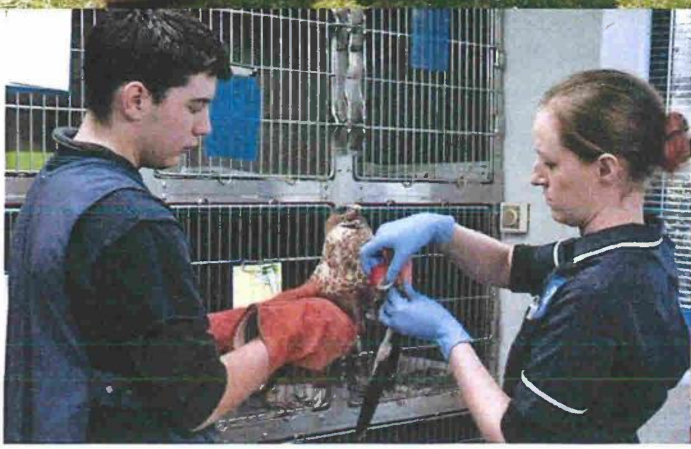
Buckinghamshire
College Group

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2018

Key Management Personnel, Board of Governors and Professional Advisers

KEY MANAGEMENT PERSONNEL

Key Management Personnel are defined as members of the College Executive and were represented by the following in 2017/18:

Karen Mitchell – Principal and CEO; Accounting Officer

Fiona Morey – Deputy Principal Learning & Quality

John McGrath – Vice Principal Corporate Services

Isobel Ellison – Executive Director Human Resources

Val Cumberland – Executive Director of Business Development and Marketing

Clare Rooney – Executive Director, Student Outcomes and Quality

Teresa Stroud – Executive Director, Student Support and Services

Alison Muggridge – Executive Director, Special Projects and Faculty Director Creative, Digital & Business

Adrian Cottrell, former Vice Principal Finance & Resources, Amersham & Wycombe College (and who left the College on 31 December 2017)

BOARD OF GOVERNORS

A full list of governors is given on pages 16 and 17 of these financial statements.

Mr K Scribbins acted as the Clerk to the Corporation throughout the period up to the point of his resignation on 31 July 2018. Mr Scribbins has been replaced by Ms A Smith as of 1 August 2018.

PROFESSIONAL ADVISERS

Financial statements auditors and reporting accountants:
RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Internal auditors:
RSM Risk Assurance Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Bankers:

Lloyds Bank
249 Silbury Boulevard
Secklow Gate West
Milton Keynes
MK9 1 NA

Barclays Bank
Wytham Court
11 West Way
Oxford
OX2 0JB

Solicitors:

Kidd Rapinet
Walker House
George St
Aylesbury
HP20 2HU

Mills and Reeve
78 – 84 Colmore Row
Birmingham
B3 2AB

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Aylesbury College. The College is an exempt charity for the purposes of the Charities Act 1993, as amended by the Charities Act 2011.

As a result of its merger with Amersham & Wycombe College on 3rd October 2017, the merged College has chosen to trade under the name *Buckinghamshire College Group*. This is a trading name only and the name of the underlying legal entity remains Aylesbury College.

Mission and vision

The merger of Amersham and Wycombe College with Aylesbury College took place on 3rd October 2017. Amersham and Wycombe College Corporation agreed dissolution and transferred its assets and liabilities to Aylesbury College, now trading as Buckinghamshire College Group.

The new Strategic Plan 'The Big Bucks Ambition' 2018-2023 sets out the College's aims for the next five years to meet our mission and vision for those it serves; students, employers and the wider community.

The College's mission is '*to provide excellent vocational and professional skills, education and training that has a positive impact for young people, adults, businesses and the community we serve.'*

The College's vision is *'Buckinghamshire College Group will be recognised for providing excellence in skills, education and training that creates wealth to individuals, our employers, our communities and the local and regional economy'*

The Strategic Plan sets out five strategic priorities to achieve our overall mission and vision:

Excellence *– We are ambitious and impatient to be excellent in all we do;*

Sustainable Futures *– Our high quality vocational, technical and professional skills training and education support positive sustainable for our students, employers and the communities we serve;*

Our People *– We are committed to attracting, retaining and developing a professional, self-disciplined and ambitious workforce dedicated to delivering positive outcomes for all;*

Growth and Development *– We have an excellent reputation as the provider of choice for skills training and education, positively affecting long-term organisational and economic growth and social well-being, and*

Financial Resilience and Investment *– To achieve strong healthy finances that enable investment and growth in learning for a sustainable future.*

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Further Education (FE) Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 & 17.

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

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

- High-quality teaching and learning;
- Widening participation and tackling social exclusion;
- Excellent employability development and progression outcomes;
- Highly effective student support systems;
- Strong positive working relationships with employers, industry, commerce and Local Enterprise Partnerships (LEPs).

Implementation of Strategic Plan

The 'Big Bucks Ambition' Strategic Plan 2018-2023 builds on the 'Big Ambition' Strategic Plan 2014-2020 for Aylesbury College. The College has continued to make progress with its strategic priorities for 2017/18:

- Development of the 'Big Bucks Ambition' Strategic Plan 2018-2023, approved by Corporation in July 2018;
- Achievement of the merger Leadership and Management transition plan with clear actions, responsibilities, timescales, outputs and progress review against key work streams including corporate planning, governance, organisational arrangements, strategic planning, and finance and curriculum quality;
- Strong employer engagement and responsiveness to key strategic partners;
- Measures of success for 2017/18 are more consistent across the campuses and overall above national average;
- Consistent innovative teaching, learning, assessment and support stretches, challenges and inspires students to achieve their goals;
- All campuses are a safe, inclusive and welcoming environment where students feel safe to learn and are provided with high quality, consistent advice, guidance and support to stay safe;
- Integrated business and learning critical systems to ensure smooth operations, and
- Following a review (or diagnostic assessment) by the Further Education Commissioner in July 2018, the Commissioner reached the following conclusions:
  - That the 'overall outcome was to endorse the College's approach (to management of the merged College).'
  - That 'Governors and leaders clearly have the capacity and capability to deliver sustained improvements.'
  - 'That 'Good progress has been made with the merger implementation and with addressing legacy issues. A prudent financial recovery plan has been developed, which should be achieved. The College has the experience, expertise, systems and processes to respond promptly to any planning variances. The prospects for recovery are therefore good.'

Financial objectives and targets

Maintain a sound financial operating position:

- a sustainable medium term underlying operating surplus of 1-2% of turnover, with a long term objective of reaching 3-5%;
- positive operating cash flow year on year in order to fund growth and capital investment;
- maintain current ratio (current assets / current liabilities) above 1.0;
- minimum of 25 cash days;
- reduction in gearing / debt to income ratio.

Operate an effective financial control framework:

- robust financial controls with periodic audit review;
- monitor in year financial performance and take effective corrective action as required;
- operate a robust annual business planning and target setting process.

Meet requirements of funding / regularity body changes:

- provide accurate, unqualified timely returns to the Education and Skills Funding Agency (ESFA) and other bodies;
- ensure compliance with the College's payment policy;
- regular provider review dialogue with the ESFA.

Have an effective Value for Money culture throughout the College:

- providing guidance to management and governors on funding, budgeting and the college's financial regulations and policies;
- provide effective management information to allow for appropriate decision making;
- training staff to make use of financial systems and understand how to make better financial decisions.

Performance Indicators

Key Performance Indicators (KPIs) have been further developed to monitor the successful implementation of the objectives. These are aligned to the 'Big Ambition' Strategic Plan. During the year the College used 24 such indicators to monitor performance – of these 24, 11 related to curriculum excellence, 6 related to growth and development and 7 related to investment and financial sustainability. The KPIs are monitored and reported on as part of the College's monthly reporting cycle and reviewed with the governing body at Corporation meetings. The 24 KPIs ultimately combine to output the two key measures of financial performance and student achievement. These are described in further detail below.

The College is committed to observing the importance of the sector measures and indicators through robust self-assessment against nationally published measures. The College is required to complete the annual finance record for the ESFA. The finance record produces a financial health grading. The current rating of Satisfactory is considered an acceptable outcome under the stricter regime introduced in 2016 and the impact of the merger (as described further below).

FINANCIAL POSITION

Financial results

The College's underlying operating deficit in the year was £3,226k (2017: £421k). Please refer to the summary analysis below.

	2017/18 £'000	2016/17 £'000
College Underlying Operating Deficit *	(3,226)	(421)
Share of Deficit in Joint Venture	(759)	(828)
Restructuring and Merger Related Costs	(455)	(450)
FRS 102 (28) charge	(1,715)	(1,481)
Deficit per statutory accounts	(6,155)	(3,180)
Accumulated Reserves	3,419	4,715
Cash Balances	1,632	3,554

* before Joint Venture, Restructuring and Merger Related costs and FRS 102 (28) charges.

The College encountered a challenging financial year following the merger. This led to a higher deficit outcome than had been predicted before the merger. The increased deficit resulted primarily from:

- Lower student recruitment than planned at the Amersham and Wycombe campuses;
- Staff turnover in a number of hard to recruit teaching areas, particularly computing and construction, which resulted in a requirement for higher cost agency staff to ensure continuity of teaching to students;
- Greater than planned expenditure on estates and health and safety – this was necessary to maintain an improved and more consistent safety standard across all three main campuses, including the proactive management of asbestos at the Amersham campus.

As a result of the worsened financial performance, the College breached covenants with both of its bankers. The College has worked closely with its bankers and other key stakeholders to demonstrate that 2017/18 was a year of exceptional change and that the 2018/19 position will return to a more stable footing based on changes already implemented or planned. This has resulted in both banks waiving the covenant breaches for 2017/18.

The College's financial plans and performance were also endorsed by the Further Education Commissioner in July 2018 as described earlier in this report.

Fixed asset additions during the year amounted to £1,199k. These were split between land and buildings acquired of £793k, equipment purchased of £279k and intangible asset additions of £127k. Intangible asset additions comprised entirely of computer software.

The College continued to support its joint venture, Buckinghamshire Education Skills and Training, with Buckinghamshire New University operating out of the University Campus Aylesbury Vale (UCAV) facility. Student numbers continued to increase to 450 however the cash loan extended to the joint venture to cover the costs of the UCAV facility was increased by a further £344k, making nearly £1m over the last 3 years. The College has cautiously eliminated the carrying value of this loan in the financial statements reflecting concerns over the recoverability of the loan and therefore the net loan shown as repayable in the financial statements is nil.

The Merger Related expenses incurred were mainly professional fees to advisors and costs incurred in project management support that was needed around the merger period. These costs were a one off and will not repeat in future years.

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 does not have a separate Treasury Policy in place but rather includes such objectives within it Financial Regulations.

Short term borrowing for temporary revenue purposes is authorised by the Corporation. Such arrangements are restricted by limits in the Colleges Financial Memorandum previously agreed with the ESFA. All borrowing complies with the requirements of the Financial Memorandum of the ESFA.

Cash flows

Operating cash flow was an £0.8m *inflow* for the year (2017: £2.1m *inflow*). This inflow was used to invest in asset purchases, to service debt and to invest into the BEST joint venture. The net cash flow after these adjustments amounted to a £1.9m *outflow* (2017: £2.1m *outflow*).

The College's debt was partially refinanced at the point of merger. Aylesbury College's existing fixed rate loans with Lloyds Bank were not refinanced but the terms marginally revised (these had a value of £2.2m at 31 July 2018). A matured fixed rate loan with Lloyds was refinanced and added to the existing variable rate loan and has a total value of £2.2m at 31 July 2018. The variable rate loan that Amersham & Wycombe College previously had with Barclays Bank was repaid at the point of merger and a new variable rate loan of £2.0m taken out – the net effect was to repay c.£0.4m of capital to Barclays.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student achievements

The College was required to submit two Individualised Learning Records (ILR) in the 2017/18 year as a result of the merger date falling within the academic year. Achievements for Amersham & Wycombe College in 2017/18 have significantly improved with overall achievement at 85%, an increase of 4% on previous year and national average. Overall study programme achievement rates are 81%, 5% above previous year and in line with national average. Adult achievement has improved to 92%, an increase of 4% on previous year, and 5% above national average. Overall apprenticeships have improved by 4%. English GCSE high grades have improved to national average, with high grades for maths significantly improved but remaining below national average. Functional skills in English and maths have improved to be in line with good colleges.

Aylesbury College's outcomes overall and for Study Programmes are slightly lower than previous year but are still good outcomes above national average. Adult achievement has improved by 1% from previous year and is above national average. Students with high needs continue to do well at 94% achievement. Apprenticeships has significantly improved by 19% overall and 21% timely achievement to provide a good platform to return to good outcomes for 2018/19. GCSE English and maths high grades have continued to improve to national average, with good outcomes for Functional Skills Maths, and at national average for English.

For Buckinghamshire College Group as a whole, overall achievement is at 85%, the Study Programme at 82.1% and Adults at 89.6%. The College is above national average and showing a 3-year improving trend. The College also meets the threshold for apprenticeship minimum standards.

Curriculum Developments 2017/18

The merged College offers a range of full and part-time common programmes across all three campuses, which are approximately 18 miles apart. The College is in the process of working with key strategic partners to develop industry-led centres of vocational specialisation at each campus, in response to emerging and future skills gaps and shortages, and ahead of T-Levels.

The majority of the College's higher education programmes are delivered through the joint venture at UCAV in Aylesbury.

Apprenticeships continue to be strong with further sectors standards and progression levels being developed and delivered. This includes degree apprenticeships in partnership with Buckinghamshire New University. The majority of apprenticeships are with SME businesses, although good progress has been made engaging with levy paying employers including Bucks Fire and Rescue Services, Bucks Healthcare Trust, Dreams and Kingspan.

Curriculum Planning for the enlarged College is comprehensive, linked to budget and ensures a clear, consistent curriculum footprint across all campuses. The curriculum is reviewed and revised as part of the College's annual business planning cycle, and in partnership with Bucks Thames Valley LEP. This ensures that the College's offer remains highly responsive to the needs and demands of students, employers, and the local community and local, regional and national skills objectives are being met.

The Curriculum review takes into account:

- Growth – does the provision meet the needs and interest of a range of customers and what areas have the capacity for growth or change to meet local, regional, national and global need?
- Quality – does the provision provide a good quality experience for students and are outcomes for students good and/or improving?
- Viability – Are the programmes providing value for money, cost effective and being delivered efficiently?

The College works closely with Buckinghamshire County Council to develop and deliver independent living training facilities for students with profound and multiple disabilities at the Aylesbury and Wycombe Campuses. The Life Skills Centres continue to provide training and support opportunities for students who would otherwise require out of county residential placements with Independent Specialist Providers. Numbers and demand locally for this provision continues to grow. In 2017/18, we had over 160 students undertaking individual bespoke timetables of learning.

The College works in collaboration with a number of partners including schools, Higher Education Institutions, Local Enterprise Partnerships and employers to provide a range of curriculum opportunities at all levels to meet the needs and interests of the wider community we serve.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the year the College paid 71% of invoices within 30 days and suffered no interest charges as a result of late payments.

Capital Developments 2017/18

The most significant capital project in 2017/18 was the completion of the new skills centre for Construction and Technology at the Wycombe campus. This £2.9m facility was completed and came into use in November 2017.

The new skills centre described above accounted for £0.8m of the £1.2m capital investment in 2017/18. The remaining £0.4m was spread around a number of smaller projects focused mainly on the development of IT infrastructure and software.

Future Capital Developments

The College has continued to make, an inclusive, inspiring environment in partnership with the community providing excellent facilities for learning and development, business and leisure use.

Projects include:

- Continued investment in the UCAV partnership;
- Refresh of existing College buildings and facilities for new courses;
- Continued investment in IT infrastructure to enhance both the staff and student experience at the College.

Following the merger, the College will be reviewing its longer term strategy for capital developments during 2018/19 year.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the three college campuses at Aylesbury, Amersham and Wycombe which are valued at a combined cost in excess of £50m in the financial statements.

Financial

The College has £3.4m net assets (2017: £4.7m) including £20.4m pension liability (2017: £23.5m) and (excluding the reported impact of the covenant breaches referred to earlier) long term debt of £5.9m (2017: £6.9m).

People

Expressed as full time equivalents, the College employs 435 people (2017: 419), of whom 268 are teaching or teaching-related staff (2017: 204).

Reputation

The College continues to have a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external partners.

PRINCIPAL RISKS AND UNCERTAINTIES

Through the College Executive and senior management team, the College ensures it recognises, assesses and mitigates the risk of changes as they emerge in order to plan effectively for the future.

This includes continual work to develop and embed the system of internal control, including financial, operational and risk management which protect the College's assets and reputation.

Based on the College Strategic Plan, the 'Big Ambition', the Executive and senior management team undertakes a regular comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which will mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the management groups will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the operational level. It is updated by the College and reviewed by the Audit Committee on a termly basis. 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. Risk is a standing agenda item discussed at College Executive meetings.

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

1. Government Funding (and subsequently the maintenance of financial viability)

The College has considerable reliance on continued government funding through the ESFA. In 2017/18, 84% of the College's revenue was government funded (81% in 2017).

Government funding levels per student are currently stable and it is the recruitment of student numbers that currently determines the level of income. However, 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 going forward, or that funding will reflect inflationary cost pressures within the College and wider FE sector.

The underlying risks in government funding are mitigated by the College in a number of ways:

- Funding is derived through a combination of direct and indirect contractual arrangements;
- Ensuring the College is rigorous in the delivery of high quality education and training;
- The College focuses on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with the local ESFA contacts.

2. Tuition fee policy

In line with the majority of other colleges, Buckinghamshire College Group has increased tuition fees in accordance with the increasing fee assumptions. The price elasticity of adult learning is not measurable and there exists a risk that demand will contract as fees increase. This is likely to impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Monitoring of the demand for courses as fees change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102 (28). Accounting for defined benefit pension schemes under FRS 102 (28) is a risk as the pension scheme is not under the control of the College and is accounted for in accordance with advice from independent qualified actuaries. Judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member lifespan that underpin the actuarial valuations.

The College liaises with the pension actuary to review and challenge any assumptions which may be inconsistent with the College's own view and which have a material impact upon the reported share of the pension scheme deficit.

4. Achievement of quality targets

The College recognises that an attraction for students and prospective students is the reputation for quality that a College has. The College's most recent Ofsted rating was 'Good' and the College places significant emphasis on maintaining this reputation and rating for quality, with an aspiration in the 'Big Ambition' to become an Ofsted rated 'Outstanding' College.

The College monitors performance against a range of quality targets on a periodic basis ranging from weekly to annual. Courses and staff are assessed from a quality perspective and a senior member of curriculum staff has responsibility for monitoring College-wide quality performance.

5. Safeguarding

The College recognises that it is responsible for, and has a role to play in safeguarding the children and young people that it interacts with. Whilst the majority of this interaction will be on the College premises, the College also has a role in ensuring, to the best of its ability, the safety and security of young people in other locations, such as the workplace or their home environment.

The College invests significant time, resource and money in ensuring this safeguarding objective is met. The most significant ways in which the College achieve this are:

- Ensuring all staff and volunteers are recruited as suitable for working with children and young people;
- The training of staff to be able to spot the signs and symptoms of abuse and know the procedure for raising concerns;
- Establishing a safe environment in which the views of every person are valued and respected, and
- Working closely in partnership with parents, other organisations and agencies to share relevant information.

6. Joint Venture with Buckinghamshire New University

The College's has invested £1.0m into the joint venture, Buckinghamshire Education Skills and Training (BEST), with Buckinghamshire New University at the UCAV facility since its inception in 2015. Despite this the joint venture is loss making and is likely to need continued financial support whilst it develops.

The College has sought to mitigate this risk working closely with the University to develop a curriculum that can thrive at the UCAV facility and considering alternative uses for the facility that may result in developing additional income streams. We will continue to work with the University to progress, monitor and readjust strategies over the coming 12-18 months.

7. Maintaining the quality of campus facilities

Following the merger the College has a range of campuses and facilities that serve our students and communities. Each campus has a different state of upkeep that reflects the investments in them over a long period. The College is required to ensure that campus facilities are invested in so that they remain an attractive proposition for new and existing students alike and that they support the curriculum needs. This includes active management of the asbestos present in the older buildings at both Amersham and Wycombe (Amersham in particular).

The College mitigates these risks by monitoring building quality, particularly in relation to asbestos and taking effective remedial action where necessary. The College has also developed and maintained a property strategy to ensure there is a longer term view of how facilities are needed to be refreshed and developed. The next version of this will be updated in 2018/19 to reflect the needs of the newly merged college.

STAKEHOLDER RELATIONSHIPS

Partnerships

The College is actively engaged with Buckinghamshire New University through BEST.

In line with other colleges and with universities, the College has many stakeholders, including:

- Students;
- Funding bodies;
- Staff / Members of Corporation;
- Local employers (with specific links);
- Local Authorities;
- Local Enterprise Partnerships;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Delivery partners.

The College actively seeks ways to engage with our Stakeholders to gather valuable feedback to inform our business practices. The key body of the College Council has elected representation from all areas of the organisation, is chaired by the College Executive and is a very proactive mechanism for collegiate responsibility within the College.

Trade union facility time

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

Number of employees in relevant period	FTE employee number
4	4

Percentage of time	Number of employees
5-10%	4

Total cost of facility time	£17,000
Total pay bill	£180,000
Percentage of total bill spent on facility time	9%

Equal opportunities

The College is committed to the promotion of equality of opportunity and places great value on the diversity of its community. The provision of equality of opportunity and respect for the needs and rights of the individual are fundamental to the stated mission and values of the College. The college promotes British values and a culture of respect and values diversity.

Buckinghamshire College Group fulfils its general and specific duties in relation to equality of opportunity and actively demonstrates due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people when carrying out their activities, in all strands as identified in the Equality Act 2010, these being:

- Age;
- Disability;
- Gender reassignment;
- Pregnancy and maternity;
- Race – this includes ethnic or national origins, colour or nationality;
- Religion or belief – this includes lack of belief;
- Gender;
- Sexual orientation;
- Marital status/civil partnerships.

Employment of Disabled Persons

The College has been awarded the 'two ticks' Positive about Disabled People accreditation by Job Centre Plus for the College's employment practices.

The College considers all applications for employment from people with disabilities, whilst considering the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure the continuation of employment in the College.

The College's policy is to provide professional development and opportunities for progress that are, as far as possible, identical to those for other people.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. It has done this by the adopting the following:

- As part of its accommodation strategy the College updated its access audit. The new buildings of the College at the Aylesbury campus have been designed to be DDA compliant and capital projects have improved access at both the Amersham and Wycombe campuses.
- The College has a designated lead who provides information, advice and arranges support where necessary for students with disabilities.
- The College makes available a range of specialist equipment for use by students with disabilities.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are also 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.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

- 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.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6th December 2018 and signed on its behalf by:

I Barham
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code").

In the opinion of the Governors, the College complies with the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in May 2012.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are as listed in Table 1.

Table 1: Governors serving on the College Board:

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Corporation meeting attendance
Chair: Mr I Barham	Re-appointed 28/09/2015	4 years		General	Chair of Remuneration	6 of 6
Vice-Chair: Mr M Hailey	Re-appointed 15/03/2018	4 years		General		5 of 6
Mrs K Mitchell	01/09/2013	Serving Principal		Principal	Search & Development	6 of 6
Mr N Hussain	Re-appointed 20/03/2014	4 years	20/03/2018	General	Search & Development	4 of 4
Mr S Terry	Re-elected 20/03/2015	4 years	12/07/2018	Staff	Audit	6 of 6
Miss R Bhatti	Re-appointed 10/12/2015	4 years		General	Audit	2 of 6
Ms L Ghosh	Re-appointed 10/12/2015	4 years		General	Remuneration	2 of 6
Mrs A M McNeill	Re-appointed 07/12/2017	4 years		Staff	Chair of Search & Development	5 of 6
Mr I Harper	Appointed 12/11/2014	4 years		General	Search & Development	6 of 6
Mr A Bargery	Appointed 21/05/2015	4 years		General	Remuneration	4 of 6
Mr S Griffin	Appointed 10/12/2015	4 years		General	Audit	3 of 6
Mrs J Campbell	Appointed 16/03/2017	4 years		General	Search & Development	4 of 6
Ms C Guildford	Appointed 07/12/2017	4 years		General	Audit	4 of 4
Mr N Sims	Appointed 15/03/2018	4 years		General		3 of 3
Mr E Weiss	03/10/2017 (result of merger)	4 years		General	Chair of Audit	4 of 5

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Corporation meeting attendance
Mr D Bainton	03/10/2017 (result of merger)	4 years		General	Remuneration	4 of 5
Ms S Wood	03/10/2017 (result of merger)	4 years	17/05/2018	Staff		0 of 4
Mr M Farmer	Elected for the academic year	1 year		Student		2 of 5
Mr Scribbins acts as Clerk to the Corporation. Mr Scribbins resigned on 31 July 2018 and was replaced by Ms A Smith as of 1 August 2018.						5 of 6

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets no less than five times per year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Search & Development and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Buckinghamshire College Group
Oxford Road
Aylesbury
Buckinghamshire
HP21 8PD

In addition, the Corporation also established in 2017/18 a Finance Scrutiny Panel in response to the developing financial events following the merger. The Panel is not a formal committee but is comprised of members of the Corporation and College management and provides an opportunity to review the financial matters of the College on a more in depth basis, providing both support and challenge to College management as required. The Panel met for the first time in June 2018 and aims to meet twice per term.

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers all of its non-executive members to be 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 Chairman and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Development Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years and for a maximum of two terms.

Corporation performance

Due to the exceptional impact of the merger the Corporation did not carry out a self-assessment of its own performance for the year ended 31 July 2018. A self-assessment will be carried out in the 2018/19 year. The Corporation's last self-assessment for the year ended 31 July 2017 resulted in a "Good" grading as measured on the Ofsted scale.

Search & Development Committee

The Search and Development Committee comprises the Principal and up to four other members. The Committee's main responsibilities are to make recommendations to the Board on the appointments of new members and arrange training.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair) and a co-opted finance specialist. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Remuneration Committee

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

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls which have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place and operational for the period ending 31 July 2018 up to the date of approval of the annual report and accounts. The adequacy of this process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

Review of effectiveness

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

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the Audit Committee meeting on 13 June 2018 and the Corporation meeting on 17 July 2018, the Audit Committee and Corporation members reviewed all remaining reports from the Senior Management Team and internal audit for the 2017/18 financial year.

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

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason the Corporation continues to adopt the going concern basis in preparing the financial statements. Further information regarding this assessment can be found in note 1 to the financial statements on page 29.

Approved by order of the members of the Corporation on 6th December 2018 and signed on its behalf by:

J Barham	**K Mitchell**
Chair	**Accounting Officer**

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

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

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

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

I Barham
Chair

Date: 06/12/18

K Mitchell
Accounting Officer

Date: 06/12/18

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 6th December 2018 and signed on its behalf by:

Ian R Barham

I Barham
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF AYLESBURY COLLEGE

Opinion

We have audited the financial statements of Aylesbury College (the "College") for the year ended 31 July 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in reserves, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors 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 other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Aylesbury College
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 22, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is 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 Corporation 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 http://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 Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 12 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Dated: 21 December 2018

Buckinghamshire College Group
Statement of Comprehensive Income for the Year to 31 July 2018

	Notes	2018 £000	2017 £000
Income			
Funding body grants	2	21,243	22,638
Tuition fees and education contracts	3	2,145	3,010
Other grants and contracts	4	396	606
Other income	5	1,534	1,749
Investment income	6	4	31
Total Income		**25,322**	**28,034**
Expenditure			
Staff costs	7	15,763	15,732
Restructuring costs	7	140	266
Other operating expenses	8	11,349	11,036
Depreciation and amortisation	11, 12	2,567	2,428
Interest payable and other finance costs	9	883	922
Total Expenditure		**30,702**	**30,384**
Deficit before other gains and losses		**(5,380)**	**(2,350)**
Loss on disposal of tangible fixed assets	11	(16)	(2)
Share of operating deficit in joint venture	17	(759)	(828)
Deficit before tax		**(6,155)**	**(3,180)**
Taxation	10	-	-
Deficit for the year		**(6,155)**	**(3,180)**
Remeasurement of net defined benefit pension liability	17/20	4,859	2,149
Total Comprehensive Income for the year		**(1,296)**	**(1,031)**

Buckinghamshire College Group
Balance Sheet as at 31 July 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	11	42,423	43,881
Intangible assets	12	248	174
		42,671	**44,055**
Current assets			
Stock		23	30
Debtors	13	1,113	1,922
Cash at bank and in hand		1,632	3,554
		2,768	**5,506**
Current liabilities: Creditors	14	(10,782)	(4,887)
Net current (liabilities)/assets		**(8,014)**	**619**
Total assets less current liabilities		**34,657**	**44,674**
Creditors - amounts falling due after more than one year	15	(8,022)	(14,723)
Provisions for liabilities			
Defined benefit pension schemes	17	(20,356)	(23,465)
Other provisions	17	(2,860)	(1,771)
Total net assets		**3,419**	**4,715**
Reserves			
Unrestricted income and expenditure reserve		(3,358)	(2,199)
Revaluation reserve		6,777	6,914
Total reserves		**3,419**	**4,715**

The financial statements on pages 24 to 46 were approved by the governing body on 6th December 2018 and were signed on its behalf by:-

I Barham
Chair

K Mitchell
Accounting Officer

Buckinghamshire College Group
Statement of Changes in Reserves as at 31 July 2018

	Income and expenditure reserve	Revaluation reserve	Total
Balance at 1st August 2016	**(1,304)**	**7,050**	5,746
Deficit for the year	(3,180)	-	(3,180)
Other comprehensive income	2,149	-	2,149
Transfer between revaluation and income and expenditure reserves	136	(136)	-
Total comprehensive income for the year	**(895)**	**(136)**	**(1,031)**
Balance at 31st July 2017	**(2,199)**	**6,914**	**4,715**
Deficit for the year	(6,155)	-	(6,155)
Other comprehensive income	4,859	-	4,859
Transfer between revaluation and income and expenditure reserves	137	(137)	-
Total comprehensive income for the year	**(1,159)**	**(137)**	**(1,296)**
Balance at 31st July 2018	**(3,358)**	**6,777**	**3,419**

Buckinghamshire College Group
Cash Flow Statement for the year ended 31 July 2018

	Notes	2018 £000	2017 £000
Cash generated from operations			
Deficit for the year		(6,155)	(3,180)
Adjustment for non-cash items			
Depreciation and amortisation		2,567	2,428
Decrease in stocks		7	21
Decrease/(Increase) in debtors		809	(569)
Decrease in creditors		107	341
Increase in provisions		702	503
Pension costs less contributions payable		1,102	866
Share of operating deficit in joint venture		759	828
Adjustment for investing or financing activities			
Investment income		(4)	(31)
Interest payable		883	922
Loss on sale of fixed assets		16	2
Cash generated from operations		793	2,131
Investing activities			
Investment income		4	31
Purchase of tangible and intangible fixed assets		(1,199)	(2,895)
		(1,195)	(2,864)
Financing activities			
Interest paid		(263)	(300)
Repayment of amounts borrowed		(872)	(335)
Deferred VAT under Lennartz Principal		(41)	(277)
Loan to joint venture		(344)	(430)
		(1,520)	(1,342)
Decrease in cash in the period		**(1,922)**	**(2,075)**
Cash and cash equivalents at beginning of the year	18	3,554	5,629
Cash and cash equivalents at end of the year	18	1,632	3,554

Notes to the Financial Statements for year ended 31 July 2018

1 Accounting policies

General Information
Buckinghamshire College Group is a corporation established under the Further and Higher Education Act 1992 and an English general college of further education. The address of the College's principal place of business is given on page 17. The nature of the College's operations is set out in the Report of the Governing Body on pages 4 to 15.

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 SORP), the Accounts Direction for 2017/18 financial statements and in accordance with Financial Reporting Standard 102. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Basis of accounting
The Financial Statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets. Following the merger between Aylesbury College and Amersham & Wycombe College, merger accounting has been applied to this set of financial statements. The financial statements are prepared in sterling, which is the functional currency of the college. Monetary amounts in these financial statements are rounded to the nearest £1,000 unless otherwise stated. The principal accounting policies adopted are set out below. These policies have been consistently applied in all the years presented unless otherwise stated.

Going concern
The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £6.4m of loans outstanding with its bankers. The terms of repayment of these loans extend up to 14 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in 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
Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget funding element is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

Notes to the Financial Statements for year ended 31 July 2018 (continued)

1 Accounting policies (continued)

Retirement benefits
Retirement 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 there is insufficient information available to use defined benefit accounting. 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
The costs of short term employment benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for staff meaning that, at the reporting date, there was an average of 9 days unused leave for staff. The cost of any unused entitlement is recognised in the period in which the employees' services are received.

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

Termination Benefits
The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

Land and buildings
Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. On adoption of FRS 102, the college followed the transitional provision to retain the book value of land and buildings, which were reduced in 1998 but not to adopt the policy of revaluation of these properties in the future.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years and more minor refurbishments or enhancements over a useful economic life of between 8 and 15 years.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

1 Accounting policies (continued)

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 Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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 any fixed asset may not be recoverable.

Equipment
Equipment costing less than £1,000 per individual item is charged to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:
Equipment: 3 – 8 years
Furniture and Fittings: 4 – 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 Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Intangible assets
Intangible assets comprise entirely of computer software and are capitalised at cost for items (or groups of items comprising one package) costing more than £1,000. Items below £1,000 are charged to the Statement of Comprehensive Income in the period of acquisition.

All assets are amortised over their useful economic life of between 4 – 8 years.

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing Agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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

Investments in jointly controlled entities
The College accounts for its share of jointly controlled entities using the equity method within the financial statements. Should the share of losses in a jointly controlled entity exceed the carrying value of the investment, a provision will be made in the accounts to reflect such loss.

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

Maintenance of premises
The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period that it is incurred.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

1 Accounting policies (continued)

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

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

Cash and cash equivalents
Cash includes cash in hand. Cash equivalents include sums on short-term deposits with recognised banks and building societies.

Financial instruments
Financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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

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 Bursary Support Funds. Related payments received from the ESFA and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 23, except for up to 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Bursary Support Fund applications and payments.

Critical accounting judgements and estimation uncertainty
In preparing these financial statements, management have made the following judgements:

- To determine whether there are any indicators of impairment of the College's tangible and current assets, including debtors and loans, including to loan to BEST, it's jointly controlled entity. Factors taken into consideration in reaching such a decision include the future financial performance of the asset and its viability.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

1 Accounting policies (continued)

Other key sources of estimation uncertainty include:

- Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending upon a number of factors;
- The present value of the Local Government Pension Scheme defined benefit liability depends upon a number of factors that are determined on an actuarial basis using a variety of assumptions. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

2 Funding Body Grants	**2018**	**2017**
	£000	**£000**
Recurrent grants		
Education and Skills Funding Agency - adult	2,033	2,708
Education and Skills Funding Agency - 16-18	13,560	14,900
Education and Skills Funding Agency - apprenticeships	2,266	2,411
Other Funding Body	3,170	2,259
Specific grants		
Releases of government capital grants	214	360
	21,243	**22,638**

3 Tuition Fees and Education Contracts	**2018**	**2017**
	£000	**£000**
Tuition Fees	2,025	2,762
Education contracts	120	248
	2,145	**3,010**

4 Other grants and contracts	**2018**	**2017**
	£000	**£000**
Other grant income	252	174
Release of other deferred capital grants	144	432
	396	**606**

5 Other income	**2018**	**2017**
	£000	**£000**
Creche income	693	610
Catering and conferences	129	123
Other income generating activities	465	432
Miscellaneous income	247	584
	1,534	**1,749**

6 Investment Income	**2018**	**2017**
	£000	**£000**
Other investment income	4	31
	4	**31**

Notes to the Financial Statements for year ended 31 July 2018 (continued)

7 Staff costs and key management personnel remuneration

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

	2018 Number	2017 Number
Teaching staff	268	204
Non teaching staff	167	215
	435	**419**

Staff costs for the above persons	**2018 £000**	**2017 £000**
Wages and salaries	10,463	11,069
Social security costs	929	953
Other pension costs	2,828	2,563
Payroll subtotal	**14,220**	**14,585**
Contracted out staffing services	1,543	1,147
Restructuring costs		
- Contractual payments	92	140
- Non-contractual payments	48	126
Total Staff Costs	**15,903**	**15,998**

Key Management are defined as the Principal and holders of the other senior posts whom the Governing Body or Principal has selected for the purposes of executive management of the College on a day to day basis. The posts are listed at the front of this report.

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

	Key Management Personnel	
	2018 Number	**2017 Number**
£ 50,001 to £ 60,000	4	-
£ 60,001 to £ 70,000	1	1
£ 70,001 to £ 80,000	1	3
£ 80,001 to £ 90,000	1	1
£ 90,001 to £ 100,000	1	-
£ 120,001 to £ 130,000	-	1
£ 140,001 to £ 150,000	1	-
	9	**6**

Notes to the Financial Statements for year ended 31 July 2018 (continued)

7 Staff costs and key management personnel remuneration (continued)

	2018 Number	2017 Number
The number of Key Management Personnel including the Principal was:	9	6

Their remuneration is made up as follows:	2018 £'000	2017 £'000
Salaries	605	492
National insurance	74	61
Pension contributions	92	70
Payments to third parties	-	172
Total remuneration	771	795

The above remuneration include amounts payable to the Accounting Officer (who is also the highest paid of key management personnel) of:

	2018 £'000	2017 £'000
Salaries	149	122
Pension contributions	23	19
Total remuneration	172	141

The pension contributions in respect of the Principal and key management personnel are in respect of employer's contributions to the respective pension schemes and are paid at the same rate as for other employees. No emoluments due to the Principal or key management personnel in the year were waived. No salary sacrifice schemes were in use for the Principal or key management personnel.

Governors' remuneration

The members of the corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year Nil governors expenses were paid (2017 - Nil) in respect of travel and subsistence and other out of pocket expenses in the course of their duties.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

8 Other Operating Expenses

	2018 £000	2017 £000
Teaching costs	6,422	5,987
Non teaching costs	2,695	3,498
Premises costs	2,232	1,551
Total	**11,349**	**11,036**

Other operating expenses include:	**2018 £000**	**2017 £000**
Auditors' remuneration:		
Financial statements auditor	40	51
Internal audit	19	46
Other services provided by financial statements auditor	12	2
Losses on disposal of non-current assets	16	2
Inventory recognised as expense	113	134
Operating lease rentals	190	77
Impairment against loan to joint venture	482	496

9 Interest Payable and other finance costs

	2018 £000	2017 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	263	300
	263	300
Pension finance costs:		
Local Government Pension Scheme (note 20)	613	615
Enhanced pensions (note 17)	7	7
Total	**883**	**922**

10 Taxation

	2018 £000	2017 £000
Total	-	-

The College is not liable for any corporation tax arising out of its activities during both the current and prior years.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

11 Tangible Fixed Assets	Freehold Land and Building £000	Equipment £000	Furniture £000	Assets In Course of Construction £000	Total £000
Cost or Valuation					
At 1 August 2017	52,942	10,530	873	2,118	66,463
Transfer from assets in course of construction	2,118	-	-	(2,118)	-
Additions	793	273	6	-	1,072
Disposals	-	(4,851)	-	-	(4,851)
At 31 July 2018	**55,853**	**5,952**	**879**	**-**	**62,684**
Depreciation					
At 1 August 2017	14,159	7,686	737	-	22,582
Charge for year	1,505	984	25	-	2,514
Elimination in respect of disposals	-	(4,835)	-	-	(4,835)
At 31 July 2018	**15,664**	**3,835**	**762**	**-**	**20,261**
Net book value at 31 July 2018	**40,189**	**2,117**	**117**	**-**	**42,423**
Net book value at 31 July 2017	38,783	2,844	136	2,118	43,881

Land and buildings were valued in 1998 by Sidleys, Chartered Surveyors. The base of valuation was as follows:
Hampden Hall Site - Valued on an open market basis
Aylesbury (Oxford Road) Site - Valued on an open market basis
Amersham (Stanley Hill) Site - Valued on an open market basis
Wycombe (Flackwell Heath) Site - Valued on an open market basis

The loan from Lloyds Bank is secured by a charge over the land and buildings at the Aylesbury (Oxford Road) site.
The loan from Barclays Bank is secured by a charge over the land and buildings at the Amersham (Stanley Hill) site.

On adoption of FRS 102, the college followed the transitional provision to retain the book value of land and building, which were reduced in 1998 but not to adopt the policy of revaluation of these properties in the future.

Land and buildings with a net book value of £4,074,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the ESFA, to surrender proceeds.

If fixed assets had not been revalued before being deemed as cost on transition, they would have been included at the historical cost amounts of cost and depreciation of £nil.

12 Intangible Fixed Assets	IT Software £000
Cost or Valuation	
At 1 August 2017	516
Additions	127
Disposals	(139)
At 31 July 2018	**504**
Amortisation	
At 1 August 2017	342
Charge for year	53
Elimination in respect of disposals	(139)
At 31 July 2018	**256**
Net book value at 31 July 2018	**248**
Net book value at 31 July 2017	174

Notes to the Financial Statements for year ended 31 July 2018 (continued)

13 Debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade debtors	301	371
Prepayments and accrued income	450	1,329
Amounts owed by the ESFA	362	222
Total	**1,113**	**1,922**

14 Creditors: Amounts Falling Due Within One Year

	2018 £000	2017 £000
Bank loans and overdrafts	6,356	372
Deferred VAT under Lennartz principle	-	41
Trade creditors	272	577
Other taxation and social security	85	294
Accruals and deferred income	2,354	2,423
Amounts owed to the ESFA	1,388	705
Deferred Capital Grants	327	475
Total	**10,782**	**4,887**

15 Creditors: Amounts Falling Due After More Than One Year

	2018 £000	2017 £000
Bank loans	-	6,856
Deferred Capital Grants	8,022	7,867
Total	**8,022**	**14,723**

Notes to the Financial Statements for year ended 31 July 2018 (continued)

16 Borrowings

a) Bank loans	**2018**	**2017**
Bank loans are repayable as follows:	**£000**	**£000**
In one year or less	6,356	372
Between one and two years	-	1,460
Between two and five years	-	1,878
In five years or more	-	3,518
Total	6,356	7,228

Bank loans at fixed rates ranging between 7.09% and 7.465% are repayable by instalments falling due between 1 August 2007 and 31 July 2022 and total £2,231,000. Bank loans of £4,125,000 are at variable rates and are repayable by October 2020. These loans are secured as described in Note 11.

As at 31 July 2018 loan covenants with the College's banks had been breached and formal waivers from the banks were not in place at that date. The College has discussed and agreed its financing position with the banks subsequent to the year end and the banks have not sought to revise the terms of their agreements or to demand immediate repayment. However in accordance with Financial Reporting Standards, the College was deemed not to have an unconditional right to defer payment for more than 12 months at the balance sheet date.

b) Other financial arrangement	**2018**	**2017**
Deferred VAT is repayable as follows:	**£000**	**£000**
In one year or less or on demand	-	41
Total	-	41

The College has reclaimed input VAT related to the construction of the new building under the Lennartz principle. Under this principle the College recovers the input VAT relating to the non-business use of the building up front and accounts back to HM Revenue and Customs over a 10 year period which ended in January 2018.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

17 Provision for Liabilities

	Pension Liability (note 20)	Enhanced Pension	Joint Venture	Other	Total
	£000	£000	£000		£000
At 1 August 2017	(23,465)	(301)	(1,470)	-	(25,236)
Cost transferred to Statement of Comprehensive Income:					
Interest cost	(613)	(7)	-	-	(620)
FRS 102 (28) Employer Service Charge less Employer Contribution	(1,102)	-	-	-	(1,102)
Share of operating deficit for period	-	-	(759)	-	(759)
Abestos management costs	-	-	-	(220)	(220)
Actuarial gain	4,824	35	-	-	4,859
Loan to joint venture	-	-	344	-	344
Impairment against loan to joint venture	-	-	(482)	-	(482)
At 31 July 2018	(20,356)	(273)	(2,367)	(220)	(23,216)

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated using the enhanced pension provision spread sheet provided by the Education and Skills Funding Agency.

The joint venture relates to the College's activities in Buckinghamshire Education Skills & Training (BEST), a company equally owned and operated in conjunction with Buckinghamshire New University. The investment in joint venture represents the College's 50% share of the activities in this company for the year. The loan to joint venture represents the amount of money provided by the College to support the start up activities of this joint venture. The aims of BEST are described in the Report of the Governing Body.

Other provisions represent the College's estimate for the expected cost of management of asbestos present at its campuses with respect to its reasonable health and safety obligations. This is based on quotations received by the College with an expectation this will be fully spent between August 2018 and March 2019.

18 Cash and cash equivalents

	At 1 August 2017	Cash flows	At 31 July 2018
	£000	£000	£000
Cash at bank and in hand	3,554	(1,922)	1,632
Total	**3,554**	**(1,922)**	**1,632**

19 Financial Instruments

	2018	2017
	£000	£000
The College has the following financial instruments:		
Financial assets		
Debt instruments measured at amortised cost	737	1,429
	737	**1,429**
Financial liabilities		
Financial liabilities measured at amortised cost	10,463	10,345
	10,463	**10,345**

Notes to the Financial Statements for year ended 31 July 2018 (continued)

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 Buckinghamshire County Council. Both are multi-employer defined benefit schemes.

		2018 £000		2017 £000
Teachers Pension Scheme: contributions paid		636		770
Local Government Pension Scheme:				
Contributions paid	1,090		927	
FRS 102 (28) Charge	1,102		866	
Charge to the Statement of Comprehensive Income (staff costs)		2,192		1,793
Enhanced pension charge to the Statement of Comprehensive Income (staff costs)		-		-
Total Pension Cost for Year		**2,828**		**2,563**

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

Teachers' Pension Scheme
The Teachers' Pension Scheme is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer.

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

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

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

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £636,000 (2017: £770,000).

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

Local Government Pension Scheme
The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Buckinghamshire County Council. The total contributions made for the year ended 31 July 2018 were £1,392,000, of which employer's contributions totalled £1,090,000 and employees' contributions totalled £302,000. The agreed contribution rates for future years are 19.0% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

20 Pension and similar obligations (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.85%	4.2%
Future pensions increases	2.35%	2.7%
Discount rate for scheme liabilities	2.65%	2.7%
Commutation of pensions to lump sums	50%	50%

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

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

The assets in the scheme were:

	Value at 31 July 2018 £000	Value at 31 July 2017 £000
Equities	15,848	15,602
Gilts	648	2,715
Bonds	6,975	3,639
Property	2,276	2,061
Cash	1,403	956
Other	3,001	2,963
Total market value of assets	**30,151**	**27,936**
Actual return on plan assets	**1,893**	**3,663**

Amounts recognised in the Statement of Comprehensive Income	**2018 £000**	**2017 £000**
Employer service cost (net of employee contributions)	2,091	1,759
Past service cost	101	34
Total operating charge	2,192	1,793

Notes to the Financial Statements for year ended 31 July 2018 (continued)

20 Pension and similar obligations (continued)

Analysis of pension finance costs	**2018 £000**	**2017 £000**
Expected return on pension scheme assets	(760)	(633)
Interest on pension liabilities	1,373	1,248
Pension finance costs	613	615

Amount recognised in Other Comprehensive Income	**2018 £000**	**2017 £000**
Actual return less expected return on pension scheme assets	1,120	3,010
Experience gains and losses arising on the scheme liabilities	-	2,369
Change in financial and demographic assumptions underlying the scheme liabilities	3,704	(3,264)
Amount recognised in Other Comprehensive Income	**4,824**	**2,115**

Asset and Liability Reconciliation	**2018 £000**	**2017 £000**
Reconciliation of Liabilities		
Liabilities at start of period	51,417	48,476
Current service cost	2,091	1,759
Interest cost	1,373	1,248
Employee contributions	302	319
Experience gains and losses on scheme liabilities	-	(2,369)
Changes in financial assumptions	(3,704)	3,264
Benefits paid	(1,057)	(1,314)
Past service cost	101	34
Liabilities at end of period	**50,523**	**51,417**
Reconciliation of Assets		
Assets at start of period	27,936	24,361
Interest on assets	760	633
Administration expenses	(13)	(20)
Return on assets	1,133	3,030
Employer contributions	1,090	927
Employee contributions	302	319
Benefits paid	(1,057)	(1,314)
Assets at end of period	**30,151**	**27,936**

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

21 Financial Commitments

At 31 July, total commitments under non-cancellable operating leases were as follows:

As a Leasee	2018 £000	2017 £000
Land and Buildings:-		
Expiring within one year	-	30
	-	30
Other:-		
Expiring within one year	124	83
Expiring within two and five years inclusive	6	17
	130	100

As a Lessor	2018 £000	2017 £000
Other:-		
Expiring within one year	160	160
Expiring within two and five years inclusive	640	640
Expiring in over five years	320	480
	1,120	1,280

Acting as a lessor, the above commitment represents a lease of space within the College to the University of Bedfordshire which began in August 2016. This is a nine-year lease with both lessor and leasee having the right to terminate the lease at the end of the third and sixth years.

22 Related Party Transactions

In respect of the joint venture in BEST, the transactions during the year were as follows:

	2018 £000	2017 £000
Expenses recognised as part of Other Operating Expenses	130	53
Expense recognised as impairment of loan to the company	482	496
Loans to support ongoing operation of the company	995	634
Amounts owed to BEST	-	-
Amounts owed by BEST	995	634

In respect of all other transactions, due 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 an organisation in which a member of the board of governors may have an interest are conducted in accordance with the College's financial regulations and normal procurement procedures. Key management compensation disclosure is given in note 7.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

23 Amounts Disbursed as Agent - learner support funds	2018	2017
	£000	£000
Access Funds		
Funding Body Grants - 16-19 bursary support	387	348
Funding Body Grants - Other bursary support	476	295
	863	643
Disbursed to students	(418)	(514)
Administration costs	(29)	(20)
Balance unspent as at 31 July, included in creditors	416	109

Funding Body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. The College expects to reimbursement any unspent balance to the funding authority on an annual basis.

24 Contingent Liabilities

The Buckinghamshire University Technical College (BUTC) new building was completed in September 2013 on the main College site. The BUTC building was transferred on 1 September 2013 as an asset under the ownership of the Buckinghamshire UTC Trust. Should the College receive proceeds before July 2022 from the sale of land that it owns, then the College would be liable to repay up to £4.0m of the build costs of BUTC to the Department for Education. As at the year end, the likelihood of this occurring is considered unlikely but due to the material nature of the potential liability disclosure has been made.

25 Merger Disclosure

Aylesbury College and Amersham & Wycombe College legally merged with effect from 3 October 2017 under a Type B merger with Aylesbury College the surviving entity. Whilst the legal entity name remains as Aylesbury College, the merged college has chosen to trade under the name *Buckinghamshire College Group* with effect from the merger date.

In preparing the accounts for the merged College the accounting policies of the two former colleges have been aligned and where applicable, this has resulted in the restatement of financials for the 2017 financial year. The key changes were as follows:

- Funding body grants from local authorities have been consistently recorded as such;
- All described in note 23 all learner support funds disbursed where the College acts as an agent are excluded from the Statement of Comprehensive Income;
- Computer software is treated as an Intangible Asset and amortised accordingly;
- Alignment of depreciation policy for tangible fixed assets.

Notes to the Financial Statements for year ended 31 July 2018 (continued)

25 Merger Disclosure (continued)

Analysis of Total Comprehensive Income

	Aylesbury College	Amersham & Wycombe College	Merged Entity	Full Year
	02/10/2017	02/10/2017	03/10/2017-31/07/2018	2018
	£000	£000	£000	£000
Income				
Funding Body Grants	1,636	1,814	17,793	21,243
Tuition Fees and Education Contracts	158	108	1,879	2,145
Other grants and contracts	62	75	259	396
Other income	231	3	1,300	1,534
Investment Income	-	4	-	4
Total income	**2,087**	**2,004**	**21,231**	**25,322**
Expenditure				
Staff costs	1,370	1,184	13,349	15,903
Other operating expenses	852	886	9,611	11,349
Depreciation and amortisation	160	261	2,146	2,567
Interest payable and other finance costs	77	71	735	883
Total expenditure	**2,459**	**2,402**	**25,841**	**30,702**
Deficit before other gains and losses	**(372)**	**(398)**	**(4,610)**	**(5,380)**
Loss on disposal of fixed assets	-	-	(16)	(16)
Share of operating deficit in joint venture	(124)	-	(635)	(759)
Deficit before tax	**(496)**	**(398)**	**(5,261)**	**(6,155)**
Taxation	-	-	-	-
Deficit for the year	**(496)**	**(398)**	**(5,261)**	**(6,155)**
Remeasurement of net defined benefit pension liability	2,139	1,566	1,154	4,859
Total Comprehensive Income for the year	**1,643**	**1,168**	**(4,107)**	**(1,296)**

Analysis of Net Assets

	Aylesbury College	Amersham & Wycombe College	Merged Entity	Full Year
	2017	2017	03/10/2017-31/07/2018	2018
	£000	£000	£000	£000
Total net assets	**8,504**	**(978)**	**(4,107)**	**3,419**

Notes to the Financial Statements for year ended 31 July 2018 (continued)

25 Merger Disclosure (continued)

Analysis of Total Comprehensive Income - Prior Year 2017

	Aylesbury College 2017 £000	Amersham & Wycombe College 2017 £000	Merged Entity 2017 £000
Income			
Funding Body Grants	11,065	11,573	22,638
Tuition Fees and Education Contracts	1,398	1,612	3,010
Other grants and contracts	198	408	606
Other income	1,345	404	1,749
Investment Income	9	22	31
Total income	**14,015**	**14,019**	**28,034**
Expenditure			
Staff costs	7,955	8,043	15,998
Other operating expenses	5,861	5,175	11,036
Depreciation and amortisation	931	1,497	2,428
Interest payable and other finance costs	515	407	922
Total expenditure	**15,262**	**15,122**	**30,384**
Deficit before other gains and losses	**(1,247)**	**(1,103)**	**(2,350)**
Loss on disposal of fixed assets	-	(2)	(2)
Share of operating deficit in joint venture	(828)	-	(828)
Deficit before tax	**(2,075)**	**(1,105)**	**(3,180)**
Taxation	-	-	-
Deficit for the year	**(2,075)**	**(1,105)**	**(3,180)**
Remeasurement of net defined benefit pension liability	1,244	905	2,149
Total Comprehensive Income for the year	**(831)**	**(200)**	**(1,031)**

These accounts do not reflect any restricted funds

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF AYLESBURY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion
We have carried out an engagement, in accordance with the terms of our engagement letter dated 12 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Aylesbury College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

We are independent of the Aylesbury College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Aylesbury College for regularity
The Corporation of Aylesbury College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Aylesbury College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity
Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed, and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

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

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Dated: 21 December 2018