

Yeovil College

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 July 2019

Yeovil College

REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2019

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REFERENCE AND ADMINISTRATIVE DETAILS

Key Management Personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2018/19:

| | |
|-------------|-------------------------------------|
| John Evans | Principal; Accounting Officer |
| Mark Bolton | Vice Principal Curriculum & Quality |
| Emma Cox | Vice Principal Finance & Resources |

John Evans (Principal) tendered his resignation on 5th July 2019, leaving the role on 30th September 2019. Mark Bolton was appointed to the role of CEO and Principal effective 1st October 2019 with Steve Chattell appointed to the role of Vice Principal Curriculum & Quality effective on the same date.

Board of Governors

A full list of governors is given on pages 14, 15 and 16 of these financial statements.

Jo Farrant served as independent Clerk during 2017/18 and in the period up to 31 August 2018. Kaz Corbett took over the role of Independent Clerk on 3 September 2018.

Professional Advisers

Financial Statements Auditors and Reporting Accountants:

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Internal Auditors:

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Bankers:

Business Support Unit Commercial Banking – Risk Division
Lloyds Banking Group
PO Box 128
8 Royal Parade
Plymouth
PL1 1LX

Solicitors:

Clarke Willmott
Blackbrook Gate
Taunton TA1 2PG

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OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2019. Yeovil College is a Further Education College. The principal place of operations is Mudford Rd, Yeovil, BA21 4DR.

Legal Status

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

Mission and Values

The college's mission and values for the year 2018/19 as approved by its members are:

Mission

To maximise potential for all.

Values

- Creating a learner-centred environment
- Having uncompromising ambition for our learners
- Valuing and respecting everyone, offering opportunities to all
- Collaborating with our local community and employers
- Being flexible, innovative and forward thinking

Strategic Plan

In July 2018 the college adopted a strategic plan for the period 1 August 2018 to 31 July 2021. This strategic plan includes property and financial targets. The Corporation monitors the performance of the college against these targets. The strategic plan is reviewed and updated each year. The college's continuing strategic objectives are:

1. To inspire, be ambitious, respect and support all our learners, through outstanding teaching, learning and assessment to maximise their potential.
2. Provide a high quality, innovative, relevant and responsive curriculum to meet the needs of local, regional and national priorities.
3. Maintain stable long term financial position and manage the college effectively, efficiently and innovatively in order to proactively invest and further improve facilities and learning experience for all.
4. Work effectively and innovatively with our partners to maximise all opportunities in order to provide an outstanding experience for our learners, employers and the local community.
5. Value, develop and recognise staff with highly effective performance management to provide the best quality experience for our learners and employers.

College Achievements

- Maintained status as the highest achieving college in Somerset.
 - The only college in Somerset to achieve 100% pass rate for A levels and for the fourth consecutive year.
 - Growth in 16-18 learner numbers despite a demographic decline in the local catchment area
-

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- Recognition by the government for its excellent delivery of Industry Placements Pilot for T levels by awarding the college the opportunity to deliver the full T level qualifications in Digital and Health & Care from Sept 2021 (Wave 2),
- Demolition of Hollands House and sale of Holcote House to remove all category D buildings from the campus.
- In partnership with other institutions in the region, awarded bid for the West of England Institute for Technology status (£2.2m capital)
- Awarded Edge Foundation funding to develop Health & Care facility (£90k capital)

Resources

The college has various resources that it can deploy in pursuit of its strategic objectives. All activities have been consolidated within the main campus on Mudford Road.

The college employs 254 people (expressed as full time equivalents), of whom 131 are teaching staff.

The college enrolled approximately 4,847 students. The college's student population includes 1,286 16-to-18 year old students, 1,287 apprentices, 199 higher education students and 1,987 adult learners.

The College has £5.9m of net assets, reducing to net liabilities of £8.7m when including £14.6m pension liability. Tangible resources include the main college site including the recently completed Da Vinci training restaurant extension and the Screwfix carpentry workshop.

The college has an improving reputation locally and nationally. Maintaining and improving a quality brand is essential for the college's success in attracting students and building external relationships.

Stakeholders

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

- Learners
- Education sector funding bodies at both FE and HE
- FE Commissioner
- Staff
- Local employers
- Local Authorities
- Local Enterprise Partnerships (LEPs) in Somerset and Devon
- West of England IOT and its partners
- The Local Community
- Local schools
- Other FE institutions
- Professional bodies
- Trades Union
- Sector Skills Councils
- Chambers of Commerce
- Association of Colleges

The college recognises the importance of these relationships and engages in regular communication with them through meetings, events, networking, communications and forums both on and off line.

FINANCIAL PERFORMANCE

Results

The college generated an operating deficit in the year of £171,000 before the FRS102 pension charge of £1,024,000. The position after these adjustments is a deficit of £1,194,000. Total Comprehensive Income for the year, after the actuarial loss in respect of the Local Government Pension Scheme (LGPS) is £3,961,000 (2017/18 Gain £3,214,000). The college assumptions about pay increases in the pension valuation increased year on year, 2018/19 being more in line with the rest of the sector.

The college has cash balances of £1,127,000 and negative reserves of £8,708,000. The reserves position has reduced since last year as a result of the pension deficit increasing by £3,791,000. The college wishes to accumulate reserves and cash balances in order to maintain working capital and generate funds for reinvestment in capital, particularly in the context of limitations to capital grant availability.

The pension liability continues to have an unpredictable impact on the college's reserves in the year. The change in financial assumptions requested by the college and applied by the actuary has increased the liability by 35% in year from £10,849,000 to £14,640,000 (2017/18 25% decrease)

Tangible fixed asset additions during the year amounted to £197,000, of which £82,000 was invested in upgrades to the IT infrastructure, further investment is planned during 2019/20 and will be significantly higher with the impact of West of England IOT (IOT) spends. Other material spend included £30,000 on upgrades to offsite car parking facilities prior to charging for on site parking, £20,000 for building retention payments on the Screwfix building, £18,000 on devices to improve mobile working for assessors utilising Smart Assessor software and £17,000 for improvements to ventilation and lighting in the training kitchen.

Intangible assets comprise software relating to the college's Management Information Systems, with additions in the year totalling £14,000. This investment provides improvements to forecasting tools for curriculum planning.

Financial Health Grade

The 2018/19 financial health grade using the ESFA model is "Requires Improvement" (2017/18 "Requires Improvement") Requires improvement was previously described as "satisfactory".

Sources of income

The college has significant reliance on the education sector funding bodies for its principal funding source, from recurrent and specific grants. In 2018/19 the FE funding bodies provided 74% of the College's total income (2017/18 75%).

FUTURE PROSPECTS

The College has gone through a culture and ethos change since the previous Principal was appointed in January 2014. This has resulted in the learner outcomes across the whole college significantly improving to position the college in the top 10% of all GFE Colleges.

During this time, the college successfully went through the 'Area review' process and in February 2018, the college received a diagnostic visit from two Deputy FE Commissioners. Both interventions forensically assessed the long-term viability of the college.

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The two day Deputy FE Commissioner's visit led to a very positive report created by the Commissioner's office that supported the college's strategic direction however, it clearly outlined the urgent need of capital funding to address the historical buildings issues.

In April 2019, the college received notification that the ESFA had removed the financial notice to improve which was issued in 2015. The college had met the criteria following three consecutive years of being graded with satisfactory financial health.

The College has developed a whole new estates strategy in preparation for any government capital investment. The strategy that looks at the steps required over the short and long term to ensure that the conditions of the buildings do not have a negative impact on the learner experience whilst developing a campus for the future.

The college's estate is a mix of category A, B, C and D with 58.3% in category C and 2.7% in category D. Category D is Hollands House which has been demolished across the summer of 2019. Category C is defined as "operational but with major repair or replacement needed soon".

The main focus for any investment in buildings and resources across the planning period are:

- Implement whole site building strategy for short and long term investment.
- Investigate space needs analysis for replacing Kingston and Bridge buildings
- The demolition of Hollands House.
- Revamp and maintenance of Kingston building.
- Enhance Sport facilities on main site with an artificial pitch.

The College has continued to address its financial position whilst further improving the learner outcomes in line with the previous strategic plan.

The focus on the quality of teaching, learning and assessment and therefore improving the learner outcomes has had a significant impact. The college is now the highest performing college in the county and one of the highest in the south west.

Curriculum Developments

Our curriculum for full-time, part-time and work based learners is highly relevant to our local and regional economic needs, supporting our business community to grow and prosper, providing them with a future workforce which is well prepared for their current and future roles.

Informed by Stakeholders

We involve our business community and stakeholders in the design and delivery of our curriculum, incrementally building understanding internally and externally to ensure we collectively understand one another's needs and constraints. We foster impactful relationships with our staff and students throughout the college with our business community.

Delivering Outcomes which Align to Industry Need

Students engage with a curriculum which is shaped to deliver more exposure to our business community and where the content builds the behaviours, skills and knowledge which have a positive impact in the workplace.

We are preparing for the delivery of T Levels in our curriculum planning and development so that we continue to be at the forefront of Post-16 education policy implementation for the benefit of our college and wider community. In 2018-19 we continued to roll out our Industrial Placements where approximately 100 Level 3 students successfully participated in 300 hours or more of Industrial Placement.

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Our Higher Education curriculum will be a particular focus in 2019-20; it will be redefined to align more clearly to career opportunities and be delivered in a way which makes it easier for individuals who have work and other commitments to engage and be successful.

Delivering Learning Opportunities which Align to Learner Choice

Our curriculum is accessible, it is delivered at a time, place and utilises technology which ensures that it is highly accessible for our diverse learning community. We continue to focus on the development of Teaching, Learning and Assessment Pedagogies which align to our learners' preferences of accessing a blended learning experience that allows learners to learn at a time and in a place of their choice.

We will continue to innovate in our curriculum design and student services provision to ensure that we are pro-actively delivering positive interventions to improve the 'Wellbeing' of our learners.

Valued

Learners value their experience and rate their satisfaction with their teaching and overall college experience at 77%.

Our business community and stakeholders have valued our contribution and demonstrated their satisfaction with Employer Satisfaction scores of over 83% in 2018-19.

We will strive to innovate in the delivery of our curriculum, exploring and securing opportunities to achieve better economies of scale to achieve better value for money with our teaching resources. Teaching resources and environments will be fit for purpose, facilitating an inspiring experience for our learners, reflecting our collective ambition.

Financial Plan

The college governors approved a two year financial plan in July 2018 which sets objectives for the period to 2020:

- Achieve an underlying operating surplus of 1% per year (with an aspirational 3% target)
- Generate positive cash from operating activities of at least £750,000 each year
- Maintain a staffing ratio below 65%
- Maintain a financial health score health grade above 140 points (Requires Improvement) on the ESFA scale
- To achieve a current ratio in excess of 1 through year on year improvements
- Borrowings not to exceed 30% of income
- To have the financial capacity to achieve capital development ambitions

Treasury policies and objectives

The college has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. The college has a separate treasury management policy statement contained within its Financial Regulations. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

The future target is to achieve annual operating cash of £1,250,000 with debt servicing of £500,000 and capital investment of £300,000. This would generate annual cash increase of £450,000 which would be used to improve College cash reserves for future capital investment.

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Cash flows and liquidity

Cash flow from operating activities was £932,000 (2017/18 £285,000 inflow) with a closing cash balance of £1,127,000 (2017/18 £718,000) after investing a net £211,000 in Fixed Assets, the main investment was towards the upgrading of the IT network.

Reserves

The college does not have a formal reserves policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the college's core business. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses of between 1% and 3%. When considering the Income and Expenditure Account Reserve, the Corporation separates the pension charge as this is dependent on market forces and therefore impossible to plan.

As at the balance sheet date, the Income and Expenditure account reserve stands at £881,000 (2017/18 £970,000) before the pension provision. The Income and Expenditure account reserve with the pension liability of £14,640,000 (2017/18 £10,849,000) is a negative £13,759,000 (2017/18 negative £9,879,000).

The revaluation reserve relates to Land and Buildings revaluations made periodically since Incorporation in 1994. The balance held at the balance sheet date comprises £4.6m for land and £0.4m for buildings.

The college holds no restricted reserves.

Going Concern

At the meeting of the Audit Committee on the 27 November 2019 and the Corporation Meeting of the 5 December 2019, members restated the reasons why there is confidence to support a going concern status; namely

- The college continues to improve results for its learners and its reputation in the area, including the increased market share of local 16 year olds in September 2018.
- £1,100,000 cash balance at the end of the year.
- Bank loan at £4.0m with 3.5% debt servicing costs (£0.5m) which are maintainable with a fixed interest rate.
- Whilst the college is still technically in breach of one of its banking covenants since 2014-15, it is working with the bank to develop new covenants which will be applied in 2019-20. The bank has confirmed it is not seeking repayment of the loan and therefore the loan has not been redesignated as a current liability.
- Education & Skills Funding Agency Financial Health score at 160 (TBC) in 2018/19 and the lifting of the Financial Notice of Concern in April 2019.
- Robust and reliable financial plan and financial forecast showing base assumptions and demonstrating sufficient funds.
- KPI reporting and risk management activities provide confidence in the management of the plan.
- Cash day for the year are forecast to be maintained above 14 days

After making appropriate enquiries, the Corporation considers that the college has adequate resources to continue in operational existence for the foreseeable future.

For this reason, it continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The college has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance. Based on the strategic plan, the Senior Management Team and College Management Team regularly review the risks to which the college is exposed. They identify systems, procedures and detailed actions to mitigate any potential impact on the college.

A risk register is maintained at the college level which is reviewed at each Audit Committee and termly by the College Management Team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the college and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risk factors affecting the college are outlined below. 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

The college has considerable reliance on continued government funding through the further education sector funding bodies. In 2018/19, 74% of the college's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The college is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The college, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop:

- Planned introduction of T Levels from September 2020
- The impact of devolution, particular for the Adult Education Budget
- Increased local competition from school sixth forms.
- Employer Responsive funding, including the apprenticeship reform which has reduced income from the ESFA from May 2017.
- HE: the move from franchised to validated provision, although not affecting numbers, means continued growth to remain competitive.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the college is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and employers.
- Ensuring the college is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

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2. Tuition Fee Policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Yeovil College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the college is that demand falls off as fees increase. This will 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.
- Close monitoring of the demand for courses as prices change.

3. Maintain Adequate Funding of Pension Liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the college's balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with the Somerset County Council pension fund.

4. Failure to maintain the financial viability of the College

The college's current financial health grade is classified as "Requires Improvement" as described above. This is largely the consequence of the real drop in core funding for 16-18 year olds, with the £4,000 base rate being maintained for the last 6 years. In addition, the apprenticeship reform agenda and the lack of growth in HE, together with the need for essential building repairs due to the ageing of college property. Notwithstanding that, the continuing challenge to the college's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

KEY PERFORMANCE INDICATORS

| Key performance Indicator | Measure/Target | Actual for 2018/19 |
|---|----------------------|--|
| Student number targets 16-18 | 1222 | 1286 |
| Student number targets 19+ | 1303 | 998 |
| Student number targets Higher Education | 209 | 199 |
| Student number targets apprenticeships starts | 791 | 488 |
| Student achievement/progression 16-18 | 82.5% | 84.9% |
| Student achievement/progression 19+ | 87% | 87.9% |
| Operating surplus/EBITDA as % of income | 9% | 7.5% |
| Staff satisfaction (via survey) | 80% | 82% (positive response to "Overall, I am happy working here") |
| Ofsted rating | Good or Better | Good |
| Financial Health (ESFA) | Requires Improvement | Requires Improvement |

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Student Achievements

In October 2016, the college underwent an Ofsted inspection in which the college was awarded a grade of 'Good' across all areas.

'The proportion of learners who successfully complete and achieve their qualifications has risen over the previous three years and is now high. Learners on vocational courses and apprentices aged 16-24 are particularly successful.' (Ofsted 2016)

Students achieve exceptionally well at the college. In 2018/19 the achievement rates of learners were 86.8% for long qualifications and 83.8 % including English and maths. A Level students secured a 100% pass rate for the fourth year running. Students across the range of provision achieved well and have positive destinations.

OTHER INFORMATION

Public Benefit

Yeovil College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14, 15 and 16. 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.

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Successful progression for learners
- Strong student support systems
- Strong links with employers, industry and commerce
- Close links with Local Enterprise Partnerships (LEPs)

Equality

The college is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value differences in race, gender, sexual orientation, disability, religion or belief, marital status, pregnancy and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The college's Equality Policy is published on the college's website.

The college publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The college undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The college is a 'Disability Confident' employer and has committed to the principles and objectives of the Disability Confident standard. The college considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the college continues. The college's policy is to provide training, career

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development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The college has implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability Statement

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

- As part of the ongoing redevelopment of the buildings, the college is updating lifts, ramps and other accessibility equipment, making reasonable adjustment to ensure that in the near future the majority of facilities will allow access to all.
- The Accessibility Statement and Equality Duty are available for all to view on our website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The college has made a significant investment in the appointment of skilled professionals to support students with learning difficulties and/or disabilities. There are a number of Learning Support Practitioners who provide specialist support to enable students to achieve their full potential. There is a continuing programme of staff development to ensure the high quality provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Achievements and destinations are recorded and published in the standard college format.
- Student Support services are described in the Accessibility Statement, Student Guide, Tutor Handbook and are also available on Moodle.
- 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.

Trade Union facility time

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

| Numbers of employees who were relevant period | Trade union number of employees | FTE employee number |
|---|---------------------------------|---------------------|
| 500-1500 | 3 | 3 |

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

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| | |
|---|------------|
| Total cost of facility time | £5,200 |
| Total pay bill | £8,993,000 |
| Percentage of total bill spent on facility time | 0.06% |

| | |
|---|-----|
| Time spent on paid trade union activities as a percentage of total paid facility time | 50% |
|---|-----|

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, requires organisations, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2018 to 31 July 2019, the college paid 80 per cent of its invoices within 30 days. The college incurred no interest charges in respect of late payment for this period.

EVENTS AFTER THE REPORTING PERIOD

There were no significant post balance sheet events

DISCLOSURE OF INFORMATION TO THE 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 5 December 2019 and signed on its behalf by



Peter Thomas
Chair

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statement.

The college endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”) and;
- having due regard to the UK Corporate Governance Code 2016 (“the Code”) insofar as it is applicable to the further education sector.

The college is committed to exhibiting best practice in all aspects of corporate governance and in particular the college has adopted and complied with the Code. The Corporation has reported on its governance arrangements by drawing upon wider best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the college complies with (and in many respects exceeds) all the provisions of the 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, the Corporation takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted from 01 August 2015.

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

The Corporation

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

| Name | Date of Appointments | Term of office | Date of resignation | Status of appointment | Corporation Attendance for 2018/19 | Committees Served and attendance |
|-------------|------------------------------|----------------|---------------------|-----------------------|------------------------------------|----------------------------------|
| Sam Best | 17 July 2013 17 July 2017 | 4 years | | Independent | 7/7 | |
| Mark Bolton | 01/10/19 | Ex-officio | | Principal | n/a | n/a |

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

| Name | Date of Appointments | Term of office | Date of resignation | Status of appointment | Corporation Attendance for 2018/19 | Committees served and attendance |
|-------------------------------------|--|--|---------------------|-----------------------|------------------------------------|--|
| Michael Brinson | 12 October 2017 | 4 years | | Independent | 6/7 | Finance & Remuneration (Chair) 3/4 |
| Ken Comber | 01 January 2016 | 4 years | | Independent | 6/7 | Audit (Chair) 4/4 |
| Jacqueline Dean (Chair to 06/10/19) | 21 December 2009 21 December 2013 Chair appointment extended until 31 July 2019 Membership extended to 31/07/20 | 4 years 4 years Until 31 July 2020 | | Independent | 6/7 | Search & Governance (Chair) 2/3 C,Q&A 3/3 Finance & Remuneration 3/4 |
| John Evans | 01 January 2014 | Ex-officio | 30/9/19 | Principal | 7/7 | Search & Governance 3/3 |
| Lee Harwood | 21 June 2018 | 4 years | | Independent | 7/7 | Finance & Remuneration (Vice chair) 3/4 |
| Jo Howarth | 13 June 2019 | 4 years | | Independent | 1/1 | C,Q&A 1/1 S&G 1/1 |
| Clare Johnston | 28 January 2016 Re-appointed 12 October 2017 | 1.5 years Re-appointed until 31 July 2019 | 12/18 | Student Governor HE | 1/2 | |
| Mark Lawrence | 01 September 2016 | 4 years | 10/6/19 | Independent | 2/5 | C,Q&A 2/2 |
| Sam Leigh | 09 May 2019 | 4 years | | Independent | 4/4 | Audit 1/1 |
| Rebecca Marshall | 25 January 2018 | 4 Years | | Independent | 5/7 | Audit 3/4 |
| Debbie Matthewson | 18 March 2015 | 4 years | 21/03/19 | Independent | 1/4 | Search & Governance 1/2 C,Q&A (vice chair) 2/2 |

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

| Name | Date of Appointments | Term of office | Date of resignation | Status of appointment | Corporation attendance for 2018/19 | Committees served and attendance |
|----------------------------------|--|--|---------------------|--|------------------------------------|---|
| Netta Meadows | 21 June 2018 | 4 years | | Independent | 5/7 | Audit 3/4 |
| David Mills | 12 October 2017 | 4 years | | Independent | 6/7 | Finance & Remuneration 2/3 Search & Governance (Chair desig) 3/3 |
| Paul Morey | 01 September 2017 | 4 years | | Staff (Teaching) | 7/7 | C,Q&A 2/3 |
| Jagtar Ner | 27 February 2014 27 February 2018 | 4 years 4 years | | Independent | 5/7 | Search & Governance 2/3 Audit (vice chair) 2/4 |
| Gayle Pogson | 26 January 2017 | 4 years | | Staff (Business) | 7/7 | |
| Scott Roy | 21 December 2005 21 December 2009 21 December 2013 Extended to 20 December 2020 | 4 years 4 years 4 years Until 20 Dec 2020 | | Business up to 22 October 2008 Independent thereafter | 5/7 | Finance & Remuneration (Remuneration Chair) 3/4 C,Q&A 1/3 |
| Peter Thomas (Vice Chair) | 10 December 2008 10 December 2010 10 December 2014 Extended to 31 December 2020 | 2 years 4 years 4 years Until 31 Dec 2020 | | Independent | 7/7 | Finance & Remuneration 2/4 Search & Governance 3/3 C,Q & A (Chair) 3/3 |

Kaz Corbett served as Clerk during 2018/19 and in the period up to the signing of this document.

On 5th July 2019, John Evans (Principal) tendered his resignation. Following a rigorous recruitment process, Mark Bolton was appointed CEO and Principal effective 1st October 2019.

Jacqueline Dean stepped down from the role of Chair to the Corporation on 6th October 2019, and was succeeded by Vice Chair Peter Thomas on 7th October 2019.

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

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

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 approximately nine times in each academic year.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference which have been approved by the Corporation. For 2018/19 these Committees were Audit, Finance & Remuneration, Quality & Assurance (renamed Curriculum, Quality and Assurance ahead of its 27 June meeting) and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the college website [at www.yeovil.ac.uk] or from the Clerk to the Corporation at:

Yeovil College
Mudford Road
Yeovil
Somerset
BA21 4DR

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 of the Corporation as a whole.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprising up to 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. Governors should not serve more than two terms (or a maximum of eight years), however upon consideration of an individual's contribution to the work of the college and an assessment against the skills audit, some governors have served longer than the recommended 8 years.

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2019 and graded itself as Grade 2 – Good.

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

Finance and Remuneration Committee

Throughout the year ending 31 July 2019, the college's Finance and Remuneration Committee comprised up to six members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Committee's responsibilities are to monitor and advise the Corporation regarding budget proposals, Financial Statements, financial targets and control of expenditure for revenue and capital budgets, financial performance and general matters of finance. The Committee also makes recommendations to the Board on the remuneration and benefits of the Accounting Officer, Senior Post Holders and the Clerk.

Details of remuneration for the Accounting Officer and other key management personnel for year ended 31 July 2019 are set out in note 6 to the financial statements.

Curriculum, Quality and Assurance Committee

Throughout the year ending 31 July 2019, the college's Curriculum, Quality and Assurance Committee comprised up to six members of the Corporation. In 2018/19, Peter Green served as a Co-opted Member on this Committee.

The Committee's responsibilities are to monitor and advise the Corporation on matters relating to teaching, learning and assessment at the college including quality of provision, application numbers, outcomes data and curriculum offer.

Audit Committee

The Audit Committee comprises up to six members of the Corporation (excluding the Accounting Officer and Chair). In 2018/19, Paul Clowes served as a Co-opted Committee Member on Audit Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The Audit Committee also advises the Corporation on the appointment of Internal, Regularity and Financial Statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

Internal Control

Scope of Responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Yeovil College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the college's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Yeovil 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. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit

Yeovil College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL for the year ended 31 July 2019

activity in the college. The report includes the HIA's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of the Senior Management Team within the college who have responsibility for the development and maintenance of the internal control framework
- comments made by the college's financial statements and regularity auditors in their management letter and other reports.

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

The college's approach to risk and monitoring systems in place ensure issues are brought to their attention early. Risk Management continues to be a key college development objective and is underpinned by regular risk awareness training and communication. The Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 regularly considers risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and Internal Audit, taking account of events since 31 July 2019.

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

Peter Thomas
Chair

.....
Mark Bolton
Accounting Officer

Yeovil College

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE for the year ended 31 July 2019

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

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

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



Peter Thomas
Chair
5 December 2019



Mark Bolton
Accounting Officer
5 December 2019

Yeovil College

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION for the year ended 31 July 2019

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

Within the terms and conditions of the college's grant funding agreement and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* ESFA'S college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the college will continue in operation.

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

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 5 December 2019 and signed on its behalf



Peter Thomas Chair 5 December 2019

Yeovil College

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF YEOVIL COLLEGE for the year ended 31 July 2019

Opinion

We have audited the financial statements of Yeovil College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's deficit of expenditure over income for the year then ended;
- 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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Board of Governor's view on the impact of Brexit is disclosed on page 14. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College's activities, staff, students, suppliers and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on

Yeovil College

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF YEOVIL COLLEGE for the year ended 31 July 2019

the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation are responsible for assessing the 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 intend 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

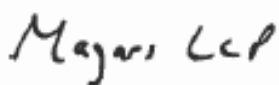
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Yeovil College

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF YEOVIL COLLEGE for the year ended 31 July 2019

Use of the audit report

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



19 December 2019

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Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

.....
Date

Yeovil College

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF YEOVIL COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION ("THE DEPARTMENT") for the year ended 31 July 2019

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education & Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Yeovil College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Yeovil College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Yeovil College and Department 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 Yeovil College and Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Yeovil College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

Yeovil College

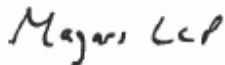
REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF YEOVIL COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION ("THE DEPARTMENT") for the year ended 31 July 2019

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the college's regularity, propriety and compliance with funding body terms and conditions of funding.
- Reviewed the college's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the college's whistleblowing policy.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



.....
Mazars LLP

Date: 19 December 2019

Yeovil College

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE for the year ended 31 July 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Income | | | |
| Funding body grants | 2 | 10,778 | 10,538 |
| Tuition fees and education contracts | 3 | 2,927 | 2,541 |
| Other income | 4 | 811 | 879 |
| Endowment and Investment income | 5 | 5 | 1 |
| | | <hr/> | <hr/> |
| Total Income | | 14,521 | 13,959 |
| | | <hr/> | <hr/> |
| Expenditure | | | |
| Staff costs | 6 | 9,889 | 9,730 |
| Fundamental restructuring costs | 6 | 44 | 46 |
| Other operating expenses | 7 | 4,225 | 3,924 |
| Depreciation and amortisation | 9 & 10 | 1,033 | 1,133 |
| Interest and other finance costs | 8 | 509 | 624 |
| | | <hr/> | <hr/> |
| Total Expenditure | | 15,700 | 15,457 |
| | | <hr/> | <hr/> |
| Deficit before other gains and losses | | (1,179) | (1,498) |
| (Loss)/gain on disposal of assets | | (15) | 24 |
| | | <hr/> | <hr/> |
| Deficit for the year | | (1,194) | (1,474) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Actuarial (loss)/gain in respect of pensions scheme | 19 | (2,767) | 4,688 |
| | | <hr/> | <hr/> |
| Total Comprehensive Income for the year | | (3,961) | 3,214 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Yeovil College

STATEMENT OF CHANGES IN RESERVES for the year ended 31 July 2019

| | Income and Expenditure Account £'000 | Revaluation Reserve £'000 | Total £'000 |
|---|---|--|------------------------|
| Balance at 31st July 2018 | (9,879) | 5,133 | (4,746) |
| Deficit from the income and expenditure account | (1,194) | - | (1,194) |
| Other comprehensive income | (2,767) | - | (2,767) |
| Transfers between revaluation and income and expenditure reserves | 82 | (82) | - |
| Total comprehensive income for the year | (3,880) | (82) | (3,961) |
| Balance at 31st July 2019 | (13,759) | 5,051 | (8,708) |

The revaluation reserve relates to Land and Buildings revaluations made periodically since Incorporation in 1994. The balance held at the balance sheet date comprises the following:

| | Revaluation Reserve £'000 |
|---|--|
| Land | 4,641 |
| Buildings (revaluation from 1994, released over 30 years) | 410 |
| | 5,051 |

Yeovil College
BALANCE SHEET
as at 31 July 2019

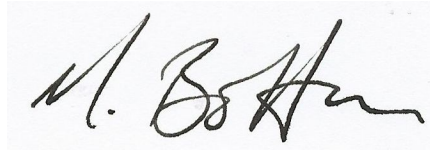
| | Notes | 2019 £'000 | 2018 £'000 |
|--|-------|-----------------------|-----------------------|
| Fixed assets | | | |
| Tangible fixed assets | 9 | 13,502 | 14,305 |
| | | <u>13,502</u> | <u>14,305</u> |
| Intangible assets | | | |
| Intangible assets | 10 | 28 | 42 |
| | | <u>28</u> | <u>42</u> |
| Current assets | | | |
| Fixed asset held for disposal | | - | - |
| Trade and other receivables | 11 | 638 | 688 |
| Cash and cash equivalents | 16 | 1,127 | 718 |
| | | <u>1,765</u> | <u>1,406</u> |
| Less: Creditors – amounts falling due within one year | 12 | <u>(3,009)</u> | <u>(2,809)</u> |
| Net current assets | | <u>(1,244)</u> | <u>(1,403)</u> |
| Total assets less current liabilities | | 12,286 | 12,944 |
| Less: Creditors - amounts falling due after more than one year | 13 | (6,354) | (6,841) |
| Provisions | | | |
| Defined benefit obligations | 15 | (14,640) | (10,849) |
| Other provisions | 15 | - | - |
| | | <u>(14,640)</u> | <u>(10,849)</u> |
| Total Net Liabilities | | <u>(8,708)</u> | <u>(4,746)</u> |
| Unrestricted reserves | | | |
| Income and expenditure account | | (13,759) | (9,879) |
| Revaluation reserve | | 5,051 | 5,133 |
| | | <u>(8,708)</u> | <u>(4,746)</u> |
| Total unrestricted reserves | | <u>(8,708)</u> | <u>(4,746)</u> |

Yeovil College
BALANCE SHEET *(continued)*
as at 31 July 2019

The financial statements on pages 28 to 55 were approved and authorised for issue by the Corporation on 5 December 2019 and were signed on its behalf on that date by:



Peter Thomas
Chair



Mark Bolton
Accounting Officer

Yeovil College
STATEMENT OF CASH FLOWS
for the year ended 31 July 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Cash inflow from operating activities | | | |
| Deficit for the year | | (1,194) | (1,474) |
| Adjustment for non cash items | | | |
| Depreciation and amortisation | | 1,033 | 1,133 |
| Deferred capital grants released to income | | (246) | (234) |
| Decrease in debtors | 11 | 50 | 119 |
| Increase/(Decrease) in creditors due within one year | 12 | 166 | (567) |
| Decrease in creditors due after one year | 13 | - | (13) |
| Increase/(decrease) in provisions | | - | - |
| Pension Finance cost | | 281 | 383 |
| Payments outstanding to acquire fixed assets | | (138) | - |
| Pension costs less contributions payable | | 743 | 720 |
| Adjustment for investing or financing activities | | | |
| Interest receivable | | (5) | (1) |
| Interest payable | | 228 | 241 |
| Loss / (Profit) on sale of fixed assets | | 15 | (24) |
| | | <u>932</u> | <u>285</u> |
| Net cash flow from operating activities | | | |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | - | 326 |
| Grant receipts | | 35 | 36 |
| Investment income | | 5 | - |
| Payments made to acquire fixed assets | | (92) | (489) |
| | | <u>(52)</u> | <u>(127)</u> |
| Cash flows from financing activities | | | |
| Interest paid | 8 | (228) | (241) |
| Repayments of amounts borrowed | | (243) | (233) |
| | | <u>(471)</u> | <u>(474)</u> |
| Increase/(Decrease) in cash and cash equivalents in the year | | | |
| | | <u>409</u> | <u>(316)</u> |
| Cash and cash equivalents at beginning of the year | 16 | 718 | 1,034 |
| Cash and cash equivalents at end of the year | 16 | 1,127 | 718 |

Yeovil College

NOTES TO THE ACCOUNTS

for the year ended 31 July 2019

Yeovil College is a Further Education College. The principal place of operations is Mudford Road, Yeovil BA21 4DR.

1 Statement of Accounting Policies and Estimation Techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Strategic Report. 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 £4m of loans outstanding with bankers on terms negotiated in 2006. The terms of the existing agreement are for another 13 years. The college was in breach of one of its covenants in 2014-15 and is in discussion with its bankers to determine the basis and terms of establishing new covenants during 2019-20. The bank has confirmed that it is not seeking repayment of the loan. The college’s forecasts and financial projects indicate that it will be able to operate within the existing loan facility and proposed new 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 preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the

Yeovil College

NOTES TO THE ACCOUNTS

for the year ended 31 July 2019

level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

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

Fee Income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme

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.

Somerset County Council Pension Fund (LGPS)

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 recognised gains and losses.

Short term employment benefits

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

Enhanced Pensions

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

Non-current Assets – Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment costs. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

- **Land and buildings**

Freehold buildings are depreciated on a straight line basis over their expected useful life up to 30 years. Refurbishment and major adaptations to buildings are depreciated over the period of their expected useful life.

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the college of between 20 and 50 years. The college has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. Any related Government grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful

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

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.

On adoption of FRS 102, the college followed the transitional provision to retain the book value of buildings. Land was revalued as at 1 August 2015. A policy of revaluation has not been adopted.

▪ **Assets under construction**

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

▪ **Subsequent expenditure on existing fixed assets**

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

▪ **Equipment**

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment – 5 years
- furniture, fixtures and fittings – 5 years
- motor vehicles – 5 years
- computer equipment – 3 years

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

Intangible Assets

Under section 18 of FRS 102, software purchases and development costs are recognised as intangible assets. These are capitalised and amortised as for fixed assets above, but disclosed separately under intangibles.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the

Statement of Comprehensive Income and Expenditure.

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

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

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short term deposits held by the 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 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.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

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

The college is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the 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.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- ***Tangible fixed assets***

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

- ***Local Government Pension Scheme***

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability. The assumption surrounding pay increase was reduced in the valuation, resulting in a change of the carrying amount of the pension liability at 31 July 2019.

2 Funding council grants

| | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Recurrent Grants | | |
| Education & Skills Funding Agency | 7,114 | 7,247 |
| Office for students | 98 | 140 |
| Specific Grants | | |
| Education & Skills Funding Agency | 3,331 | 2,928 |
| Releases of government capital grants | 222 | 211 |
| HE grant | 13 | 12 |
| | <hr/> | <hr/> |
| Total | 10,778 | 10,538 |
| | <hr/> <hr/> | <hr/> <hr/> |

3 Tuition fees and education contracts

| | 2019 | 2018 |
|------------------------------------|--------------------|--------------------|
| | £'000 | £'000 |
| Adult education fees | 1,229 | 1,224 |
| Apprenticeship fees and contracts | 67 | 24 |
| Fees for FE loan supported courses | 373 | 257 |
| Fees for HE loan supported courses | 809 | 900 |
| International students fees | 18 | 23 |
| Total tuition fees | <hr/> 2,496 | <hr/> 2,428 |
| Education contracts | <hr/> 431 | <hr/> 113 |
| Total | <hr/> 2,927 | <hr/> 2,541 |
| | <hr/> <hr/> | <hr/> <hr/> |

4 Other Income

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Lettings | 16 | 9 |
| Examinations | 43 | 45 |
| Release of non government capital grants | 11 | 11 |
| Insurance Claims | 7 | 25 |
| Children's Centre | 395 | 413 |
| Other income | 339 | 376 |
| | <hr/> | <hr/> |
| Total | 811 | 879 |
| | <hr/> <hr/> | <hr/> <hr/> |

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

5 Investment Income

| | 2019 £'000 | 2018 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| Bank interest receivable | 5 | 1 |
| | <hr/> | <hr/> |
| Total | 5 | 1 |
| | <hr/> <hr/> | <hr/> <hr/> |

6 Staff Costs

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

| | 2019 Number | 2018 Number |
|--------------------|------------------------------|------------------------------|
| Teaching | 131 | 121 |
| Non teaching staff | 123 | 126 |
| | <hr/> | <hr/> |
| | 254 | 247 |
| | <hr/> <hr/> | <hr/> <hr/> |

The average number of persons employed by the college was 347 (2018: 335).

Staff costs for the above persons

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------------|-----------------------------|
| Wages and salaries | 7,296 | 7,212 |
| Social Security costs | 636 | 625 |
| Other pension costs (includes FRS102 (28) £743,000, 2018 £720,000) | 1,804 | 1,766 |
| | <hr/> | <hr/> |
| Payroll sub total | 9,736 | 9,603 |
| Contracted out staffing services | 153 | 127 |
| | <hr/> | <hr/> |
| | 9,889 | 9,730 |
| Fundamental restructuring costs - contractual | 0 | 2 |
| - non contractual | 44 | 44 |
| | <hr/> | <hr/> |
| | 9,933 | 9,776 |
| | <hr/> <hr/> | <hr/> <hr/> |

The severance pay costs were approved by the Principal who was delegated responsibility by the Corporation.

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

6 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college and are represented by the Senior Post Holders which comprises the Principal, Vice Principal Curriculum & Quality and Vice Principal Finance & Resources.

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

| | 2019 Number | 2018 Number |
|--|------------------------|------------------------|
| The number of key management personnel including the Accounting Officer was: | <u>3</u> | <u>4</u> |

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

| | Key Management Personnel | | Other staff | |
|---------------------|---------------------------------|------------------------|------------------------|------------------------|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| £60,001 - £70,000 | - | - | - | - |
| £70,001 - £80,000 | 2 | 3 | - | - |
| £80,001 - £90,000 | - | - | - | - |
| £90,001 - £100,000 | - | - | - | - |
| £100,001 - £110,000 | - | - | - | - |
| £110,001 - £120,000 | - | - | - | - |
| £120,000 - £130,000 | <u>1</u> | <u>1</u> | <u>-</u> | <u>-</u> |
| | <u>3</u> | <u>4</u> | <u>-</u> | <u>-</u> |

Key management personnel compensation is made up as follows:

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Salaries – gross of salary sacrifice and waived emoluments | 267 | 271 |
| Employers National Insurance | 34 | 34 |
| | <u>301</u> | <u>305</u> |
| Pension contributions | 42 | 42 |
| Total emoluments | <u>343</u> | <u>347</u> |

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

6 Staff costs (continued)

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

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

| | 2019 | 2018 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Salaries | 121 | 121 |
| Benefits in kind | - | - |
| | <u>121</u> | <u>121</u> |
| Pension contributions | <u>20</u> | <u>20</u> |
| Accounting officers basic salary : median pay of all other Corporation employees (FTE basis) | 6.0 | 4.7 |
| Accounting officers total emoluments* : median pay of all other Corporation employees (FTE basis) | 6.6 | 5.1 |

*Accounting officers values divided by the costs wages and salary costs (and pensions) which is based on an FTE basis

The Corporation's Finance and Remuneration Committee meets annually to review the pay of the accounting officer. The Accounting Officer's annual and mid-year appraisals are considered, alongside the SPH benchmarking information provided by the AoC Senior Pay Survey. Any pay review of the accounting officer is only considered in tandem with that of the whole corporation. Recommendations are then reviewed by the corporation.

7 Other operating expenses

| | 2019 | 2018 |
|--------------------|---------------------|---------------------|
| | £000 | £000 |
| Teaching costs | 1,443 | 1,300 |
| Non teaching costs | 1,772 | 1,645 |
| Premises costs | 1,010 | 979 |
| Total | <u>4,225</u> | <u>3,924</u> |

Yeovil College

NOTES TO THE ACCOUNTS for the year ended 31 July 2019

| Other operating expenses include: | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Auditors' remuneration: | | |
| Financial statements audit | 20 | 17 |
| Internal audit | 19 | 19 |
| Other services provided by the financial statements auditors | - | - |
| Other services provided by the internal auditors | - | - |
| Hire of plant and machinery under operating leases | - | 20 |
| | <hr/> <hr/> | <hr/> <hr/> |

| 8 Interest and other finance costs | 2019 £'000 | 2018 £'000 |
|---|-----------------------|-----------------------|
| On bank loans, overdrafts and other loans: | 228 | 241 |
| | <hr/> | <hr/> |
| | 228 | 241 |
| On finance leases | - | - |
| Net interest on defined pension liability (note 19) | 281 | 383 |
| | <hr/> | <hr/> |
| Total | 509 | 624 |
| | <hr/> <hr/> | <hr/> <hr/> |

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

9 Tangible Fixed Assets

| | Land & Buildings Freehold | Equipment | Assets in the course of construction | Total |
|-------------------------------------|--|------------------|---|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2018 | 23,747 | 2,488 | 27 | 26,262 |
| Additions | 50 | 147 | | 197 |
| Reclassification of assets | | 27 | (27) | - |
| Disposals | (154) | (2) | - | (156) |
| At 31 July 2019 | 23,643 | 2,660 | - | 26,303 |
| Depreciation | | | | |
| At 1 August 2018 | 9,890 | 2,067 | - | 11,957 |
| Charge for the year | 802 | 203 | - | 1,005 |
| Impairment charges | (19) | - | - | (19) |
| Elimination in respect of disposals | (141) | (1) | - | (142) |
| At 31 July 2019 | 10,532 | 2,269 | - | 12,801 |
| Net Book Value | | | | |
| At 31 July 2019 | 13,111 | 391 | - | 13,502 |
| Net Book Value At 31 July 2018 | 13,857 | 421 | 27 | 14,305 |

Land and buildings were valued as at 1st August 2014 at depreciated replacement cost by GVA Grimley, a firm of independent chartered surveyors.

The disposal and elimination relate to Hollands House.

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

10 Intangible Fixed Assets

| | Software £'000 |
|---------------------------------------|---------------------------|
| Cost or valuation | |
| At 1 August 2018 | 202 |
| Additions | 14 |
| Disposals | - |
| At 31 July 2019 | 216 |
| Amortisation | |
| At 1 August 2018 | 160 |
| Charge for the year | 28 |
| Elimination in respect of disposals | - |
| At 31 July 2019 | 188 |
| Net book value at 31 July 2019 | 28 |
| Net book value at 31 July 2018 | 42 |

11 Trade and other receivables

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|-----------------------|-----------------------|
| Amounts falling due within one year: | | |
| Trade receivables | 192 | 169 |
| Prepayments and accrued income | 135 | 195 |
| Amounts owed by ESFA | 311 | 324 |
| Total | 638 | 688 |

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

12 Creditors: amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 249 | 233 |
| Payments received in advance | 585 | 486 |
| Trade payables | 330 | 358 |
| Other taxation and social security | 293 | 294 |
| Accruals and deferred income | 1,038 | 939 |
| Amounts owed to the ESFA | 21 | 7 |
| Capital grants | 262 | 244 |
| Holiday pay accrual | 231 | 248 |
| Lease liability | - | - |
| Other creditors | - | - |
| Total | 3,009 | 2,809 |

13 Creditors: amounts falling due after one year

| | 2019 | 2018 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans | 3,721 | 3,980 |
| Long term Creditor | - | - |
| Deferred capital grants | 2,633 | 2,861 |
| Total | 6,354 | 6,841 |

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | 2019 | 2018 |
|----------------------------|--------------|--------------|
| | £'000 | £'000 |
| In one year or less | 249 | 233 |
| Between one and two years | 262 | 249 |
| Between two and five years | 878 | 832 |
| In five years or more | 2,581 | 2,899 |
| Total | 3,970 | 4,213 |

The bank loan is secured on the freehold land and buildings of the college (£3,970,000 outstanding). The loan has been fixed at a rate of 5.570% and is repayable by instalments falling due between 1 June 2010 and 3 March 2031. Whilst the college is still technically in breach of one of its banking covenants since 2014-15, it is working with the bank to develop new covenants which will be applied in 2019-20. The bank is not looking to see repayment of the loan and therefore the loan has not been redesignated as a current liability.

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

15 Provisions

| | Defined Benefit Obligations £'000 | Other £'000 | Total £'000 |
|---|--|------------------------|------------------------|
| At 1 August 2018 | 10,849 | - | 10,849 |
| Expenditure in the period | (522) | - | (522) |
| Transferred from income and expenditure | 4,313 | - | (4,313) |
| | <u>14,640</u> | <u>-</u> | <u>14,640</u> |
| At 31 July 2019 | <u>14,640</u> | <u>-</u> | <u>14,640</u> |

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in Note 19.

16 Cash and cash equivalents

| | At 1 August 2018 £'000 | Cash flows £'000 | At 31 July 2019 £'000 |
|---------------------------|---------------------------------------|---------------------------------|--------------------------------------|
| Cash and cash equivalents | 718 | 409 | 1,127 |
| Overdrafts | - | - | - |
| | <u>718</u> | <u>409</u> | <u>1,127</u> |
| Total | <u>718</u> | <u>409</u> | <u>1,127</u> |

17 Capital commitments

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|-----------------------|-----------------------|
| Commitments contracted for at 31 July | - | - |
| | <u>-</u> | <u>-</u> |

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

18 Lease Obligations

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

| | 2019 | 2018 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Future minimum lease payments due | | |
| Land and buildings | | |
| Not later than one year | - | 16 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | <u>-</u> | <u>16</u> |
| | <u>-</u> | <u>16</u> |
| Other | | |
| Not later than one year | 20 | 20 |
| Later than one year and not later than five years | 25 | 45 |
| Later than five years | - | - |
| | <u>45</u> | <u>65</u> |
| | <u>45</u> | <u>65</u> |
| Total lease payments due | <u><u>45</u></u> | <u><u>81</u></u> |

The college exited the lease on its one remaining premises away from the campus in late 2018, other leases refers to multi-function devices.

19 Defined benefit obligations

The college's employees belong to two principal post-employment benefit plans: the Teachers' Pensions 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 Somerset County Council Pension Fund. Both are multi-employer defined-benefit plans.

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

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

19 Defined benefit obligations (*continued*)

| Total pension cost for the year | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Teachers' Pension Scheme: contributions paid | 572 | 540 |
| Local Government Pension Scheme: | | |
| Contributions paid | 522 | 512 |
| FRS 102 (28) charge | 743 | 720 |
| Charge to the Statement of Comprehensive Income | 1,265 | 1,232 |
| Enhanced pension charge to Statement of Comprehensive Income | - | - |
| Pension Cost for Year | 1,837 | 1,772 |
| Additional pension strain costs included in redundancy | - | - |
| Total Pension Cost for the Year | 1,837 | 1,772 |

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

There were outstanding contributions at the end of the financial year. Contributions amounting to £53,000 (2018: £51,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

19 Defined benefit obligations (continued)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £572,000 (2018: £540,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Somerset County Council. The total contributions made for the year ended 31 July 2019 were £711,000, of which employer's contributions totalled £522,000 and employees' contributions totalled £189,000. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

| | At 31 July 2019 | At 31 July 2018 |
|--------------------------------------|----------------------------|----------------------------|
| Rate of increase in salaries | 3.85% | 1.00% |
| Future pensions increases | 2.35% | 2.35% |
| Discount rate for scheme liabilities | 2.10% | 2.65% |
| Inflation assumption (CPI) | 2.35% | 2.35% |
| Commutation of pensions to lump sums | 50% | 50% |

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

19 Defined benefit obligations (*continued*)

Local Government Pension Scheme (*continued*)

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 2019 years | At 31 July 2018 years |
|-----------------------------|-----------------------------|-----------------------------|
| <i>Retiring today</i> | | |
| Males | 22.9 | 24.0 |
| Females | 24.0 | 25.2 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.6 | 26.3 |
| Females | 25.8 | 27.5 |

The college's share of the assets in the plan and the expected rates of return were:

| | Long-term rate of return expected at 31 July 2019 | Fair Value at 31 July 2019 £'000 | Long-term rate of return expected at 31 July 2018 | Fair Value at 31 July 2018 £'000 |
|-------------------------------------|---|--|---|--|
| Equity Instruments | 71.0% | 15,975 | 72.0% | 15,201 |
| Debt Instruments | 15.0% | 3,399 | 14.0% | 3,045 |
| Property | 8.0% | 1,890 | 9.0% | 1,839 |
| Cash | 6.0% | 1,382 | 5.0% | 1,149 |
| Total market value of assets | | 22,646 | | 21,234 |
| | | 1,266 | | 1,520 |
| Actual return on plan assets | | | | |

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

| | 2019 £'000 | 2018 £'000 |
|---|-----------------|-----------------|
| Fair value of plan assets | 22,646 | 21,234 |
| Present value of plan liabilities | (37,286) | (32,083) |
| Net pensions liability (Note 15) | (14,640) | (10,849) |

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

19 Defined benefit obligations (*continued*)

Local Government Pension Scheme (*continued*)

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

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------|-----------------------|
| Amounts included in staff costs | | |
| Current service cost | (1,146) | (1,214) |
| Past service cost | (101) | - |
| Administrative expenses | (18) | (18) |
| Total | (1,265) | (1,232) |
| | | |
| Amounts included in investment income | | |
| | 2019 £'000 | 2018 £'000 |
| Net interest income | (281) | (383) |
| | (281) | (383) |
| | | |
| Amounts recognised in Other Comprehensive Income | | |
| Return on pension plan assets | 701 | 989 |
| Experience losses arising on defined benefit obligations | - | - |
| Changes in assumptions underlying the present value of plan liabilities | (3,468) | 3,699 |
| Amount recognised in Other Comprehensive Income | (2,767) | 4,688 |

Yeovil College
 NOTES TO THE ACCOUNTS
 for the year ended 31 July 2019

19 Defined benefit obligations (*continued*)

Local Government Pension Scheme (*continued*)

Movement in net defined benefit liability during the year

| | 2019 £'000 | 2018 £'000 |
|---|-----------------|-----------------|
| Deficit in scheme at 1 August | (10,849) | (14,434) |
| Movement in year: | | |
| Administrative expenses | (18) | (18) |
| Current service cost | (1,247) | (1,248) |
| Employer contributions | 522 | 546 |
| Settlements and curtailments | - | - |
| Past service cost | - | - |
| Net interest on the defined liability | (281) | (383) |
| Actuarial gain/(loss) | (2,767) | 4,688 |
| Net defined benefit liability at 31 July | (14,640) | (10,849) |

Asset and Liability Reconciliation

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 32,083 | 34,109 |
| Current Service cost | 1,146 | 1,214 |
| Interest cost | 846 | 914 |
| Contributions by Scheme participants | 189 | 180 |
| Change in financial assumptions | 5,420 | (3,699) |
| Past service cost, including curtailments | 101 | 83 |
| Change in demographic | (1,952) | - |
| Experience gain on defined benefit obligation | - | - |
| Liabilities extinguished on settlements | - | (119) |
| Estimated benefits paid net of transfers in | (547) | (599) |
| Defined benefit obligations at end of period | 37,286 | 32,083 |

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

19 Defined benefit obligations (continued)

Reconciliation of Assets

| | 2019 | 2018 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fair value of plan assets at start of period | 21,234 | 19,675 |
| Interest on plan assets | 565 | 531 |
| Return on plan assets less interest | 701 | 989 |
| Other actuarial gains/losses | - | - |
| Administration expenses | (18) | (18) |
| Employer contributions | 522 | 546 |
| Contributions by Scheme participants | 189 | 180 |
| Estimated benefits paid | (547) | (599) |
| Settlement prices paid | - | (70) |
| | <hr/> | <hr/> |
| Assets at end of period | 22,646 | 21,234 |
| | <hr/> <hr/> | <hr/> <hr/> |

20 Related Party Transactions

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

There have been no expenses paid to or on behalf of governors during the year (2018: £38.50). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the college during the year (2018: None).

The College makes purchases of building materials for both the provision of teaching and maintenance of the estate from Bradfords Building Supplies, a company which Mr Lee Harwood, a college governor, is a director. Purchases totalling £12,642.44 were made during the year.

Education and training services were supplied to Intelligent Enterprise Products Limited, a company which Jagter Ner, a college governor is a director, for £8,000.

Education and training services were supplied to Yarlinton Housing Group, a company which Sam Leigh, a college governor is a director, for £3,370.

Yeovil College
NOTES TO THE ACCOUNTS
for the year ended 31 July 2019

21 Amounts Disbursed as Agent

Learner Support Funds

| | 2019 | 2018 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Funding body grants – bursary support | 229 | 218 |
| Funding body grants – discretionary learner support | 63 | 76 |
| | <u>292</u> | <u>294</u> |
| Disbursed to students | (235) | (221) |
| Administration costs | (11) | (13) |
| | <u>46</u> | <u>60</u> |
| Balance unspent as at 31 July, included in creditors | <u><u>46</u></u> | <u><u>60</u></u> |

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.