial, operational and risk management that is designed to protect our assets, operations and reputation. A review in 2012/13, which was supported by the Internal Auditors, led to changes that strengthened the links between operational activities and risk and became more explicit about sources of assurance. The whole process of risk management and board assurance is the subject of a review by the internal auditors throughout 2016/17 under the direction of our Audit Committee.

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 risk register is maintained at college level and is reviewed at each Audit Committee meeting and a risk movement chart is presented to each meeting of the Corporation. 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.

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. We analyse our risks into eight categories:

1. Academic and Quality
2. People
3. Finance
4. Physical Resources
5. Partnerships
6. Projects
7. Strategic Environment
8. Compliance and Data Security Risks

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

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.

Two key risks the college faces which have been difficult to evaluate are the impact of Brexit and the impact of the Dorset Area Review. In both cases the risks have been identified to Audit Committee and the college Executive have kept themselves as well appraised with developments as possible so emerging specific risks can be mitigated.

### **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

## **THE BOURNEMOUTH & POOLE COLLEGE OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

- 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**

We updated our Equality, Diversity and Inclusion Policy during the 2013/14 year. The full Policy is available on our website, but 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 Executive team. 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.

**THE BOURNEMOUTH & POOLE COLLEGE  
OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2016**

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.

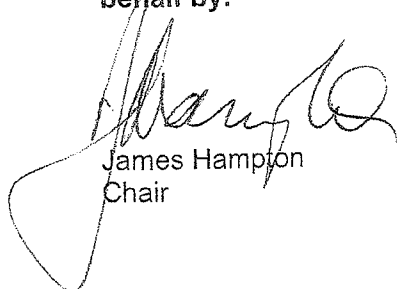
Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard college format.

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 Auditors**

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

**Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:**



James Hampton  
Chair

## **THE BOURNEMOUTH AND POOLE COLLEGE**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

#### **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 2015 to 31 July 2016 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 2016. 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. There are at least eight meetings a year and this was the case in 2015/16. 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 BOURNEMOUTH AND POOLE COLLEGE**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

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 five 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 – for example, Maths and English. 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. The on-going development of new and existing Board Members' understanding of teaching, learning and assessment is a priority in the Board's Annual Training Plan to improve Members' confidence and ability to scrutinise, challenge and support the College Executive Team. Board Members carry out learning walks and 'speed-networking' activities with College managers and students.

## **THE BOURNEMOUTH AND POOLE COLLEGE**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

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 the period June – September 2016. The Chair's performance was reviewed by the Corporation on 7 July 2016. The Corporation assessed its overall performance on 7 October 2016 from which an Improvement Plan for 2016-17 is being developed.

#### **Remuneration Committee**

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised four 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 2016 are set out in note 7 to the financial statements.

#### **Audit Committee**

Throughout the year ending 31 July 2016 the Audit Committee comprised two members of the Corporation (excluding the Accounting Officer and Chair) plus one external co-opted member who is a qualified accountant and who acted as Committee Chair. From 1 August 2016 one of the full time Corporation members took over as Chair of the Committee. 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 and the Vice Principal Finance, 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 BOURNEMOUTH AND POOLE COLLEGE

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS

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 2016 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 2016 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 *Joint 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 BOURNEMOUTH AND POOLE COLLEGE

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS

- 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 December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Executive Team and internal audit, and taking account of events since 31 July 2016.

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"*

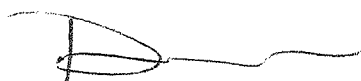
#### Going Concern

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 15 December 2016 and signed on its behalf by:



J Hampton  
Chair



D Grannell  
Accounting Officer

**THE BOURNEMOUTH AND POOLE COLLEGE  
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

**MEMBERS AND PROFESSIONAL ADVISERS**

The members who served on the Corporation during the year and up to the date of signature of this report as listed in Table 2

**Table 2a: Members serving on the College Board during 2015-16**

Name	Date of Appointment	Term of Office	Date of Resignation	Committees Served	Attendance* Total No of meetings held: Full Board - 8 Audit Committee - 3 Search Committee - 3 Remuneration Comm - 1
Mr R Blaber	11 December 2008			Vice-Chair: Corporation Audit Board Shared Services Rep	Full Board: 87.5% Audit Committee: 100%
	Re-appointed:				
	10 December 2012	4 years			
Mr F Davis	1 September 2014 (re-appointed Nov 2015 for 2nd 1-year term)	1 academic year (Student Member)	June 2016		Full Board: 100%
Mr D Ford	1 April 2015	3 years		Finance Advisory Group Collaborative Partnership Group	Full Board: 63%
Mrs L Carver (formerly Ms L Gibbons)	1 March 2015 (NB Maternity leave July 2015 - Jan 2016)	3 years		Board Lead for Safeguarding & Prevent	Full Board: 80%
Mrs C Foster	1 September 2015	3 years		Search Remuneration	Full Board: 87.5% Search Committee: 100% Remuneration: 100%
Mrs D Grannell	1 September 2015	Principal		Search	Full Board: 100% Search: 66.7%
Mr J Hampton	1 September 2014	3 years		Chair: Corporation Chair: Search Chair: Remuneration Collaborative Partnership Group	Full Board: 87.5% Search Committee: 100% Remuneration: 100%
Mr T Millar	18 October 2012 Re-appointed 17 October 2015	3 years		Search Remuneration	Full Board: 75% Search Committee: 100% Remuneration: 100%
Mr S Munford	9 October 2015	2 years (Staff Member)		Board Lead for E&D	Full Board: 57.1%
Mrs G Ninnim	1 September 2014	3 years		Audit	Full Board: 100% Audit: 100%
Miss D Penn	1 September 2015	1 academic year (Student Member)	6 November 2015		Full Board: 0%
Miss E Plenkowska	22 February 2016	Remainder of academic year (Student Member)	June 2016		Full Board: 66.7%
Miss C Ribeiro	1 September 2015	1 academic year (Student Member)	10 December 2015		Full Board: 50%
Mr G Spencer	16 December 1999			Search Remuneration Finance Advisory Group	Full Board: 100% Search Committee: 100% Remuneration: 100%
	Re-appointed:				
	16 December 2003				
	20 December 2007				
	11 December 2008				
	10 December 2009				
	10 December 2013	3 years			
Mr J Taylor	1 August 2015	3 years		Collaborative Partnership Group	Full Board: 100%
Mr L Vincent	1 December 2007	Principal	31 August 2015	Search	N/A
Ms L Walford	1 September 2012	3 years	31 August 2015 (end of term of office)	Vice-Chair: Corporation Search Remuneration Board Lead for Safeguarding	N/A
Harry Mears - Co-opted Chair of Audit Committee (open invitation to all Board meetings)					Audit: 66.7%
<b>Overall Attendance 2015-16*</b>					<b>Total: 85%</b>

**Professional Advisers**

External Auditors: RSM UK Audit LLP, Chandlers Ford, Hants  
Internal Auditors: TIAA Ltd, Gosport, Hants  
Bankers: Lloyds Bank, Southampton  
Solicitors: Steele Raymond LLP, Bournemouth

Key Management Personnel are listed in Note 7 of these accounts

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

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

**MEMBERS AND PROFESSIONAL ADVISERS**

The members who served on the Corporation during the year and up to the date of signature of this report as listed in Table 2

**Table 2b: Members serving on the College Board during the period 1 August - 15 December 2016**

<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: Full Board - 6 Audit Committee - 1 Search Committee - 2 Remuneration Comm - 0
Mr R Blaber	11 December 2008			Vice-Chair: Corporation Chair: Audit Board Shared Services Lead	Full Board: 83% Audit Committee: 100%
	Re-appointed:				
	10 December 2012	4 years			
	10 December 2016	3 years			
Mr F Davis	1 September 2014 6 November 2015 1 September 2016	1 academic year (Student Member)			Full Board: 100%
Mr D Ford	1 April 2015	3 years		Finance Advisory Group Collaborative Partnership Group	Full Board: 67%
Mrs L Carver	1 March 2015 (NB Maternity leave July 2015 - Jan 2016)	3 years		Board Lead for Safeguarding & Prevent	Full Board: 75 %
Mrs C Foster	1 September 2015	3 years		Search Remuneration	Full Board: 100% Search Committee: 100% Remuneration: N/A
Mrs D Grannell	1 September 2015	Principal		Search	Full Board: 100% Search: 100%
Mr J Hampton	1 September 2014	3 years		Chair: Corporation Chair: Search Chair: Remuneration Collaborative Partnership Group	Full Board: 100% Search Committee: 100% Remuneration: N/A
Mr E Hynes	1 September 2016	1 Term (Student Member)			Full Board: 100%
Mr T Millar	18 October 2012 Re-appointed 17 October 2015	3 years		Search Remuneration	Full Board: 83% Search Committee: 100% Remuneration: N/A
Mr S Munford	9 October 2015	2 years (Staff Member)		Board Lead for E&D	Full Board: 83%
Mrs G Ninnim	1 September 2014	3 years		Audit	Full Board: 83% Audit: 100%
Mr G Spencer	16 December 1999			Search Remuneration Finance Advisory Group	Full Board: 100% Search Committee: 100% Remuneration: N/A
	Re-appointed:				
	16 December 2003				
	20 December 2007				
	11 December 2008				
	10 December 2009				
	10 December 2013	3 years, extended to 15 Dec 2016			
Mr J Taylor	1 August 2015	3 years		Collaborative Partnership Group	Full Board: 50%
Harry Mears - Co-opted Member of Audit Committee					Audit: 100%
Martin Lucas - Co-opted Member of Audit Committee					Audit: 100%
<b>Overall Attendance Aug-Dec 2016*</b>					<b>Total: 88%</b>

**Professional Advisers**

External Auditors: RSM UK Audit LLP, Chandlers Ford, Hants

Internal Auditors: TIAA Ltd, Gosport, Hants

Bankers: Lloyds Bank, Southampton

Solicitors: Steele Raymond LLP, Bournemouth

Key Management Personnel are listed in Note 7 of these accounts

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

**THE BOURNEMOUTH AND POOLE COLLEGE**

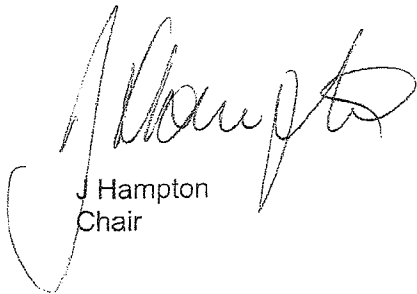
**Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration, the Corporation has 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 Skills Funding Agency's 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 Skills Funding Agency.

**Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:**



J Hampton  
Chair



D Grannell  
Accounting Officer

## THE BOURNEMOUTH AND POOLE COLLEGE

### 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.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, requires the Corporation to prepare financial statements and a strategic report for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *Accounts Direction for 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

**Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:**

  
J Hampton  
Chair

## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF THE BOURNEMOUTH & POOLE COLLEGE**

We have audited the Consolidated and College financial statements (the "financial statements") which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated and College Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Governing Body, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 18 November 2015. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required under our engagement letter dated 18 November 2015 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the Governing Body of the Bournemouth & Poole College and Auditor**  
As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 20, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 18 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **Opinion on financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Groups' and the College's affairs as at 31 July 2016 and of the Group's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

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

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



**RSM UK AUDIT LLP**  
Chartered Accountants  
Highfield Court  
Tollgate  
Chandlers Ford  
Hampshire  
SO53 3TY

Dated: 16/12/16

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JULY 2016**

		2016 £'000	2015 £'000
	Notes		
<b>Income</b>			
Funding body grants	2	24,333	24,789
Tuition fees and education contracts	3	7,803	8,639
Other income	4	2,749	2,831
Endowment and investment income	5	18	14
Donations	6	115	
<b>Total income</b>		<b>35,018</b>	<b>36,273</b>
<b>Expenditure</b>			
Staff costs	7	22,835	23,134
Exceptional restructuring costs	7	411	395
Other operating expenses	8	8,852	9,612
Depreciation	12	3,398	3,147
Interest and other finance costs	9	874	940
<b>Total expenditure</b>		<b>36,370</b>	<b>37,228</b>
<b>(Deficit) before other gains and losses</b>		<b>(1,352)</b>	<b>(955)</b>
Profit/ (Loss) on disposal of fixed assets		1,245	(44)
Gain on investments		9	14
Share of operating (deficit) in joint ventures		(91)	(98)
<b>(Deficit) before tax</b>		<b>(189)</b>	<b>(1,083)</b>
Taxation	10	-	-
<b>(Deficit) for the year</b>	11	<b>(189)</b>	<b>(1,083)</b>
Actuarial (loss)/gain in respect of pensions schemes		(8,882)	960
Share of Joint ventures's actuarial (loss) in respect of pensions schemes		(610)	(94)
Movement on endowment funds			
<b>Total Comprehensive income for the year</b>		<b>(9,681)</b>	<b>(217)</b>
<b>Represented by:</b>			
Unrestricted comprehensive income		(9,696)	(235)
Restricted Endowment comprehensive income		15	18
		<b>(9,681)</b>	<b>(217)</b>
<b>Deficit for the year attributable to:</b>			
Non controlling interest		0	0
Group		<b>(189)</b>	<b>(1,083)</b>
<b>Total Comprehensive Income for the year attributable to:</b>			
Non controlling interest		0	0
Group		<b>(9,681)</b>	<b>(217)</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>Restated balance at 1st August 2014 (incl Endowment Reserve)</b>	245	(6,657)	3,672	(2,740)
Surplus/(deficit) from the income and expenditure account	9	(1,092)	-	(1,083)
Other comprehensive income	9	857	-	866
Transfers between revaluation and income and expenditure reserves		89	(89)	-
<b>Total Comprehensive income for the year</b>	<b>18</b>	<b>(146)</b>	<b>(89)</b>	<b>(217)</b>
<b>Balance at 31st July 2015</b>	<b>263</b>	<b>(6,803)</b>	<b>3,583</b>	<b>(2,957)</b>
Surplus/(deficit) from the income and expenditure account	15	(204)	-	(189)
Other comprehensive income		(9,492)	-	(9,492)
Transfers between revaluation and income and expenditure reserves		461	(461)	-
<b>Total comprehensive income for the year</b>	<b>15</b>	<b>(9,235)</b>	<b>(461)</b>	<b>(9,681)</b>
<b>Balance at 31st July 2016</b>	<b>278</b>	<b>(16,038)</b>	<b>3,122</b>	<b>(12,638)</b>
<b>College</b>				
<b>Restated balance at 1st August 2014</b>	245	(6,119)	3,672	(2,202)
Surplus/(deficit) from the income and expenditure account	9	(994)	-	(985)
Other comprehensive income	9	951	-	960
Transfers between revaluation and income and expenditure reserves		89	(89)	-
<b>Total comprehensive income for the year</b>	<b>18</b>	<b>46</b>	<b>(89)</b>	<b>(25)</b>
<b>Balance at 31st July 2015</b>	<b>263</b>	<b>(6,073)</b>	<b>3,583</b>	<b>(2,227)</b>
Surplus/(deficit) from the income and expenditure account	15	(114)		(99)
Other comprehensive income		(8,882)		(8,882)
Transfers between revaluation and income and expenditure reserves		461	(461)	-
<b>Total comprehensive income for the year</b>	<b>15</b>	<b>(8,535)</b>	<b>(461)</b>	<b>(8,981)</b>
<b>Balance at 31st July 2016</b>	<b>278</b>	<b>(14,608)</b>	<b>3,122</b>	<b>(11,208)</b>

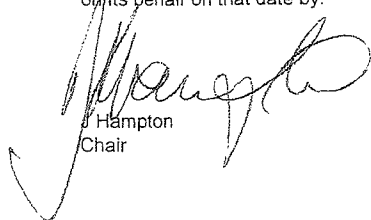


THE BOURNEMOUTH AND POOLE COLLEGE

BALANCE SHEETS AS AT 31 JULY 2016

	Notes	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
<b>Fixed assets</b>					
Tangible assets - Property & Equipment	12	34,102	34,102	33,314	33,314
Tangible assets - Heritage assets	13	399	399	399	399
<b>Total fixed assets</b>		<b>34,501</b>	<b>34,501</b>	<b>33,713</b>	<b>33,713</b>
<b>Current assets</b>					
Stock		14	14	14	14
Debtors	16	1,839	1,876	2,488	2,523
Assets held for resale	14	0	0	612	612
Investments	15	278	278	263	263
Cash at bank and in hand		2,531	2,493	1,577	1,540
<b>Total current assets</b>		<b>4,662</b>	<b>4,661</b>	<b>4,954</b>	<b>4,952</b>
Creditors: amounts falling due within one year	17	(5,359)	(5,359)	(8,011)	(8,009)
<b>Net current (liabilities)</b>		<b>(697)</b>	<b>(698)</b>	<b>(3,057)</b>	<b>(3,057)</b>
<b>Total assets less current liabilities</b>		<b>33,804</b>	<b>33,803</b>	<b>30,656</b>	<b>30,656</b>
Creditors: amounts falling due after more than one year	18	(15,428)	(15,428)	(13,447)	(13,447)
<b>Provisions</b>					
Investment in joint venture	30	(1,431)		(730)	
Defined benefit obligations	20	(470)	(470)	(493)	(493)
<b>Net assets excluding pension liability</b>		<b>16,475</b>	<b>17,905</b>	<b>15,986</b>	<b>16,716</b>
Net pension liability	25	(29,113)	(29,113)	(18,943)	(18,943)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>		<b>(12,638)</b>	<b>(11,208)</b>	<b>(2,957)</b>	<b>(2,227)</b>
 Restricted endowments	22	 278	 278	 263	 263
<b>Unrestricted reserves</b>					
Income and expenditure account excluding pension reserve		13,075	14,505	12,140	12,870
Pension reserve		(29,113)	(29,113)	(18,943)	(18,943)
Income and expenditure account including pension reserve		(16,038)	(14,608)	(6,803)	(6,073)
Revaluation reserve	23	3,122	3,122	3,583	3,583
<b>Total unrestricted reserves</b>		<b>(12,916)</b>	<b>(11,486)</b>	<b>(3,220)</b>	<b>(2,490)</b>
<b>TOTAL</b>		<b>(12,638)</b>	<b>(11,208)</b>	<b>(2,957)</b>	<b>(2,227)</b>

The financial statements on pages 22 to 52 were approved and authorised for issue by the corporation on 15 December 2016 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	2016 £'000	Restated 2015 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(189)	(1,083)
<b>Adjustment for non cash items</b>			
Depreciation		3,398	3,147
(Increase)/decrease in stocks		0	1
Decrease/(increase ) in debtors		649	(203)
Increase/(decrease) in creditors due within one year		(807)	(2,239)
Increase/(decrease in creditors due after one year		1,612	3,438
Increase/(decrease) in provisions		(23)	(168)
Pensions costs less contributions payable		589	446
Share of operating (deficit) in joint venture		91	98
<b>Adjustment for investing or financing activities</b>			
Investment income		(27)	(19)
Interest payable		175	147
FRS 102 pension finance costs		699	793
(Profit)/ Loss on sale of fixed assets		(1,245)	44
		<u>4,922</u>	<u>4,402</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		1,884	
Investment income		12	5
Withdrawal of deposits			500
Payments made to acquire fixed assets		(4,213)	(10,169)
		<u>(2,317)</u>	<u>(9,664)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(175)	(147)
New secured loans		650	8,800
Repayments of amounts borrowed		(2,120)	(3,799)
Capital element of finance lease rental payments		(6)	(7)
		<u>(1,651)</u>	<u>4,847</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<u>954</u>	<u>(415)</u>
Cash and cash equivalents at beginning of the year	24	1,577	1,992
Cash and cash equivalents at end of the year	24	2,531	1,577

## **BOURNEMOUTH AND POOLE COLLEGE 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 2015 to 2016* 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.

### **Transition to the 2015 FE HE SORP**

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 31.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

The accounts are prepared and presented in Sterling and are rounded to the nearest thousand.

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

### **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 £7.2 million as at 31 July 2016. In October 2014 the College refinanced its previous loans, drawing down a loan to the value of £5.5 million to fund the on-going 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 2016. Bournemouth and Poole College Services Limited was dormant in 2016. The investment in the subsidiary is held at nil value in the college's accounts.

### **Recognition of income**

#### **Funding Body**

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element 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 at the end of November following the year end and the results of any funding audits. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

Non-recurrent grants from the funding bodies or other government bodies received in respect of the acquisition of fixed assets are treated under the accruals model. The grant income received or receivable will be recognised over the useful life of the asset, with any amount of the asset related grant that is deferred being recognised in deferred income. The deferred income is allocated between creditors due within one year and creditors due after more than one year.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

### **Non funding body**

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

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

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

### **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 25, 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.

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

### **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 £500 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

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

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

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. 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.



## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

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.

### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 29.

### **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

## **BOURNEMOUTH AND POOLE COLLEGE NOTES TO THE FINANCIAL STATEMENTS**

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 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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 2016**

**2 FUNDING BODY GRANTS**

	2016	2015
	Group & College	Group & College
	£'000	£'000
<b>Recurrent grant</b>		
Skills Funding Agency	2,612	3,350
Education Funding Agency	15,838	15,674
Higher Education Funding Council	445	435
<b>Specific Grants</b>		
Non-recurrent grants **	5,164	5,146
Release of deferred capital grant	274	184
<b>TOTAL</b>	<b>24,333</b>	<b>24,789</b>

\*\* There was no consortium income claimed from funding bodies in the year under review.

**3 TUITION FEES AND EDUCATION CONTRACTS**

	2016	2015
	Group & College	Group & College
	£'000	£'000
<b>Tuition fees</b>		
Apprenticeship fees and contracts	1,852	1,891
Fees for FE loan supported courses	577	485
Fees for HE loan supported courses	754	853
Fees for HE loan supported courses	1,802	2,001
International students fees	1,049	1,114
<b>Education contracts *</b>	<b>1,769</b>	<b>2,295</b>
<b>TOTAL</b>	<b>7,803</b>	<b>8,639</b>

Included within the above amounts are tuition fees funded by bursaries of £75,000 (2015 £131,000).

\* 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:

	2016	2015
	Group & College	Group & College
	£'000	£'000
<b>Work Programme income</b>	<b>983</b>	<b>1,385</b>
Payments to non college partners	(645)	(949)
Payments to FE college partners	(25)	(25)
<b>Net income</b>	<b>313</b>	<b>411</b>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**4 OTHER INCOME**

	<b>2016</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Other income:		
Cafeterias	820	741
Other income generating activities (Sales of books, equipment and materials)	298	278
Other grant income	352	628
Miscellaneous income	<u>1,279</u>	<u>1,184</u>
	<u><b>2,749</b></u>	<u><b>2,831</b></u>

**5 ENDOWMENT AND INVESTMENT INCOME**

	<b>2016</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Income from <b>restricted</b> endowment asset investments (note 22)	9	9
Interest receivable	<u>9</u>	<u>5</u>
	<u><b>18</b></u>	<u><b>14</b></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 £2,847.

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 £6,564.

**6 DONATIONS**

	<b>2016</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Unrestricted donations	<u>115</u>	<u>-</u>
	<u><b>115</b></u>	<u><b>0</b></u>

THE BOURNEMOUTH AND POOLE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

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:

	2016 No.	2015 No.
Teaching staff	328	324
Non-teaching staff	289	307
	<u>617</u>	<u>631</u>
	2016 £'000	2015 £'000
Staff costs for the above persons:		
Wages and salaries	17,405	17,897
Social security costs	1,305	1,233
Other pension costs	<u>3,193</u>	<u>2,910</u>
Payroll sub-total	21,903	22,040
Contracted out staffing services	<u>932</u>	<u>1,094</u>
	22,835	23,134
Fundamental restructuring costs-		
contractual	316	301
non contractual	<u>95</u>	<u>94</u>
Total	<u>23,246</u>	<u>23,529</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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	<u>7</u>	<u>5</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	
	Year ended 31 July 2016	Year ended 31 July 2015
	No.	No.
£70,001 to £80,000	1	1
£80,001 to £90,000	4	3
£120,001 to £130,000	1	-
£140,001 to £150,000	<u>1</u>	<u>1</u>
	<u>7</u>	<u>5</u>

The above numbers include 3 people who were only in post for part of the year. 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:

	2016 No. £'000	2015 No. £'000
Salaries	448	474
National Insurance	53	54
Benefits in kind	-	-
	<u>501</u>	<u>528</u>
Pension contributions	<u>58</u>	<u>62</u>
Total emoluments	<u>559</u>	<u>590</u>

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

	2016 £'000 L Vincent end 31.8.15	2016 £'000 D Grannell	2015 £'000 L Vincent
Salary	12	125	144
National Insurance	1	15	18
Benefits in kind	-	-	-
	<u>13</u>	<u>140</u>	<u>162</u>
Pension contributions	<u>2</u>	<u>15</u>	<u>20</u>
Total	<u>15</u>	<u>155</u>	<u>182</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 2016**

**8 OTHER OPERATING EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	4,221	4,968
Non teaching costs	2,714	2,793
Premises costs	1,917	1,851
Total	<u>8,852</u>	<u>9,612</u>

**Other operating expenses include:**

**Auditors' remuneration**

Financial Statements audit		
College	38	18
Wholly owned subsidiary	2	2
Internal audit	21	17
Other services from external audit	<u>2</u>	<u>1</u>
	<u>63</u>	<u>38</u>

Hire of plant and machinery - operating leases	129	145
	<u>192</u>	<u>183</u>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**9 INTEREST PAYABLE**

	<b>2016</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts: Repayable in more than five years	175	147
Pension finance costs (note 25)	699	793
<b>Total</b>	<b>874</b>	<b>940</b>

**10 TAXATION**

	<b>2015</b>	<b>2015</b>
	<b>Group &amp; College</b>	<b>Group &amp; College</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax	-	-

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

The deficit on continuing operations is made up as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
College's (deficit) for the year	(189)	(1,083)
	<b>(189)</b>	<b>(1,083)</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 2016

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 2015	40,384	1,992	9,277	51,653
Additions	2,917	-	1,296	4,213
Disposals	(193)	-	(253)	(446)
At 31 July 2016	43,108	1,992	10,320	55,420
<b>Depreciation</b>				
At 1 August 2015	9,761	1,952	6,626	18,339
Charge for the year	1,404	-	1,994	3,398
Eliminated on disposals	(166)	-	(253)	(419)
At 31 July 2016	10,999	1,952	8,367	21,318
<b>Net book value</b>				
At 31 July 2016	32,109	40	1,953	34,102
<b>Net book value</b>				
At 1 August 2015	30,623	40	2,651	33,314

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 2015	383	16	399
At 31 July 2016	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 2015 and 31 July 2016 at the September 2010 valuation for insurance purposes.

14 ASSETS HELD FOR RESALE

Last year the college entered into an agreement prior to the year end to sell land and building with a net book value of £612,366. The sale completed on 27 August 2015. As a result, the related assets are shown as disposals from fixed assets and as an asset held for resale at net book value. All proceeds will be re-invested in the college's buildings.



**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**15 CURRENT INVESTMENT ASSETS**

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Short term investments in shares	278	278	263	263
Balance at 31 July	<u>278</u>	<u>278</u>	<u>263</u>	<u>263</u>

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

**16 DEBTORS**

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
<b>Amounts Falling Due Within One Year</b>				
Trade debtors	771	771	1,108	1,108
Amount due from subsidiary	-	36	-	35
Prepayments and accrued income	593	594	785	785
Amounts owed by the SFA	475	475	595	595
	<u>1,839</u>	<u>1,876</u>	<u>2,488</u>	<u>2,523</u>

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

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Bank loans and overdrafts	378	378	2,223	2,223
Finance Leases	7	7	7	7
Trade creditors	770	770	765	765
Pension scheme contributions	281	281	276	276
Other taxation and social security	381	381	363	363
Payments received in advance *	969	969	2,071	2,071
Deferred income- government capital grants	345	345	184	184
Amounts owed to the SFA	152	152		
Accruals	2,076	2,076	2,122	2,120
	<u>5,359</u>	<u>5,359</u>	<u>8,011</u>	<u>8,009</u>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Bank loans	6,833	6,833	6,458	6,458
Finance Leases	14	14	20	20
Deferred capital grants	8,581	8,581	6,969	6,969
	<b>15,428</b>	<b>15,428</b>	<b>13,447</b>	<b>13,447</b>

**19 BORROWINGS**

**(a) Bank loans and overdrafts**

The bank loans are repayable as follows:

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
In one year or less	378	378	2,223	2,223
Between one and two years	756	756	756	756
Between two and five years	1,134	1,134	1,134	1,134
In five years or more	4,943	4,943	4,568	4,568
	<b>7,211</b>	<b>7,211</b>	<b>8,681</b>	<b>8,681</b>

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:

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
In one year or less	7	7	7	7
Between two and five years	14	14	20	20
In five years or more	-	-	-	-
	<b>21</b>	<b>21</b>	<b>27</b>	<b>27</b>

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 2016**

**20 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group and College</b>	
	<b>Enhanced Pension Provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2015	493	493
Expenditure in the year	(36)	(36)
Transferred from /(to) income and expenditure account	13	13
<b>At 31 July 2016</b>	<b>470</b>	<b>470</b>

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.

**21 LEASE OBLIGATIONS**

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

	<b>Group and College</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<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	171	108
Later than one year and not later than five years	417	165
later than five years	-	-
	<u>588</u>	<u>273</u>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**22 ENDOWMENTS RESERVE**

	<b>Restricted Permanent £'000</b>	<b>2016 Total £'000</b>	<b>2015 £'000</b>
<b>At 1 August</b>	263	263	245
Increase in market value of investments	9	9	16
Investment income	9	9	9
Expenditure	(3)	(3)	(7)
<b>Total endowments comprehensive income for the year</b>	<u>15</u>	<u>15</u>	<u>18</u>
<b>As at 31 July 2016</b>	<u>278</u>	<u>278</u>	<u>263</u>
<b>Represented by:</b>			
Capital	263	263	254
Accumulated Income	<u>15</u>	<u>15</u>	<u>9</u>
	<u>278</u>	<u>278</u>	<u>263</u>
<b>Analysis by type of purpose</b>			
Arts prize	150	150	150
General	<u>128</u>	<u>128</u>	<u>113</u>
	<u>278</u>	<u>278</u>	<u>263</u>
<b>Analysis by asset</b>			
Current asset investment		<u>278</u>	<u>263</u>
		<u>278</u>	<u>263</u>

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.

**23 REVALUATION RESERVE**

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
<b>At beginning of year</b>	3,583	3,583	3,672	3,672
Transfer from revaluation reserve to general reserve in respect of:				
Disposal of revalued land & buildings	(376)	(376)	-	-
Depreciation on revalued assets	<u>(85)</u>	<u>(85)</u>	<u>(89)</u>	<u>(89)</u>
<b>At 31 July</b>	<u>3,122</u>	<u>3,122</u>	<u>3,583</u>	<u>3,583</u>

**24 CASH AND CASH EQUIVALENTS**

	<b>1 August 2015</b>	<b>Cashflows</b>	<b>Changes</b>	<b>31 July 2016</b>
Cash at bank and in hand	1,577	954	-	<u>2,531</u>

## THE BOURNEMOUTH AND POOLE COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

#### 25 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	2016 £'000	2015 £'000
Teachers Pension Scheme contribution paid	1,529	1,384
Local Government Pension Scheme:		
Contributions paid	1,062	1,025
FRS 102 (28) adjustment	589	446
Charge to the Statement of Comprehensive Income	1,651	1,471
Enhanced pension charge to Statement of Comprehensive Income	13	55
<b>Total Pension Cost for Year</b>	<b>3,193</b>	<b>2,910</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 2013.

#### 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 £1,529,000 (2015: £1,384,000).

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 2016

#### 25 DEFINED BENEFIT OBLIGATIONS (continued)

##### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in 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 £1,448,000 of which employer's contributions totalled £1,062,000 and employees contributions totalled £386,000. The agreed contribution rates for future years are 16.1% for employers and 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 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	2.1%	2.6%
Future pension increases	2.1%	2.6%
Discount rate for scheme liabilities	2.5%	3.8%
Inflation assumption (CPI)	2.1%	2.6%
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 2016	At 31 July 2015
<i>Retiring today</i>		
Males	22.9	22.8
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	27.7	27.6

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**25 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 16	Value at 31 July 15
	£'000	£'000
Equities	20,712	19,003
Gilts	3,942	4,080
Other Bonds	4,583	4,350
Other Assets	2,613	2,114
Property	3,643	3,492
Cash	376	1,328
Total market value of assets	<u>35,869</u>	<u>34,367</u>

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

	2016 £'000	2015 £'000
Fair value of plan assets	35,869	34,367
Present value of plan liabilities	<u>(64,982)</u>	<u>(53,310)</u>
Net pension (liability)	<u>(29,113)</u>	<u>(18,943)</u>

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	<u>1,694</u>	<u>1,474</u>
	<u>1,694</u>	<u>1,474</u>

	2016 £'000	2015 £'000
Amounts included in Interest and other finance charges		
Net interest cost	<u>699</u>	<u>793</u>
	<u>699</u>	<u>793</u>

Amounts recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on pension plan assets	110	2,217
Changes in assumptions underlying the present value of plan liabilities	<u>(8,992)</u>	<u>(1,257)</u>
Amounts recognised in Other Comprehensive Income	<u>(8,882)</u>	<u>960</u>

**THE BOURNEMOUTH AND POOLE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**25 DEFINED BENEFIT OBLIGATIONS (continued)**

**Movement in net defined benefit (liability) during the year**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Deficit in scheme at 1 August	(18,943)	(18,664)
Movement in the year:		
Current service cost	(1,666)	(1,440)
Administrative expenses	(27)	
Employer contributions	1,105	1,028
Net interest on the defined (liability)	(699)	(282)
Curtailments and settlements	(1)	(8)
Actuarial gain/(loss)	(8,882)	423
Net defined benefit (Liability) at 31 July	<u>(29,113)</u>	<u>(18,943)</u>

**Asset and Liability Reconciliation**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at the start of period</b>	53,310	49,556
Current service cost	1,666	1,440
Interest cost	2,007	2,090
Employee contributions	386	371
Changes in financial assumptions	8,992	1,257
Past service costs, including curtailments	1	8
Benefits paid	<u>(1,380)</u>	<u>(1,412)</u>
<b>Defined benefit obligations at the end of period</b>	<u><b>64,982</b></u>	<u><b>53,310</b></u>

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Reconciliation of Assets</b>		
<b>Fair value of plan assets at start of period</b>	34,367	30,892
Interest on plan assets	1,308	1,297
Return on plan assets	110	2,217
Administrative expenses	(27)	(26)
Employer contributions	1,105	1,028
Employee contributions	386	371
Benefits paid	<u>(1,380)</u>	<u>(1,412)</u>
<b>Fair value of plan assets at end of period</b>	<u><b>35,869</b></u>	<u><b>34,367</b></u>

The estimated value of employer contributions for the year ended 31 July 2017 is £1,111,000 (2015 £1,072,000).



## THE BOURNEMOUTH AND POOLE COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

#### 26 CONTINGENT LIABILITIES

At 31 July 2016 and at 31 July 2015, the College had an outstanding liability to Reed in relation to outcome payments for job placements for our students. Under the contract, Reed can claim payments for successful placements up to 12 months after they leave the College. The outstanding liability, to the extent not already reflected in the accounts is capped at £97,000. This has not been included within the accounts as there is no firm basis for estimating the likely cost.

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.

#### 27 CAPITAL COMMITMENTS

	Group and College	
	2016 £'000	2015 £'000
Commitments contracted for at 31 July	715	414

## THE BOURNEMOUTH AND POOLE COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

#### 28 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 £1,231; 8 governors (2015: £810; 8 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 (2015: 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 £94,000 relating to recharged expenses (2015 £139,000). Also during the year under review the College paid £1,505,000 to its joint venture (2015 £1,520,000), which represented payments in respect of the Service Level Agreement existing between the two entities. At the year end the College was owed £62,000 by WESS (2015 £47,000) and the College owed WESS nil (2015 nil). The College's share of net liabilities in its joint venture are shown at note 30.

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 2016**

**29 AMOUNTS DISBURSED AS AGENT**

<b>Learner Support Fund</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Funding body grants - bursary support	741	687
Funding body grants - discretionary learner support	310	387
Other funding body grants	173	154
	<hr/>	<hr/>
	1,224	1,228
Disbursed to students	(965)	(973)
Audit and administration	(45)	(51)
Balance unspent	<hr/> 57	<hr/> (111)
Balance unspent as at 31 July and included in creditors	<hr/> 271	<hr/> 93

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.

**30 JOINT VENTURES**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Share of assets		
Share of fixed assets	25	29
Share of current assets	80	88
	<hr/> 105	<hr/> 117
Share of liabilities		
Liabilities due within one year or less	(123)	(131)
Share of pension liabilities	<hr/> (1,413)	<hr/> (716)
	<hr/> (1,536)	<hr/> (847)
Share of net liabilities	<hr/> (1,431)	<hr/> (730)

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**31 Transition to FRS 102 and the 2015 FE HE SORP**

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group £'000	College £'000	Group £'000	College £'000
<b>Financial Position</b>					
Total reserves under previous SORP		(1,736)	(1,198)	(1,943)	(1,213)
Employee leave accrual		(1,053)	(1,053)	(1,053)	(1,053)
Release of non-government capital grants		49	49	39	39
Changes to measurement of net finance cost on defined benef		-	-	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(1,004)</u>	<u>(1,004)</u>	<u>(1,014)</u>	<u>(1,014)</u>
Total reserves under 2015 FE HE SORP		<u><u>(2,740)</u></u>	<u><u>(2,202)</u></u>	<u><u>(2,957)</u></u>	<u><u>(2,227)</u></u>
<b>Year ended 31st July 2015</b>					
		Group £'000	College £'000		
<b>Financial Performance</b>					
Surplus for the year after tax under previous SORP		(522)	(454)		
Release of non-government grants received		-	-		
Reversal of capital grants amortisation		(10)	(10)		
Endowment asset appreciation		16	16		
Pensions provision – actuarial loss		960	960		
Changes to measurement of net finance cost on defined benef		(537)	(537)		
Increase in operation loss in joint venture		<u>(124)</u>			
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>305</u>	<u>429</u>		
Total comprehensive income for the year under 2015 FE HE SORP		<u><u>(217)</u></u>	<u><u>(25)</u></u>		

**THE BOURNEMOUTH AND POOLE COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016**

**31 cont Transition to FRS 102 and the 2015 FE HE SORP**

**a) Recognition of short term employment benefits**

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 15 days unused leave for teaching staff and 7 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £1,053k was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £26k has been charged to Comprehensive Income in the year ended 31 July 2016.

**b) Non-government grants accounted for under performance model**

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

**c) Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

**d) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF THE BOURNEMOUTH & POOLE COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 18 November 2015 and supplementary letter dated 29 November ('engagement letter') and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Bournemouth & Poole College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of the Bournemouth & Poole College and the Secretary of State for Education acting through the 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 the Bournemouth & Poole College and the Secretary of State for Education acting through the 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 the Bournemouth & Poole College and the Secretary of State for Education acting through the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint 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 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework and our engagement letter

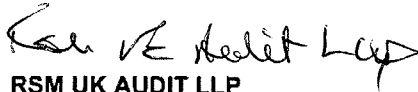
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

### **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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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Dated: 16/12/16

