PLYMOUTH COLLEGE of ART

Financial Statements for the year ended 31 July 2018

Key management personnel, Board of Governors and professional advisers

Key management personnel

Key management personnel are defined as members of the College Senior Leadership Team (SLT) and were represented by the following in 2017/18:

Professor Andrew J Brewerton, Principal and CEO; Accounting officer
Tim Bolton, Vice Principal
Christy Johnson, Vice Principal (from 1 September 2017)
Mark Taylor, Director of Finance
Steve Trotter, College Registrar
Hannah Harris, Director of Development
Jacqui Moore, Director of Communications
Paul Fieldsend-Danks, Academic Dean

Board of Governors

A full list of Governors is given on pages 10 to 11 of these financial statements.

Professional advisors:

External auditors:
Bishop Fleming
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth

Internal auditors:
UNIAC
4th Floor, St. James' Building
Oxford Street
Manchester

Solicitors:
Michelmores Solicitors
Woodwater House
Pynes Hill
Exeter

Wolferstans Solicitors
Deptford Chambers
60/66 North Hill
Plymouth

Bankers:
Barclays Bank plc
19 Princess Street
Plymouth

CONTENTS

Strategic Report

Nature, objectives and strategies

The Board of Governors present the annual report and the audited financial statements for the year ended 31 July 2018.

Legal status

The Board of Governors was established under the Further and Higher Education Act 1992 for the purpose of conducting the activities of Plymouth College of Art. On 4 July 2014, the Secretary of State for Business, Innovation and Skills, in exercise of powers conferred under the Education Reform Act 1988, transferred the College to the higher education sector.

Mission statement

Creative learning & social justice – they're in our DNA

Who we are? Founded in 1856, Plymouth College of Art is an art school run by artists and designers for artists and designers. We are home to a dynamic, cross-disciplinary community of makers and thinkers for whom making is as important as reading and writing, and where the purpose of learning is inseparable from that of living your life. A place for making things, and making things happen. For making a difference.

What we believe? We believe that high-quality education for life in contemporary arts practice is the creative catalyst for personal, professional and cultural transformation. Social justice, through community impact and social mobility, and creative learning, through pedagogical innovation, are part of our DNA and at the heart of everything that we do.

Spaces to make: Our working environment is widely regarded as one of the richest and most diverse ecosystems of materials, technologies, processes, practices, art forms and ideas that you will find in the form of an art college. At a time when others are narrowing the range and ecology of their learning environments, we have invested heavily in both digital and analogue dimensions – because we believe that the space of learning offers, or withdraws, the possibility of learning.

Making a difference We are committed to making a difference in everything that we do.

Public Benefit Statement

The College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Office for Students (OfS). The members of the Board of Governors, who are trustees of the charity, are disclosed on pages 10-11.

In setting out this Public Benefit Statement, the Governing Body has referred to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education, through promoting, sustaining and increasing individual and collective knowledge and understanding in the study, skills acquisition and expertise in the creative arts.

The specific aims and objectives of the College are set out in the following pages.

The students of the College are the primary beneficiaries, and the College is committed to the advancement of their education through the delivery of high quality courses that equip them with the knowledge, skills, and attributes to prepare them for employment in the creative industries. Other members of the public benefit by being able to attend educational events organised by the College as well as attend courses put on by the College outside normal college hours.

Description of the College and its activities

The College has a 160-year history of continuous provision of art and design education. It offers high quality, vocationally oriented, practice-based education for life in contemporary arts practice, as the creative catalyst for personal, professional and cultural transformation, and it places the creative aspirations and support needs of every student at the very heart of its enterprise.

The College has a deep commitment to its community and to the city of Plymouth, and sponsors the Plymouth School of Creative Arts (PSCA) – a mainstream, city-centre, age 4 to 16 'all-through' free school.

The College is a lively, diverse and dynamic creative community of art and design students, together with the academic, technical and welfare support staff and visiting specialists who contribute to the delivery of its postgraduate, undergraduate, further and community education programmes in the creative industries sector.

We celebrate diversity and foster equality of opportunity across an inclusive range of creative learning opportunities for a wide range of students.

Major achievements in the year

In April 2017 Plymouth College of Art made an application to the Higher Education Funding Council for England (HEFCE) for **Taught Degree Awarding Powers (TDAP),** and submitted a comprehensive Critical Self Analysis to the Quality Assurance Agency (QAA). The application was accepted and a period of detailed scrutiny followed over the period to July 2018. The College now awaits the final outcome from the QAA report and recommendations, which is expected before the end of January 2019.

In April 2018 it was announced that Plymouth College of Art had secured over £600,000 of EU funding for its unique continuum of creative education. The funding comes from a range of EU programmes. The total of £600,000 includes £300,000 funding to be provided by the college as 'match' to cash grant income to be received over the next few years. The projects aim to increase employability and enterprise opportunities for students across the South West and beyond. By facilitating knowledge exchange and SME support activities, start-up incubators, and new kinds of entrepreneurial interventions in youth settings, the college and other project partners will raise aspirations and contribute to economic growth within the UK and Europe.

In February 2018 Plymouth College of Art and Millfields Trust announced that they were jointly launching a new venture, Makers HQ, a unique and visionary community interest company created to provide cut, make and trim services to the fashion industry, with a strong focus on achieving ethical, British manufacture. Power to Change, the independent trust supporting community businesses in England, provided £184,000 of funding to make the project possible. This is complemented by the £96,000 funded by Social Enterprise Investment Fund from Plymouth City Council. Plymouth College of Art and Millfields Trust are working together to reignite the fashion manufacturing sector within the South West and reimagine how a fashion factory can drive economic and community regeneration. The College has made no financial investment in Makers HQ.

In September 2017, the college held its fifth Making Futures biennial international research conference exploring contemporary craft and maker movements as 'change agents' in 21st-century society. The theme for Making Futures 2017 was 'Crafting a sustainable modernity towards a maker aesthetics of production and consumption'.

In January 2018, BA (Hons) Printed Textile Design and Surface Pattern student Katie Sheppard created a revolutionary 'dazzle camouflage' design for multi-million British boat manufacturer Princess Yachts' new R-25 model, due to launch September 2018.

Also in February 2018 Plymouth College of Art participated in the Tate Exchange programme for its second year, working with Plymouth School of Creative Arts and members of the public at Tate Modern for three days of events that questioned how we can challenge mainstream models of education to create something transformative that challenges conformity and promotes autonomy, with a programme of simultaneous events taking place in Plymouth at the same time.

In June 2018 the college published findings from its work in Myanmar as part of the British Council's Crafting Futures programme, which supports the future of craft around the globe. Crafting Futures Myanmar is supporting the transformation of Saunders Weaving and Vocational Institute (SWVI) into a Centre of Excellence through an innovative pilot model, which will be adapted to 13 other schools in Myanmar. The project is a collaboration between the College, the British Council, the Swiss Agency for Development and Cooperation, and the Small Scale Industries Department, Ministry of Agriculture, Livestock and Irrigation.

Strategic Report

June 2018 saw the launch of designs and prototypes for Made In Plymouth's new range of souvenirs from Plymouth-based artists and makers, all inspired by the city of Plymouth and created by students, graduates and staff of the college. Made In Plymouth CIC is a joint venture between RIO, Plymouth College of Art, the University of Plymouth, and Plymouth City Council, working together to create a social enterprise souvenir line that celebrates and supports local artists and makers.

In July 2018 it was announced that following the overwhelming success of the college's partnership with the British Film Institute (BFI) to deliver the BFI Film Academy programme for budding filmmakers across Plymouth and the South West last year, the provision is being extended and expanded for a second year.

Student performance indicators

	2017/18	2016/17	2015/16
Number of full-time (FT) undergraduate (UG) home/EU students enrolled	1279	1286	1147
Number of FT UG international students enrolled	16	9	9
Number of UG part-time students enrolled	42	47	45
Full-time equivalent (FTE) number of masters students enrolled	53	34	16
Number of pre-degree students, excluding apprenticeships	447	530	568

Estates developments in the year

In November 2017, Lady Frances Sorrell, Co-founder of the Sorrell Foundation and Saturday Club Trust, formally opened Palace Studios, Plymouth College of Art's dedicated building for UAL Foundation Diploma in Art & Design students.

In December 2017, reinforcing Plymouth College of Art's commitment to sustainability, the college believes that it was the first education institution in Plymouth to invest in a 100% electric van. Supplied by Exeter Nissan, the environmentally-friendly e-NV200 is a zero emissions vehicle with no engine noise. The college is also committed to reducing its energy consumption and carbon footprint by replacing fluorescent tube lighting with energy-efficient LED lighting. LED lighting is already used at its Palace Court campus for pre-degree students and the recently-opened Palace Studios for Foundation Diploma in Art & Design students, with the aim for all lighting across the college to be LED by 2020.

Assessment of financial position

Financial results

The College monitors performance against the following financial targets, some of which are required by the Office for Students (OfS):

		Actual 2017/18	Actual 2016/17	Actual 2015/16
1	Five times EBITDA[1] to exceed borrowing (currently £6.3 million)	£7.8m	£8.7m	£12.16m
2	Current ratio of at least 1.5:1 at year end	2.7:1	2.2:1	2.3:1
3	General reserve excluding pension reserve of at least 51% of income	63%	60%	57%
4	Maintain at least 37 cash days in hand ('net liquidity days')	101 days	103 days	108 days
5	External borrowing to be less than 50% of total income	34.8%	39.6%	44.5%

Strategic Report

		Actual 2017/18	Actual 2016/17	Actual 2015/16
6	Staff costs (excluding FRS102 adjustment) as a % of total income to be no more than 52-54%	56%	54%	49%
7	Surplus as a % of total income to be greater than 5%	-2.7%	0.3%	6.6%

[1]EBITDA = Earnings before interest, tax, depreciation and amortisation, and before pension provisions

In the year the College made an operating deficit of £436,000 (£47,000 surplus in 2017). This deficit is after the notional pensions charge of £940,000 (2017: charge of £625,000), which the College is required to make under Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102) for potential pension liabilities. The increase in the pension service cost is due to the overall increase in staff belonging to the scheme. The calculation of the FRS102 adjustment is outside of the College's control, and has no effect on cash flow.

The College also incurred significant one-off costs in restructuring and redundancies in 2017/18 in order to reduce ongoing revenue costs in the future.

Removing the notional pension scheme adjustments and these one-off staff costs, the College made an underlying surplus of £742,000 (£771,000 surplus in 2017), which would represent 4.6% of total income.

During the year the College had a cash inflow of £199,000 (2017: inflow of £325,000) giving a cash balance at 31 July 2018 of £4,400,000 (2017: £4,201,000).

Tangible fixed asset additions during the year amounted to £219,000 (£922,000 in 2017), of which £10,000 was for the renovation of Palace Studios (£510,000 in 2017), £10,000 for refurbishment of 44 Regent (£193,000 in 2017), £124,000 (£118,000 in 2017) for equipment purchased, and £75,000 for other works (£17,000 in 2017).

The College has £6,015,000 (£4,823,000 in 2017) of net assets. This includes £7,238,000 (£7,717,000 in 2017) pension liability calculated according to FRS102, and long term debt of £5,088,000 (£5,697,000 in 2017). The College is required to make the notional FRS102 provision.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 2017/18, the College paid 98% of its invoices within 30 days (16/17: 97%). The College incurred no interest charges in respect of late payment for this period.

Key income streams

For degree and postgraduate work the College principally relies on student fee income with a small proportion of income coming from HEFCE/OfS, largely from recurrent grants. For Pre-Degree work the College has significant reliance on the Education and Skills Agency (ESFA). The table below shows the key income streams:

	2018	2017	2016
HE Fees	72%	72%	71%
ESFA Grants	15%	17%	20%
HEFCE/OfS Grants	6%	7%	5%
Other	7%	4%	4%
Total	100%	100%	100%

Strategic Report

People

The College employed on average 238 staff during the year (240 in 2017/18), expressed as full time equivalents, of whom 141 (153 in 2017/18) are academic staff, who are all appropriately experienced and qualified.

The College has strengthened its balance sheet and seen an increase in available cash and liquid funds which will help in funding future investment initiatives. There has been a decrease in the liabilities associated with the Devon County Council Local Government Pension Scheme, driven by changes in actuarial assumptions.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Any short term borrowing for temporary revenue purposes would be authorised by the Principal. No such borrowings were required in 2017/18. Such arrangements are restricted by limits in the College's Memorandum of Assurance and Accountability agreed with OfS. All other borrowing requires the authorisation of the Board of Governors and shall comply with the requirements of the Memorandum of Assurance and Accountability.

Staff and student involvement

The College recognises the value and expertise of its staff as its key asset. Senior and middle management communications are effective and meetings take place regularly. In addition, a comprehensive programme of professional development is in place.

Both students and staff are represented on College committees including Academic Board and its Standing Committees, Student Engagement and Experience Committee, Learning Teaching and Curriculum Committee, Research and Scholarship Committee, Academic Standards and Quality Committee, HE and FE Award Boards. There are regular meetings between representatives of the Students' Union and the SLT as well as meetings between the Principal, SLT, Board of Governors Members and student representatives from all groups.

Future developments

The College will continue to develop its Pre-Degree, Undergraduate and Masters Programmes. To accommodate these needs the College intends to build upon its recent capital developments by developing future phases of the Estates Master Plan.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site.

Reputation

The College has a high quality reputation locally and nationally. Maintaining a high quality brand is essential for the College's success at attracting students and external relationships.

Principal risks and uncertainties

The SLT regularly reviews the strategic risks to which the College is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. Internal controls are then implemented and the subsequent year's appraisal reviews effectiveness and progress against risk mitigation actions. The SLT also considers risks which may arise as a result of new areas of work being undertaken by the College, and responds immediately and effectively to unforeseen events.

Strategic Report

The register of strategic risks is reviewed at each meeting of the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The key strategic risk that may affect the College set out below is the strategic management of the curriculum offer in line with funders' priorities and achievement of the funding contracts.

The College has considerable reliance for Pre-Degree work on continued government funding through the ESFA. A high proportion of the College's revenue is ultimately public funded, a large proportion of it albeit through student fees from the Student Loans Company, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The key risks which may affect future operations and planned objectives are:

- The ability to recruit sufficient numbers of students, exacerbated by the increasing dependence on student fees, funded by the Students Loans Company for Higher Education students. The achievement of the target income is therefore dependent upon its annual student enrolment numbers;
- The current review of Higher Education which could lead to policy changes resulting in loss of income to particular parts of the sector if fees are reduced;
- The increase in the pension scheme service cost and overall pension deficit

This risk is mitigated in a number of ways:

- Through conservative planning and budgeting arrangements;
- By focusing recruitment strategy to maintain/increase conversion factors and increase the number of applications
- By ensuring the College is rigorous in delivering high quality education and training;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with OfS and ESFA;
- The College's Master Plan for development of its sites.

Stakeholder relationships

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

- Students;
- Funding councils;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government offices;
- The local community;
- Other institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

Equality and Diversity Statement

The College aims to create a community where all its members (both existing and potential students and staff) are treated on the basis of their merits, abilities and potential, without regard (except where the law makes special provision) to:

- Ethnicity;
- Age;
- Gender;
- Marital status or family circumstances;
- Disability or learning difficulty;
- Trade Union membership or activity;
- Criminal record;
- Socio-economic background;

- Religious or political beliefs;
- Sexual orientation.

Disability Statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit in September 2014, and the results of this form the basis of funding minor capital projects aimed at improving access, which have since been completed for the main site.
b) The College has appointed an Access Coordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) 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 student support assistants 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.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Employment of disabled persons

The College considers all applications of employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that their employment with the College continues and that reasonable adjustments are made. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical for other employees.

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 Board of Governors on 27 November 2018 and signed on its behalf by:

Signed: ....

Mr D Noyce, Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance from the Committee of University Chairs in The Higher Education Code of Governance; and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the higher education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. Following transfer to HEI status in July 2014, the Board of Governors formally adopted the HE Code of Governance in July 2015 following an assessment of compliance. In carrying out its responsibilities, the Board takes full account of each of the primary elements of the HE 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 higher education sector and best practice. In the opinion of the Members, the College complies with all the provisions of the Code in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2018. The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

Members serving on the Board of Governors

The Members who served on the Board of Governors during the year and up to the date of signature of this report were as listed in the table below:

Name	Date of initial appointment	Current term of office	Date of resignation / retirement	Status of appointment	Committees served	Attendance at 17/18 Board meetings
David Noyce	21 Oct 14	4 years		Independent	Chair of Board of Governors & of Nominations & Governance (Noms & Gov) from 1 Aug 18, member of Finance & Estates (F&E), Remuneration Committee, and Employment Committee	78%
Andrew Brewerton	01 Aug 10	Ex officio		Principal	Noms & Gov, F&E, Employment Committee, and (until 31 July 18) Remuneration Committee	93%
Sue Brownlow	15 Nov 16	4 years		Independent	Deputy Chair of Board, Chair of Remuneration Committee and Chair of Employment Committee, member of Audit, and Noms & Gov (from 1 Aug 18),	100%
Kim Charney	16 Oct 18	4 years		Staff Member		60%
Anna Cutler	20 Mar 18	4 years		Co Opted		100%
Janie Grace	04 Jul 14	4 years	31 Jul 18	Independent	Audit	78%

Statement of Corporate Governance and Internal Control

Name	Date of initial appointment	Current term of office	Date of resignation / retirement	Status of appointment	Committees served	Attendance at 17/18 Board meetings
Mark Greaves	1 Aug 18	4 years		Independent	F&E, Remuneration Committee, Employment Committee	N/A
Kiran Haslam	15 Nov 16	4 years		Independent	F&E	78%
Susie Hills	1 Aug 18	4 years		Independent	Noms & Gov	N/A
Helen Hocking	02 Mar 10	1 year	31 Jul 18	Independent	Audit	N/A
Tim Jones	15 Nov 16	4 years		Independent	F&E, Chair of F&E (from 1 Aug 18)	78%
Hilary Lade	04 Jul 14	1 year	31 Jul 18	Independent	F&E, Independent Committee Member from 1 Aug 18	78%
Sylvia Lahav	13 Dec 11	4 years		Independent	Noms & Gov	50%
Steph Martin	01 Aug 16	1 year	31 Jul 18	Student Governor		100%
Rebecca Moore	01 Sep 15	4 years		Staff Member		100%
Rowena Murphy	01 Aug 18	1 year		Student Governor		N/A
Ian Parry	1 Aug 18	4 years		Independent	Audit	N/A
Janet Ritterman	15 Nov 16	4 years		Independent	Audit	89%
Mary Schwarz	19 Oct 10	2 years	31 Jul 18	Independent	Deputy Chair of Board, Chair of Remuneration Committee, and Employment Committee, member of Noms & Gov	100%
Vicki Sewell	19 Oct 10	4 years	31 Jul 18	Independent	Chair of Audit, member of Remuneration Committee, and Employment Committee	82%
Ivan Sidgreaves	1 Aug 08	2 years	31 Jul 18	Independent	Chair of Board & of Noms & Gov, member of F&E, Remuneration Committee, and Employment Committee	100%
Jon Stacey	19 Oct 10	4 years	31 Jul 18	Independent	Chair of F&E	89%
Tessa Stone	16 Oct 18	4 years		Independent	F&E	N/A
Duncan Tringham	09 Jul 13	4 years		Independent	Chair of Audit (from 1 Aug 18)	33%

Clerk to the Board of Governors: Liz Wiltshire-Meads

Corporate Governance

Statement of Corporate Governance and Internal Control

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

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

The Board of Governors conducts its business through four committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are: Audit, Nominations and Governance, Finance and Estates, and Remuneration and Employment. Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available from the Clerk to the Board of Governors at Plymouth College of Art, Tavistock Place, Plymouth, PL4 8AT.

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

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Board of Governors, 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 Board of Governors as a whole.

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

The Board of Governors has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The Board of Governors considers that each of its non-executive Governors 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 the Principal are separate.

Governance Effectiveness Review

During 2017/18 the Board of Governors appointed the Leadership Foundation for Higher Education to undertake an external review of governance, using the HE Code of Governance as the principal benchmark. The overall conclusion was that the College was well governed. The recommendations made in the report were reviewed and accepted by the Board, and an action plan was put in place to monitor progress by the Nominations and Governance Committee.

Appointments to the Board of Governors and Nominations and Governance Committee

Any new appointments to the Board are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a Nominations and Governance Committee, consisting of five Governors, which is responsible for the selection and nomination of any new Governor for the Board's consideration.

The Committee ensures that the Board of Governors is able to manage all of its responsibilities by having an appropriate balance of knowledge and skills amongst its membership, and also ensures that governance structures and processes are fit for purpose.

The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for a term of office not exceeding four years although in certain circumstances a Governor could be re-appointed for further terms of office.

Remuneration and Employment Committee

Throughout the year ending 31 July 2018 the College's Remuneration and Employment Committee comprised the Governors shown in the table above. This Committee's responsibilities are to make recommendations to

Statement of Corporate Governance and Internal Control

the Board on the remuneration and benefits of the Principal and other senior post-holders, the Clerk and Deputy Clerk.

Details of remuneration for the year ended 31 July 2018 are set out in notes 6 and 7 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Board of Governors (excluding the Principal and Chair) and an Independent Committee Member. The Committee operates in accordance with written terms of reference approved by the Board of Governors.

The Audit Committee meets at least once each term and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the OfS, as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management 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 Board of Governors on the appointment of Internal and external auditors and their remuneration for both audit and non-audit work.

Finance and Estates Committee

The Finance and Estates Committee comprises six Members of the Board of Governors (including the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Governors.

The Finance and Estates Committee meets at least three times a year and has an overall watching-brief covering all financial aspects of College activity. In addition, it sets and monitors standards of financial performance, and oversees College management to address issues of actual or potential concern.

Internal control

Scope of responsibility

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Memorandum of Assurance and Accountability between Plymouth College of Art and OfS. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdown 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 and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently,

Statement of Corporate Governance and Internal Control

effectively and economically. The system of internal control has been in place at Plymouth College of Art for the year ended 31 July 2018 and up to the date of the approval of the Annual Report and Accounts.

Capacity to handle risk

The Board of Governors has reviewed the key risks to which the College is exposed, including an evaluation of likelihood and impact of risks becoming a reality, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of the approval of the Annual Report and Accounts. This process is regularly reviewed by the Board of Governors.

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 Board of Governors;
- regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

Plymouth College of Art has an internal audit service, which operates in accordance with the requirements of HEFCE/OfS's *Audit Code of Practice,* and the Memorandum of Assurance and Accountability. 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 Board of Governors on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Auditors (HIA) provides the Board of Governors with a report on internal audit activity in the College. The report includes the HIA's independent opinion of the adequacy and effectiveness of the College's system of risk management, controls and governance process.

Review of Effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's external auditors in their management letters and other reports.

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

The SLT 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 SLT 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 Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the SLT and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2018 meeting the Board of Governors carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the SLT and Internal Audit and taking account of events since 31 July 2018.

Statement of Corporate Governance and Internal Control

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

Approved by order of the Board of Governors on 27 November 2018 and signed on its behalf by:

....	....
Mr D Noyce, Chair	Professor A J Brewerton, Principal

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

The Board of Governors has considered its responsibility to notify OfS of material irregularity, impropriety and non-compliance with OfS terms and conditions of funding, under the Memorandum of Assurance and Accountability in place between the College and OfS. As part of its consideration the Board of Governors has had due regard to the requirements of the Memorandum of Assurance and Accountability.

We confirm, on behalf of the Board of Governors, that to the best of its knowledge, the Board of Governors believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with OfS's terms and conditions of funding under the College's Memorandum of Assurance and Accountability.

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 OfS.

Approved by order of the Board of Governors on 27 November 2018 and signed on its behalf by:

....	....
Mr D Noyce, Chair	Professor A J Brewerton, Principal

Statement of Responsibilities of the Board of Governors

The Board of Governors are required to present audited financial statements for each financial year.

Within the terms and conditions of the Memorandum of Assurance and Accountability agreed between OfS and the Board of Governors of the College, the Board of Governors, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *Accounts Direction for 2016-17 financial statements* issued by OfS, which gives 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 Board of Governors 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 Board of Governors is also required to prepare a Strategic 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 Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

The Board of Governors is 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 OfS are used only in accordance with the Memorandum of Assurance and Accountability with OfS and any other conditions that may be prescribed from time to time. The Board of Governors 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, the Board of Governors is 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 by OfS are not put at risk.

Approved by order of the Board of Governors on 27 November 2018 and signed on its behalf by:

....	....
Mr D Noyce, Chair	Professor A J Brewerton, Principal

Independent Auditors' Report to the Board of Governors of Plymouth College of Art

Opinion

We have audited the financial statements of Plymouth College of Art (the 'College') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of affairs of the College as at 31 July 2018 and of the College's deficit of income against expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- Meet the requirements of the OfS's Accounts Direction.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Board of Governors are responsible for the other information. The other information comprises the information included in the Financial Statements for the Year Ended 31 July 2018, other than the financial statements defined above and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditors' Report to the Board of Governors of Plymouth College of Art

Opinion on other matters prescribed by the OfS Accounts Direction

In our opinion:

- Funds from whatever source administered by the College for the specific purposes have been applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by HEFCE and the OfS have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them; and
- The requirements of the OfS's Accounts Direction have been met; and
- The corporate governance and internal control requirements of the OFS Accounts Direction have been met.

Responsibilities of the Board of Governors

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Board of Governors are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
4 North East Quay
Sutton Harbour
Plymouth
PL4 0BN
Date:

Statement of Comprehensive Income for Year Ended 31 July

	Notes	2018	2017 Restated
		£000	£000
Income			
Tuition fees and education contracts	2	11,862	11,464
Funding body grants	3	3,595	3,819
Other income	4	787	439
Investment income	5	10	8
Total income		**16,254**	**15,730**
Expenditure			
Staff costs	6	10,028	9,091
Other operating expenses	8	5,511	5,430
Depreciation	11	770	800
Interest and other finance costs	9	377	367
Total expenditure		**16,686**	**15,688**
(Deficit)/surplus after depreciation of tangible fixed assets at valuation and before other gains and tax		(432)	42
(Deficit)/surplus before tax		**(432)**	**42**
Taxation	10	-	-
(Deficit)/surplus for the year		**(432)**	**42**
Actuarial gain in respect of pension schemes		1,628	116
Total comprehensive gain for the year		**1,196**	**158**
Represented by :			
Revaluation reserve comprehensive loss for the year		(103)	(104)
Unrestricted comprehensive gain for the year		1,299	262
		1,196	158
(Deficit)/surplus for the year attributable to:			
College		**(432)**	**42**
Total comprehensive income for the year attributable to:			
College		1,196	158

All items of income and expenditure relate to continuing activities.

Statement of Changes in Reserves for Year Ended 31 July 2018

	Income and expenditure account		Revaluation reserve	Total
	Endowment	*Unrestricted*		
	£000	**£000**	**£000**	**£000**
Balance at 1 August 2016	**76**	**1,465**	**3,119**	**4,660**
Prior period adjustment (note 25)	(76)	-	-	(76)
Restated balance at 1 August 2016	-	**1,465**	**3,119**	**4,584**
Surplus from the income and expenditure statement	-	42	-	42
Other comprehensive income – actuarial loss	-	116	-	116
Transfers between revaluation and income and expenditure reserve	-	104	(104)	-
Total comprehensive loss for the year	-	262	(104)	158
Restated balance at 1 August 2017	-	**1,727**	**3,015**	**4,742**
Loss from the income and expenditure statement	-	(432)	-	(432)
Other comprehensive income – actuarial gain	-	1,628	-	1,628
Transfers between revaluation and income and expenditure reserve	-	103	(103)	-
Total comprehensive gain for the year	-	1,299	(103)	1,196
Restated balance at 31 July 2018	-	**3,026**	**2,912**	**5,938**

Balance Sheet as at 31 July

	Notes	2018 £000	2017 Restated £000
Non-current assets			
Fixed assets	11	18,904	19,455
Total fixed assets		**18,904**	**19,455**
Current assets			
Trade and other receivables	13	343	279
Cash and cash equivalents	19	4,399	4,197
Total current assets		**4,742**	**4,476**
Less: Creditors: amounts falling due within one year	14	**(1,758)**	**(2,051)**
Net current assets		**2,984**	**2,425**
Total assets less current liabilities		**21,888**	**21,880**
Creditors: amounts falling due after more than one year	15	(8,565)	(9,265)
Provisions			
Pension provisions	20	(7,238)	(7,717)
Other provisions	17	(147)	(156)
Total net assets		**5,938**	**4,742**
Unrestricted reserves			
Revaluation reserve	18	2,912	3,015
Income and expenditure account excluding pension reserve		10,264	9,444
Pension reserve	20	(7,238)	(7,717)
Total reserves		**5,938**	**4,742**

The financial statements on pages 20 to 40 were approved by the Board of Governors on 27 November 2018 and were signed on its behalf on that date by

Mr D Noyce, Chair

Professor A J Brewerton, Principal

Statement of cash flows for year ended 31 July

	Notes	2018 £000	2017 Restated £000
Cash inflow from operating activities			
(Deficit)/surplus for the year		(432)	42
Adjustment for non-cash items			
Depreciation	11	770	800
Increase in pension provision	20	1,148	803
(Increase)/decrease in debtors	13	(64)	47
(Decrease)/increase in creditors due within one year	14	(292)	27
Decrease in creditors due after one year	15	(91)	(97)
Decrease in provisions	17	(9)	(2)
Adjustment for investing or financing activities			
Interest payable	9	377	367
Investment income	5	(10)	(8)
Loss on sale of fixed assets	8	-	1
Net cash inflow from operating activities		**1,397**	1,980
Cash flows from investing activities			
Withdrawal of deposits		-	-
Investment income		10	8
Payments made to acquire fixed assets		(219)	(922)
		(209)	(914)
Cash flows from financing activities			
Other interest received		-	1
Interest paid		(377)	(370)
New secured loans		-	-
Repayments of amounts borrowed		(609)	(372)
		(986)	(741)
Increase in cash in the period		**202**	**325**
Reconciliation of net cash flow to movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	19	4,197	3,876
Prior period adjustment	25	-	(4)
Cash and cash equivalents at beginning of the year (restated)		4,197	3,872
Cash and cash equivalents at end of the year	19	4,399	4,197
Movement in net cash or cash equivalents in period		**202**	**325**

Notes to the Accounts

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the Accounts Direction for 2017-18 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102).

The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, and taking account of the Principal Risks and Uncertainties, are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College currently has loans outstanding with bankers secured by fixed and floating charges on College assets over 8 and 10 years. The College's forecasts and financial projections indicate that it will be able to operate within the existing facilities 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.

Recognition of income

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

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.
Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

Notes to the Accounts

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

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

Accounting for post-employment benefits

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

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

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

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

Short term employment benefits

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

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 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

- **Non-current assets - tangible fixed assets**

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated historic cost, as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 20 to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and

Notes to the Accounts (continued)

50 years.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a 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.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.

- **Assets under construction**

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

- **Subsequent expenditure on existing fixed assets**

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

- **Equipment**

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. All equipment is depreciated on a straight-line basis over its useful economic life as follows:-

  - Computer equipment from 3 to 5 years
  - Plant and machinery from 3 to 10 years.

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

- **Investments and endowment assets**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Investments in joint ventures

The investment in the joint venture is disclosed in the accounts at cost.

Borrowing costs

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

Taxation

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

Notes to the Accounts (continued)

The College receives no similar exemption in respect of Value Added Tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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.

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.

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 where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed

Notes to the Accounts (continued)

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 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Tuition fees and education contracts

	2018 £000	2017 £000
Full time home and EU students	11,319	10,524
Part time home and EU students	302	256
Full time international students	73	87
Other higher education support fees	2	444
Other courses and education contracts	166	153
Total	**11,862**	**11,464**

3 Funding body grants

	2018 £000	2017 £000
Recurrent grants		
Education & Skills Funding Agency	2,458	2,599
Higher Education Funding Council	922	974
Specific grants		
Release of deferred capital grants - ESFA	93	92
Release of deferred capital grants – HEFCE/OfS	-	-
Non recurrent grant - ESFA	-	14
Non recurrent grant - HEFCE/OfS	122	140
Total	**3,595**	**3,819**

4 Other income

	2018 £000	2017 £000
Residences, catering and conferences	-	1
Other grant income	218	34
Income relating to student activities	182	114
Other income	380	283
Release of deferred capital grants (non-funding council)	7	7
Total	**787**	**439**

Notes to the Accounts (continued)

5 Investment income

	2018	2017
	£000	£000
Other investment income	10	8
Total	**10**	**8**

6 Staff costs

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

	2018	2017
	Number	Number
Teaching staff	88	87
Teaching support and non-teaching staff	150	153
Total	**238**	**240**

Staff costs for these persons:

	2018	2017
	£000	£000
Payroll Costs:		
Wages and salaries	7,185	6,892
Social security costs	675	615
Other pension costs	1,917	1,482
	9,777	**8,989**
Agency staffing	13	3
	9,790	**8,992**
Restructuring and redundancy costs	238	99
Total staff costs	**10,028**	**9,091**

A pay award of 1.7% was made during the year 2017/18 (1.1% in 2016/17). This applied to all staff except for the Principal and Vice Principals whose remuneration is set by the Remuneration Committee, and those staff earning less than £21,220 FTE, whose pay award was enhanced up to a maximum of 2.42%.

7. Emoluments of key management personnel, the Principal and other higher paid staff

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 SLT, which in the financial year 2017/18 comprised the Principal, two Vice Principals, Director of Finance, Director of Development, Director of Communications and the College Registrar. Staff costs includes compensation paid to key management personnel.

Emoluments of key management personnel, the Principal and other higher paid staff

	2018	2017
	No.	No.
The number of key management personnel including the Principal was:	7	7

No post-holders, other than the Principal, received emoluments, excluding pension contributions and employer's national insurance, but including benefits in kind, in excess of £100,000.

Notes to the Accounts (continued)

Key management personnel compensation is made up as follows:

	2018	2017
	£000	£000
Salaries- gross of salary sacrifice and waived emoluments	509	571
Employers National Insurance	64	77
Benefits in kind	1	2
	574	650
Pension contributions	72	73
Total key management personnel compensation	**646**	**723**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

Head of institution's emoluments

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

	2018	2017
	£000	£000
Salaries	159	155
Benefits in kind	1	1
	160	156
Pension contributions	26	26
Total head of institution's emoluments	**186**	**182**

The pension contributions in respect of the Principal are in respect of employer's contributions to the Teacher's Pension Scheme and are paid at the same rate as for other employees.

The head of the provider's basic salary (and total remuneration) is 6.2 times the median pay salary (and total remuneration) of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

In the year ended 31 July 2018, the Remuneration Committee carried out a review of senior post-holders' salaries and the salaries were set accordingly.

Compensation for loss of office paid to a former member of the key management personnel

	2018	2017
	£000	£000
Compensation paid to a former post-holder	-	68

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

Notes to the Accounts (continued)

8 Other operating expenses

	2018	2017
	£000	£000
Academic departments	1,401	1,107
Academic service	509	467
Central administration	569	650
General educational	1,469	1,583
Staff and student services	83	86
Premises costs	1,480	1,537
Total	**5,511**	**5,430**

Other operating expenses include:

	2018	2017
Auditors' remuneration:	£000	£000
External audit	16	12
Non-audit services	2	1
Internal audit	22	23
Hire of other assets and operating leases (land and buildings)	27	28

9 Interest payable

	2018	2017
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	170	183
	170	**183**
On finance leases	-	-
Net interest on defined pension liability (note 20)	202	178
Pension finance costs - enhanced pension provision (note 17)	5	6
Total	**377**	**367**

10 Taxation

The Board of Governors do not believe the College was liable for any corporation tax arising out of its activities during the year.

Notes to the Accounts (continued)

11 Tangible fixed assets

	Freehold Land & Buildings £000	Work in Progress £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2017	24,974	-	2,308	27,282
Additions	33	19	167	219
Transfer	-	-	-	-
Disposals	-	-	-	-
At 31 July 2018	**25,007**	**19**	**2,475**	**27,501**
Depreciation				
At 1 August 2017	6,078	-	1,749	7,827
Charge for year	537	-	232	770
Elimination in respect of disposals	-	-	-	-
At 31 July 2018	**6,616**	**-**	**1,981**	**8,597**
Net book value at 31 July 2018	**18,391**	**19**	**494**	**18,904**
Net book value at 31 July 2017	**18,896**	**-**	**559**	**19,455**
Inherited	2,911	-	-	2,911
Financed by capital grant	3,565	-	-	3,565
Other	11,915	19	494	12,428
Net book value at 31 July 2018	**18,391**	**19**	**494**	**18,904**

The net book value of tangible fixed assets includes an amount of £Nil (2017 - £Nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £Nil (2017 - £Nil).

12 Investment in joint venture

The College holds a 50% share of Makers HQ, a community interest company, owned equally by the College and Millfields Trust, who have each invested £1. The investment in the joint venture is disclosed in the accounts at cost.

The Company was incorporated in February 2018, but did not commence trading until August 2018. It will prepare its first financial statements up to 28 February 2019.

13 Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year		
Trade debtors	110	84
Other debtors	-	1
Prepayments and accrued income	233	194
Total	**343**	**279**

Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans	561	561
Trade creditors	102	272
Other creditors	315	250
Other taxation and social security	176	183
Accruals and deferred income	390	393
Deferred income - government capital grants	88	97
Amounts owing to the ESFA	126	295
Total	**1,758**	**2,051**

15 Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Bank loans	5,088	5,697
Deferred income - government capital grants	3,477	3,568
Total	**8,565**	**9,265**

16 Borrowings

	2018	2017
Bank loans	£000	£000
Bank loans are repayable as follows:		
In one year or less or on demand	561	561
Between one and two years	561	561
Between two and five years	1,684	1,684
In five years or more	2,843	3,452
Total	**5,649**	**6,258**

The bank loans are secured on part of the freehold property of the College.

One loan is repayable by instalments falling due between August 2018 and July 2027 at an interest rate of 1.95% over LIBOR. The outstanding capital amount at 31 July 2018 was £4.11m (2017: £4.62m). The other loan is repayable by instalments falling due between August 2018 and July 2025 at a fixed interest rate of 4.09%. The outstanding capital amount at 31 July 2018 was £1.55m (2017: £1.64m).

17 Provisions for liabilities and charges

	Enhanced Pensions
	£000
At 1 August 2017	156
Expenditure in the period	(13)
Transferred from income and expenditure account	5
Actuarial gain	(1)
At 31st July 2018	**147**

The enhanced pension provision related to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

Notes to the Accounts (continued)

18 Revaluation Reserve

	2018	2017
	£000	£000
At 1 August	3,015	3,119
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(103)	(104)
At 31 July	**2,912**	**3,015**

19 Cash and cash equivalents

	At 1 August 2017 Restated	Cash flows	At 31 July 2018
	£000	£000	£000
Cash and cash equivalents	4,197	202	4,399
Total	**4,201**	**202**	**4,399**

20 Pension and similar obligations

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

Total pension cost for the year

	2018	2018	2017	2017
	£000	£000	£000	£000
Teachers' Pension Scheme: contributions paid		493		445
Local Government Pension Scheme:				
Contributions paid	476		405	
FRS 102 charge	940		625	
Charge to the Statement of Comprehensive Income (staff costs)		1,416		1,030
Enhanced pension charge to Statement of Comprehensive Income		8		7
Total pension cost for the year within staff costs		**1,917**		**1,482**

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

Contributions of £114,000 (2017 £109,000) were payable to the scheme as at 31st July and are included within creditors.

Teachers' Pension Scheme

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

Notes to the Accounts (continued)

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

•employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
•total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
•an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS was implemented in September 2016.

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

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

Scheme changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2017 will be fully protected.

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2017.

The pension costs paid to TPS in the year amounted to £493,000 (2017: £445,000).

FRS 102

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

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

Notes to the Accounts (continued)

information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a funded defined benefit plan, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2018 was £655,000 (2017: £602,000) of which employer's contributions totalled £476,000 (2017: £405,000) and employees' contributions totalled £225,000 (2017: £197,000). The employee contribution rate ranges from 5.5% to 12.5%, dependent on full time equivalent salary rate. The agreed employer contribution rate for 2018/19 is 12% (2017/18: 12%).

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

	2018	2017
	£000	£000
Amounts included in staff costs		
Service cost	1,416	1,030
Total	**1,416**	**1,030**

Amounts included in interest and other finance costs	2018	2017
	£000	£000
Net interest expense	202	178
Administration expenses	6	6
Total	**208**	**184**

Amount recognised in Other Comprehensive Income	2018	2017
	£000	£000
Return on pension plan assets in excess of interest	358	734
Other actuarial losses on assets	-	(23)
Changes in financial assumptions	1,269	(1,257)
Change in demographic assumptions	-	85
Experience gain on defined benefit obligation	-	583
Changes in effect of asset ceiling	-	-
Amounts recognised in Other Comprehensive Income	**1,628**	**122**

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

	2018	2017
	£000	£000
Fair value of plan assets	10,051	9,072
Present value of plan liabilities	(17,289)	(16,789)
Net pensions liability	**(7,238)**	**(7,717)**

Notes to the Accounts (continued)

Movement in net defined benefit liability during year

	2018 £000	2017 £000
Net defined benefit liability in plan at 1 August	(7,717)	(7,030)
Movement in year:		
Current service cost	(1,415)	(1,030)
Past service cost	(1)	-
Employer Contributions	476	405
Net interest on the defined liability	(202)	(178)
Administration expenses	(6)	(6)
Actuarial gain	1,627	122
Deficit in plan at 31 July	**(7,238)**	**(7,717)**

Asset and Liability Reconciliation

	2018 £000	2017 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	16,789	14,719
Current service cost	1,415	1,029
Interest cost	452	384
Contributions by plan participants	225	197
Changes in financial assumptions	(1,269)	1,257
Experience gain on defined benefit obligation	-	(583)
Change in demographic assumptions	-	(85)
Past service cost	1	1
Estimated benefits paid, net of transfers in	(324)	(130)
Liabilities at end of period	**17,289**	**16,789**
Changes in fair value of plan assets		
Fair value of assets at start of period	9,072	7,689
Return on assets	358	734
Interest on assets	250	206
Contributions by employer	476	405
Contributions by plan participants	225	197
Administration expenses	(6)	(6)
Other actuarial (losses) on assets	-	(23)
Estimated benefits paid	(324)	(130)
Fair value of assets at end of period	**10,051**	**9,072**

Notes to the Accounts (continued)

The College's share of the assets and liabilities in the plan were estimated to be:

	31 July 2018		31 July 2017	
Gilts	340	3%	271	3%
UK Equities	2,081	21%	2,158	24%
Overseas equities	3,919	39%	3,197	35%
Property	910	9%	797	9%
Infrastructure	373	4%	350	4%
Target return portfolio	1,449	14%	1,345	15%
Cash	154	2%	237	3%
Other bonds	200	2%	222	2%
Alternative assets	522	5%	495	5%
Private equity	103	1%	-	-
Total (bid value)	**10,051**	**100%**	**9,072**	**100%**
Present value of plan liabilities	(17,289)		(16,789)	
(Deficit) in the plan	**(7,238)**		**(7,717)**	

The financial assumptions used in the valuation are as follows:

	At 31 July 2018	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.85%	4.20%	4.00%
Rate of increase for pensions in payment / inflation	2.35%	2.70%	2.20%
Discount rate for scheme liabilities	2.65%	2.70%	2.60%
RPI Increases	3.35%	3.60%	3.10%
CPI Increases	2.35%	2.70%	2.20%

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

	At 31 July 2018	At 31 July 2017
Retiring today		
Males	23.5	23.4
Females	25.6	25.5
Retiring in 20 years		
Males	25.8	25.6
Females	28.0	27.8

Notes to the Accounts (continued)

Sensitivity analysis

	£000	£000	£000
	+0.1%	0.0%	-0.1%
Adjustment to discount rate			
Present value of total obligations	16,905	17,289	17,683
Projected service cost	1,250	1,285	1,321
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligations	17,320	17,289	17,258
Projected service cost	1,285	1,285	1,285
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligations	17,652	17,289	16,934
Projected service cost	1,321	1,285	1,250
Adjustment to life expectancy assumptions	+1 year	none	-1 year
Present value of total obligations	17,903	17,289	16,697
Projected service cost	1,326	1,285	1,245

The estimated value of employer contributions for the year ended 31 July 2019 is £476,000 (2018 estimate: £434,000).

21 Capital Commitments

	2018	2017
	£000	£000
Commitments contracted for at 31 July	1,000	-

22 Financial Commitments

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

	2018	2017
Future minimum lease payments due	£000	£000
Land and Buildings:		
Not later than one year	35	35
Later than one year and not later than five years	140	140
Later than five years	125	160
	300	335
Other:		
Not later than one year	23	23
Later than one year and not later than five years	4	28
Later than five years	-	-
	27	51
Total lease payments due	**327**	**386**

23 Related party transactions

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

Notes to the Accounts (continued)

and in accordance with the College's financial regulations and normal procurement procedures. There were no transactions with these parties that would require disclosure under FRS 102.

The total expenses paid to or on behalf of the Governors during the year was £4,324 to 8 governors (2017: £2,879 to 8 governors). This represents travel and subsistence and other out of pocket expenses incurred in attending governor meetings and charity events in their official capacity.

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

Transactions with the funding bodies are detailed in notes 3 and 14.

24 Amounts disbursed as agent - learner support funds

	2018 £000	2017 £000
Funding body grants – residential bursaries	4	61
Other funding bodies' grants	84	179
Total funding	88	240
Disbursed to students	(136)	(81)
Administration costs	(4)	(6)
Unspent balance	(52)	153
Unspent balances brought forward at start of year included in creditors	295	186
Clawback of previous years' unspent grants	(117)	(44)
Unspent balances carried forward at end of year included in creditors	126	295

These grants are available solely for students. The College acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

25 Prior period adjustment

The brought forward figures as at 1st August 2016 have been adjusted to remove the balances of the PCA Charitable Trust. These were previously consolidated into the College's accounts, but as PCA Charitable Trust is an independent charity of the College, it was felt that it was not appropriate to consolidate these funds.

As the financial effect of this is not material to the College's accounts, this change has been made as a prior period adjustment, and the effect is shown in the Statement of Changes in Reserves and the Statement of Cash Flows.

The financial effect has been to remove £72,000 of investments, £4,000 of cash and £76,000 of endowment reserves from the prior year's previously reported figures.