



AECC
University College

AECC University College
(A company limited by guarantee)

Governors' Report and Financial Statements
Year Ended 31 July 2018

Company number 00653859

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Legal and administrative information

Company number
00653859

Charity number
306289

Registered office
Parkwood Campus
Parkwood Road
Bournemouth
Dorset
BH5 2DF

Governors
A Wild (Chair)
H Thiel (Principal)
A Simpson
C Stephens
E Newcomb
J Worthington
M Copp
M Gurden
P Dingley
P Roberts

Key Management Personnel / Executive
H Thiel (Principal) (resigned Dec 18)
L Haig (Principal) (appointed Jan 19)
A Thorkeldsen
J Bolton (resigned Aug 18)
S Jones (resigned Dec 18)
P Ford

P Hume
S Sirinan (resigned Apr 18)
D Sullivan (appointed Apr 18)

Company secretary
A Hill (resigned Aug 17)
S Morris (appointed Aug 17, resigned Nov 17)
G Sanger-Stevens (appointed Nov 17)

Subsidiaries
AECC Enterprises Limited
Parkwood Campus
Parkwood Road
Bournemouth
Dorset
BH5 2DF
Company number: 03736325

Spine Centre Limited
Parkwood Campus
Parkwood Road
Bournemouth
Dorset
BH5 2DF
Company number: 03061558

Auditor
KPMG LLP
Gateway House
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SO53 3TG

Bankers
HSBC Bank Plc
15 High Street
Christchurch
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BH23 1AF

Solicitors
Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

Solicitors
Shakespeare Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Solicitors
Frettons LLP
The Saxon Centre
11 Bargates
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Principal's Foreword

A Brief Synopsis of our Achievements in 2017/18

As I will be stepping down from my post by the end of December 2018, I am grateful to all of our exceptional students, dedicated and talented staff, and supportive Governors for all they have done together to achieve many successes since I took the post of Principal in 2012.

Much of our work since then has focused on developing the institution from the status of an Alternative Provider, operating under a franchise agreement with a validating HE partner, to become designated for direct government funding and to be granted our own Taught Degree Awarding Powers and University College title in August 2107.

During the last period our efforts have culminated in enabling us to admit students to our own academic degree programmes at our rebranded institution. In September 2017, we rebranded from the Anglo-European College of Chiropractic to AECC University College. The choice for our new name was based on wanting to retain elements of a very strong and well established professional brand and combining it with the University title as we feel this to be pivotal external recognitions of our institution's quality in its governance, management, staff and students, and its educational provision.

We were delighted with obtaining again a 100% overall satisfaction rating in the 2018 National Student Survey, which reflects a steady trend of very high overall student satisfaction over the last three years (100% in 2017 and 97% in 2016). The satisfaction ratings obtained for our provision of learning resources also reflect a similar and strong positive trend for the last three years (100% in 2018, 97% in 2017 and 95% in 2016).

In the spring of 2018 we submitted our application for registration with the Office for Students (OfS). On the basis of its assessment, the OfS has decided that our application complies with the requirements put in place pursuant to section 3(5) of HERA and that the initial conditions of registration are satisfied. The OfS has therefore registered AECC University College in the Register of Higher Education Providers.

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Strategic Report

1.) Statement of Public Benefit

AECC University College is a company limited by guarantee registered with Companies House under number 00653859 and registered with the Charity Commission under charity number 306289, and as such it is required to demonstrate how its work is of 'public benefit'. It is governed by its Articles of Association which were last amended in August 2017. The College is directed by its Board of Governors acting under these Articles of Association. The Board has ultimate responsibility for the strategy, performance and sustainability of the institution. It approves the College's, mission and strategy, monitors institutional performance and ensures its effective management.

The University College's vision and mission reflect its commitment to public benefit. The objects are set out in its Articles of Association, which provide that:

The institution's objects shall be:

- to provide education and undertake research in health sciences, including chiropractic and/or other allied, related or ancillary disciplines;
- to establish treatment centres for the treatment of disease and maintenance of health by the application of any health sciences discipline, including chiropractic and/or other allied, related or ancillary treatments;
- to promote the study and advancement of health sciences, including chiropractic and/or other allied, related or ancillary disciplines.

The University College's mission, vision and aims as articulated in its Strategic Plan 2016-2021 have been developed in support of the institution's primary purpose.

The main beneficiaries are current and prospective students for whom AECC University College provides foundation, undergraduate and postgraduate programmes of study in the subject areas of chiropractic, health sciences and medical ultrasound.

The Board of Governors has had due regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education. Through its range of activities, AECC University College provides benefits to different sections of the public as follows:

Teaching and Learning

- Enrolled a total of 474 undergraduates and 273 taught postgraduates from the UK, EU and Overseas, an additional 21 further education students on the foundation programme.
- Provided dedicated specialist short focused and CPD courses to health professionals to advance professional practice.
- Dedicated capital investment to provide a better student and staff experience, including an accessible ground-floor 60 seater learning and teaching facility, a new IT support services suite and new toilet and shower facilities.
- Developed and implemented a Teaching and Learning Strategy to enhance student learning experiences.
- Completed annual programmes monitoring for continuous improvement.
- Established a new School of Psychology, Sport and Physical Activity with a first enrolment into a BSc Clinical Exercise and Rehabilitation Sciences in September 2018, and a portfolio of a further seven programmes due to start in September 2019.

Enabling Participation

- Developed a new Access Agreement for 2018-19 entry with an emphasis on outreach work to widen access to future non-traditional students, and maintaining support structures to facilitate successful completion of programmes. Approved recruitment of a dedicated full-time post of Access and Participation Manager.
- Applied a revised Bursaries and Scholarship Policy to widen access to disadvantaged students.
- AECC University College is a member of the Southern Universities Network Strategy Group in the Government funded National Network for Collaborative Outreach.

Research and Knowledge Transfer

- Drafted a Research Strategy for the institution to cover the period 2018 to 2028. Goals include a first submission into the Research Excellence Framework and an application for RDAP towards the latter one third of the period.
- Conducted practice-based research including documentation of patient outcomes.
- Presented research findings nationally and internationally at conferences.
- Established four Research Centres (Clinical and Applied Service Provision; Health, Exercise and Sport Science; Biomechanics; Health Professions Education).
- Established an education research group that has generated and continues to generate publications around predicting student performance and has initiated new collaborative projects with the Welsh Institute of Chiropractic as part of the University of South Wales.

Strategic Report (Continued)

Statement of Public Benefit (Continued)

- Extensive research publications and conference presentations expanding and extending previous expertise around practice-based research, including documentation of patient outcomes, predictors of outcomes and the quantification of spinal biomechanics. This includes successful grants from The Royal College of Chiropractors (RCC) for a collaborative project with Keele University on the new MSK Health Questionnaire developed at Keele and championed by NHS England.
- Extensive presentation of numerous research findings and invited presentations nationally and internationally at chiropractic professional and interdisciplinary conferences.
- Successful acquisition of PhD funding in collaboration with a wide range of UK Universities with AECC University College's faculty as lead individuals or team supervisors, including on-going collaborative PhDs with University of Southampton (3 PhDs), Bournemouth University (3 PhDs) and Teesside University (1 PhD).
- In collaboration with the Faculty of Medicine at the University of Southampton and the Chiropractic Research Council, a Senior Research Fellow from AECC University College has now successfully completed his first year in post. This has enabled progression of a substantive core project involving exploration of innovative models of chiropractic care provision with the NHS and includes at least two fully funded PhD studentships to proceed over a period of five years. It is likely this will generate further projects and funding within the Primary Care Research Group embedded in the Faculty of Medicine as links and collaborative projects are developed.
- A professorial post is shared with the Faculty of Science and Technology at Bournemouth University to enable the pursuit of collaborative UKRC grant awards and the support of doctoral students.
- A portfolio of successful multidisciplinary research collaborations, PhD studentships, PhD external examinations, publications and conference papers in musculoskeletal research, and in technology development and commercial transfer.

Wider Community

- Our Chiropractic Teaching Clinic offers clinical services to the local and wider communities in musculoskeletal health.
- The on-site open upright MRI Centre receives referrals from the NHS and wider healthcare community across the South of England.
- Our diagnostic ultrasound clinic caters for local community with referrals from chiropractors, physiotherapists and podiatrists.
- Development of a series of expert talks on health, exercise and sport offered free to the local community with a start date of October 2018.

2.) Strategic Plan

Crucial to the successes and future plans of the University College are its committed and well-qualified academic staff and professional services teams. The TEF Statement of Findings emphasised a 'well-developed institutional culture that facilitates, recognises and rewards excellent teaching that is evidenced in good uptake of HEA Fellowship and institutional support for scholarship, including support for registration with the relevant PSRB'. As at December 2017, close to 2/3rds of FTE of academic staff had an educational qualification and/or are Fellows of the HEA, and almost all non-clinical teaching staff have a doctoral qualification.

2017-18 saw the further uptake of a peer observation of teaching scheme within the institution, which has chosen to take an approach that focusses on being developmental, flexible and supportive.

We developed an academic workload model to provide more clarity and transparency for staff in how working hours are allocated across the year and that this is done in a fair and equitable manner. The workload model is based on and aligns with the national academic contract and is consistent with the UK university sector.

Our Values and Mission

Our Values read: 'We are a caring institution, ethical in everything we do, inclusive in our relationships with staff and students, eager to collaborate with others in partnership, and innovative in our approach.'

Our Mission Statement reads: 'A Healthier Society through Education, Research and Clinical Care'.

Education

Our core business is reflected in the education and training of healthcare and related professionals, with strong emphasis on vocational qualifications and employability. We will support our students not only to acquire or further develop the knowledge and skills necessary to practise as professionals in their chosen fields, but to adopt the attitudes of reflective practice, lifelong learning and critical thinking. We have a strong sense of community, and provide an environment in which staff and students work together with a common purpose and understanding. We want students to complete their programmes and to enter or continue in their chosen healthcare profession at the highest standard.

Research

Although our educational provision is at the heart of our activity, it is underpinned by the scholarly activity of our teaching staff, and nationally and internationally recognised areas of research activity in relevant and focused areas.

All our courses focus on the use of evidence-informed practice and the scientific method (basing practice on well-reasoned arguments supported by empirical and experiential evidence); as such a central thread of our teaching includes instruction on the ability to search, understand, critically evaluate and apply clinical research in practice. Our aim is to produce graduates who are comfortable and committed to these attitudes, approaches, and intellectual positions in their approach to clinical practice.

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Strategic Report (Continued)

Clinical Care

Our excellent clinics and diagnostic services provide healthcare tailored to our patients' needs. Our well-established Chiropractic Clinic has been providing musculoskeletal health care services for the local community over many years, helping to diagnose and giving effective treatment for problems with joint or muscle pain or injury. Chiropractic services are offered from our interns, associate chiropractors and academic and clinical staff. Our Exercise Rehabilitation and High Performance Centres help our patients to lead more active lives and enable us to assess and manage more complex athletic conditions.

Our Ultrasound Clinic is a centre of excellence in ultrasound education, training and diagnosis. With state of the art equipment and a team of highly qualified sonographers and visiting specialists at hand, we have developed a national reputation and in particular within the area of musculoskeletal diagnostic ultrasound.

Our clinical care services are further enhanced by having one of the very few truly open and upright MRI scanners in the country on site. This provides not only for a highly specialised diagnostic facility for patient referral from the local and wider health care community, but also a unique research tool. The latter is evidenced by research activity undertaken and commissioned by the European Space Agency as well as our collaborations with other national and international research centres and groups.

Our Vision and Strategy

Our vision is 'To be a leading higher education institution in the University sector, specialising in chiropractic and other healthcare disciplines, nationally and internationally recognised for quality and excellence'.

Our strategic vision for 2016 – 2021, whilst aspirational, is realistic and deliverable. It recognises the distinctiveness of our specialist provisions and what is required to achieve and enhance these. At the same time as building on our heritage, strong brand and quality reputation, we will use our new Taught Degree Awarding Powers (TDAPs) and emerging opportunities to invest in our staff and physical infrastructure to move forward with further diversification, growth and expansion.

Our approach to achieving our strategic goals is shaped by four strategic aims:

- Strengthen our reputation and profile through effective engagement with our communities in the HE sector and wider world;
- Deliver a diverse portfolio of quality education and clinical training programmes reflecting our distinctive place in the HE sector;
- Deliver an outstanding student experience throughout the student lifecycle;
- Underpin our teaching and clinical training with focused research and scholarship activity.

The following table sets out progress during the 2017/18 academic year against the specific targets to be achieved in support of our objectives to deliver the four strategic aims and as set out in the original time scale. It includes progress up to June 2018.

Academic Year	Targets to be achieved against objectives to deliver strategic aims	Progress
2016 - 2017	Completed a fit for purpose Student Record System	■
	Supported two members of faculty to pursue a Doctorate degree	■
	All new members of teaching staff have attained an educational qualification within 3 years	■
	Ring fenced budget to support staff development activities	■
	NSS satisfaction rates >85%	■
	Postgraduate student satisfaction rates >90%	■
2017 - 2018	Achieved entry level to TEF	■
	Fully complied with (HEFCE) statutory reporting requirements	■
	Access Agreement in place	■
	Increased number of international students recruited from outside EEA	■
	Recruited one new UG programme leader	■
	One new postgraduate programme established	■
	Supported two PhD studentships with collaborative partners	■
	Obtained funding support for all eligible postgraduate students	■
	E-learning strategy in place	■
	Joined BUCS	■
	All student support services established	■
	DHLE rates >95%	■
	NSS satisfaction rates >85%	■
	Postgraduate student satisfaction rates >90%	■

■ = achieved

● = partially achieved or in progress

⬠ = not yet achieved or started or data not yet known

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Strategic Report (Continued)

Understanding and Managing our Risks

Any organisation needs to know what it does well and where any potential risks lie that may prevent it from continuing to do so in the future. Understanding the importance of active risk management is vital at all levels of the institution and effective risk management increases the probability of successful outcomes while protecting the reputation and sustainability of AECC University College.

The University College's risk management is undertaken within a framework of governance, a defined risk management policy and an underlying control environment. It operates processes for the identification, evaluation and management of significant risks that threaten the achievement of its strategic objectives. It records them in the Corporate Risk Register.

Individual risk owners assess gross and net risks at departmental and team level within their individual risk registers and report emerging and changing risks to the Senior Management Group on a regular basis. Any significant new risks are reported to the Audit Committee which formally reviews and updates the Corporate Risk Register, which is approved by the Board of Governors of AECC University College. A target risk is set by the Board linked to the risk appetite, which directs the urgency with which mitigating actions should be taken.

Internal Audit supports this process and undertakes reviews of key areas throughout the year according to a rolling audit plan.

Risk Register

Set out below are the main risks and uncertainties that could adversely affect the University College, impacting on reputation, staff, students, estate, operations and finances. This list is not exhaustive, as there are other risk events that could trigger additional mitigating actions. This register of risks reflects those that are considered to be our most important ones and they are featured within the institution's Corporate Risk Register. They are not presented in rank order. The decision of the UK to leave the EU leads to risks across several areas of the University College, including uncertainty in student and staff recruitment and retention, exchange rates and wider industry engagement. This is expected to remain as a risk for the foreseeable future with legislative changes and impact yet to be determined. Set out below are the risks as at the date of signing this report:

Ref	Risk	Mitigating actions/ Controls
1	Failure of Board to discharge responsibilities in respect of Companies Act, Charity Commission and HE Code of Governance.	Appropriate skills mix and appointment of governors with relevant experience. Regular development and training seminars. Compliance with CUC guidelines and HEFCE Memorandum. Nominations Committee.
2	Failure to meet statutory reporting requirements in relation to student, staff and estates data, including PREVENT duties.	Allocate resources and monitor development and functionality of the Student Records System (SRS), and development of HR reporting systems to submit all statutory returns. Staff training and use of external agency. Data validation and reporting policies and procedures in place.
3	Failure to meet statutory reporting requirements in relation to financial data.	Appropriate skills mix of qualified and experienced staff. Continuous and detailed review of information produced. Operation of key accounting controls. Continuous review of changing reporting requirements.
4	Failure to comply with Data Protection Act, General Data Protection Regulations (2018) and failure to comply with copyright law in the appropriate production and use of teaching and learning resources. Failure to provide adequate IT security.	Develop and monitor IT security and user access policies and procedures. Robust information governance systems in place reinforced by staff and student training on GDPR. Allocation of sufficient resources to maintain network security. Copyright policy published. Copyright guidelines in place for staff and students. Training for staff and students. Close monitoring of access by IT and provide separate and secure MRI PACS storage. Data Protection Officer appointed.
5	Failure to meet financial targets for activities (other than HEFCE funded, e.g. CPD, MRI, Spine and Dine (catering), QF, income from clinical services).	Effective marketing strategy and implementation. Monitoring competition and meeting market need. Ensuring value for money by regular review.
6	Failure to maintain and secure buildings and services, and comply with legislation/regulations.	Allocation of resources. Annual maintenance and refurbishment schedules. Accessibility audit undertaken. Health and Safety policies in place. Staff training. External security company. Alarm systems and secure access system. Internal maintenance team.
7	Failure to expand and diversify education provision.	Establish expansion as a strategic priority through investment in personnel and resources. Strategy 2016-2021.
8	Failure to recruit and retain students (UG and PG).	Put in place marketing strategy and implementation, and robust admissions policies and procedures. Employ recruitment agent for overseas students. Maintain academic support systems and resources, and non-academic (counselling, financial advice, hardship scheme, Student Union). Study skills and language support. Implementation of Process Fix recommendations. Adherence to CMA guidelines. Established Chiropractic Stakeholders Forum. New status of University College.
9	Failure of programmes to meet professional and academic standards.	External review including QAA, external examiners, PSRB accreditations. Robust quality assurance framework in place. Internal review and monitoring by academic committees. Investment in staff development.
10	Failure to provide a quality student experience.	Investment in estates, resources, staff and Student Union. Inclusion of students in academic committee membership, regular meetings with students and Student Union, student representation at Board level. Formal and informal student feedback. Established on-site student services. Established Student Health & Well-Being Group. Staff development.

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Strategic Report (Continued)

Risk Register (continued)

Ref	Risk	Mitigating actions/ Controls
11	Failure to maintain levels of research and scholarship activity.	Collaborate with other researchers. Support staff development in attaining research degrees. Invest in post-doctoral positions to support grant writing and applications.
12	Failure to recruit and maintain well qualified staff and plan for succession.	Staff appraisal, salary review and promotion pathways. Range of pension schemes. Maintain competitive status in sector. Support staff development. Compliance with DDE/HR policies/employment law. Maintain Investors in People status. Support system in place, including counselling.
13	Clinical negligence/significant adverse events and injury.	Staff training. Regular maintenance schedules in place. Incident reporting system and analysis. Clinic Manuals and Handbooks, Policies and Procedures in place.
14	Failure to comply with legislative and regulatory requirements, and quality and safety standards in clinical service provisions.	External review by CQC and PSRBs. Regular clinical audits. Clinic Manuals and Handbooks, Policies and Procedures in place. Regular maintenance of equipment. Training of staff.
15	Failure to adequately develop existing campus or acquire alternative facilities to accommodate planned new provisions.	Development of a seven year estates strategy. Engage architect with HEI experience to support the estates strategy. Re-model existing space to expand capacity. Investigate alternative location and/or facilities for teaching and training, including possibility for halls of residence.
16	Possibility of a reduction in the student fees cap from £9,250 to c.£7,000, and a reduction in OfS high-cost subject funding.	Charging a surplus (where possible). Potential reduction in staffing and staff costs, our largest cost area, across the University College. Efficiency savings across the all departments within University College. The addition of additional revenue sources.
17	Execution and Delivery of Project Plans. Failure to adequately develop a project management ethos and appropriate training plan to ensure proper control of current and future projects to agreed timescales and budgets.	Internal auditors have resources which could inform possible project management methodologies. Clerk has Prince2 practitioner qualification and project management experience.

The Principal has assessed the impact of brexit on student recruitment numbers and does not believe that it will be material.

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Strategic Report (Continued)

3.) 2017-18 Financial Review of the Year

The University College's surplus after tax for the year ended 31 July 2018 was £508k before the actuarial gain in respect of pension schemes and £706k after.

The group's consolidated surplus after tax for the year ended 31 July 2018 was £524k before the actuarial gain in respect of pension schemes and £722k after.

The following table summarises the financial results for the current period and previous year as set out in the Statement of Comprehensive Income and Expenditure:

	Year Ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Income:				
Tuition fees and education contracts	7,775	7,775	7,665	7,665
Other income (exc. investment / research income and donations)	1,591	1,541	1,329	1,163
Investment income, research income and donations	54	60	67	67
Total Income	9,420	9,376	9,061	8,895
Expenditure:				
Staff costs	(5,785)	(5,784)	(5,247)	(5,227)
Other operating expenses	(2,682)	(2,661)	(2,706)	(2,580)
Depreciation	(431)	(431)	(346)	(344)
Interest and other finance costs	(16)	8	(146)	(146)
Total Expenditure	(8,914)	(8,868)	(8,445)	(8,297)
Gain on investments	20	-	28	28
Surplus before tax and actuarial gain/(loss) in respect of pension schemes	526	508	644	626

Income

Overall total consolidated income has increased by 4% (£359k) to £9.42m (2017: £9.061m). This increase is primarily due to:

- £343k (915%) increase in other income to £0.38m (2017: £0.037m), including additional HEFCE funding of £191k and an accrual release from the balance sheet of £125k
- £111k (1%) increase in tuition fees and education contracts income to £7.775m (2017: £7.665m)
- £61k (30%) increase in MRI & imaging income to £0.261m (2017: £0.2m), which is primarily due to increased referral rates as confidence in our scanning, reporting and governance grows
- £20k (16%) increase in catering income to £0.14m (2017: £0.12m)
- £18k (179%) increase in donations and endowments income to £0.028m (2017: £0.01m)
- £32k (73%) decrease in research income to £0.012m (2017: £0.044m)
- £30k (4%) decrease in clinic income to £0.759m (2017: £0.789m), resulting from a decrease in the number of paying patients.
- £134k (97%) decrease in retail income to £0.004m (2017: £0.138m). Retail income relates entirely to Spine Centre Limited, which ceased trading in August 2017

One of our subsidiaries, Spine Centre Limited, ceased trading in August 2017, which reduced our retail income. Spine Centre Limited was a loss making business that was closed to lessen the University College's exposure to risk.

Expenditure

Staff costs have increased slightly (when comparing a 12 month equivalent for the 11 month period ended 31 July 2017) with an increase of £82k (1.44%). This is the result of:

- salaries, Employers National Insurance, apprenticeship levy and pension costs increasing by £214k (4%), partially due to an annual pay increase for all staff in August 2017 of 2.5% and partially due to an increase in average staff numbers from 202 to 208;
- holiday accrual costs decreasing by £143k (120%);
- death In service insurance costs increasing by £12k (548%).

Depreciation has increased (when comparing a 12 month equivalent for the 11 month period ended 31 July 2017) by £56k (14.97%). This is due to a significant capital spend on our premises and estates during the year.

Interest and other finance costs has moved from being a debit of £146k in the previous period to being a credit of £8k in the current year (a movement of £154k), this is primarily due to:

- the bad and doubtful debt provision increasing during the previous period by £116k, whereas in the current year it decreased by £43k;

Surplus

Although the consolidated surplus for the current year initially looks strong at £526k, it is important to note that this includes £306k of effective income that was generated by releasing several historic balances from the balance sheet. These balances have been released as there is no longer suitable justification to continue to hold them on the balance sheet.

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Strategic Report (Continued)

2017-18 Financial Review of the Year (Continued)

The following table summarises the financial position for the current period and previous year as set out in the Consolidated Balance Sheet:

	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Fixed assets	5,356	5,356	4,990	4,990
Net current assets	3,321	3,339	3,163	3,198
of which 'Cash or cash equivalents'	4,059	4,040	4,244	4,198
Pension provisions	(2,018)	(2,018)	(2,216)	(2,216)
Total net assets	6,659	6,677	5,937	5,972
Income and expenditure reserve - restricted reserve	305	305	318	318
Income and expenditure reserve - unrestricted	6,354	6,372	5,619	5,654
Total reserves	6,659	6,677	5,937	5,972

Fixed assets

The fixed asset additions during the year (£797k) was greater than depreciation (£431k) and so the fixed asset value on the balance sheet has increased by £366k.

The fixed asset additions during the period included:

Property improvements totalling £392k, including:

- completion of a new individual and group learning space on the library mezzanine, including two technology-enabled group working pods (£94k spent in 2017-18);
- completion of a new student services suite, providing purpose built space for counselling, additional learning support and study skills support (£47k spent in 2017-18);
- completion of a new seminar room (£37k spent in 2017-18);
- completion of a new purpose built office for the student union (£81k spent in 2017-18);
- refurbishment of toilet facilities (£63k spent in 2017-18);
- expansion of a lecture theatre (£19k spent in 2017-18);
- a new IT office (£51k spent in 2017-18).

Teaching aids totalling £156k, including:

- projectors, screens and audio-visual equipment (£60k spent in 2017-18);
- Primal 3D realtime human anatomy touch screen and software (£14k spent in 2017-18);
- hydraulic chiropractic bench (£12k spent in 2017-18);
- specialist equipment for the School of Psychology, Sport & Physical Activity (£42k spent in 2017-18);
- synapse improvements (£11k spent in 2017-18);
- IT equipment for academic staff (£17k spent in 2017-18).

Office equipment, including the new HR/Payroll IT system, totalling £249k.

Cash and net current assets

The cash balance remains healthy, although it did decrease by 4% to £4.059m (2017: £4.244m) as a result of the above capital spend. Within this cash balance £2.5m is held as a result of our reserves policy and a minimum of £1m is required as working capital. Any excess cash will be utilised to grow our course offering and to improve the facilities on campus.

Pension provisions

The pension provision, which relates to the Dorset Local Government Pension Scheme, decreased by 9% to £2.018m (2017: £2.216m) following the annual actuarial valuation.

Reserves

Overall total reserves increased over the period by 12% to £6.659m (2017: £5.937m).

AECC University College (a company limited by guarantee)

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Strategic Report (Continued)

2017-18 Financial Review of the Year (Continued)

Key performance indicators

The University College monitors the following financial Key Performance Indicators (KPIs) on a monthly basis to facilitate the oversight of its core business (i.e. excluding its subsidiaries). KPI values as at 31 July 2018 were:

KPI	Description	2018	2017
Profitability	Surplus as a percentage of total income (inflated due to the 11 month period)	5.42%	7.03%
Current ratio	Current assets / current liabilities : 1	4.2:1	3.4:1
Total reserves	Total reserves held on the balance sheet	£6.677	£5.972
Cash	Level of cash at bank or in hand	£4.04	£4.198

Financial KPIs, although important, represent only one aspect of the University College's business. Therefore in addition to these, the following non-financial KPIs are also regularly monitored:

KPI	Notes	2018	2017
Overall student satisfaction (%)	NSS 2016/17 'overall satisfaction' score for undergraduate students	100%	100%
Completion rate (%)	For undergraduate students (end of year)	97%	99%
Staff:Student ratio	For undergraduate students (as of 01 Dec)	1:18.9	1:18.9
Non-UK students (%)	For undergraduate students (EU & overseas students) (as of 01 Dec)	40%	44%
Graduate employability (%)	Destinations of Leavers from Higher Education (DHLE) survey for undergraduate students. Relates to leavers in the previous year	100%	100%
Total student numbers (FTE)	Undergraduate, Postgraduate & Further Education students	596	570
Total new undergraduate entrants	Undergraduate & Further Education students (as of 01 Dec)	175	170
Total new postgraduate entrants	Postgraduate students (as of 01 Dec)	59	60
Academic strength %	Weighted composite of the following academic strength indicators: - Academic staff with doctorate qualification (%FTE) - Academic staff with teaching qualification and/or FHEA (%FTE) - Academic staff acting as external examiner and/or member of external validation panel (%FTE) - Graduates entering professional employment and/or graduate study (% of graduating cohort) - External research funding (% of total income) - Number of peer-reviewed papers (N) - Academic staff giving national/international conference presentations 100% represents the University College's 2020/21 target	83%	81%

Treasury Management

Treasury management encompasses the management of the University College's cash flows, banking, money and capital market transactions and the effective control of the risks associated with those activities. The policy of the University College is to safeguard its assets whilst at the same time aiming to achieve the best possible return on its investments. The overriding principle however must be to minimise risk rather than maximise returns.

The University College's reserves policy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five year forecast is prepared each year, which incorporates a review of capital expenditure, cash generation and any future borrowings that may be required.

This report was approved by the Board of Governors on 17 November 2018 and signed on its behalf by:



A Wild
Chair of the Board of Governors



H Thiel
Principal and Governor

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Corporate Governance and Internal Control Statement

The Governors present their annual report and the audited financial statements for the year ended 31 July 2018. This report also covers the Trustees' Report as required by Chapter 4 Section 162 of the Charities Act 2011 (hereinafter "Charities Act").

Legal status

AECC University College is a company limited by guarantee registered with Companies House under number 00653859 and registered with the Charity Commission under charity number 306289. It is governed by its Articles of Association which were last amended in August 2017. The University College is directed by its Board of Governors acting under these Articles of Association. The Board has ultimate responsibility for the strategy, performance and sustainability of the institution. It approves the University College's, mission and strategy, monitors institutional performance and ensures its effective management. The current Chair of the Board is Adrian Wild and Martin Copp is Deputy Chair.

The University College provides indemnity insurance for the governors in accordance with, and subject to the conditions in, section 73F of the Charities Act 1993.

Composition of the Board

The articles dictate that the number of Governors which make up the Board (who fulfil the role of directors for company law purposes) of which there shall be a minimum of 12 and a maximum of 25. The majority of Governors appointed by the Board shall be independent governors and also include the Principal, ex officio, one member of the staff of the University College ("Staff Governor") elected by the staff and one member of the student body of the institution ("Student Governor") elected annually by the students.

There are currently 12 Governors and they are appointed for a term of four years (with the exception of the Student Governor, who is appointed for one year).

With the exception of employees of AECC University College, the Governors are not paid any remuneration. However, they are entitled to claim reasonable travel and subsistence expenses.

Organisational structure

The Principal is chief executive of the University College and the rest of the Executive team (the Vice-Principal for Undergraduate Studies and Quality, the Vice-Principal for Postgraduate Studies and Research, the Executive Director of Finance and the Executive Director of Administration) attend Board meetings. This enables the Board to have a closer working relationship with the Executive and to focus on important strategic issues in a complex higher education market, in both the UK and Continental Europe.

The Board of Governors is legally responsible for the overall management of AECC University College. Operation implementation of the 2016 -2021 Strategy, approved by the Board, is the responsibility of the Principal and the Executive team.

Committees of the Board

Although the Board meets four times each academic year much of the detailed work is dealt with by formally constituted Committees with their own terms of reference that are reviewed annually. Chairs of the Committees are all independent Governors. The Committees report directly to the Board. Committee minutes are included in the agenda pack of the Board meetings and the Committee Chairs provide a verbal update at the meeting.

Audit Committee

This Committee provides assurance to the Board on internal controls, compliance and corporate governance including, risk management, value for money, the adequacy of systems generating data for regulators and advising on the appointment of the external and internal auditors. It is responsible for overseeing the internal audits for the year, identified in the internal audit programme and monitoring the implementation of recommendations arising. It recommends the external auditors management letter and the annual financial statements (having received input from the Finance and General Purposes Committee) to the Board. The Committee specifically monitors and reviews the effectiveness of controls for fraud, bribery, money laundering and whistleblowing. Both internal and external auditors attend Audit Committee meetings.

Finance and General Purposes Committee

This Committee has responsibility for advising the Board on the financial, estates and IT strategies to support the Strategic Plan together with loans, debts, reserves and treasury management activities. It undertakes detailed scrutiny of the proposed revenue and budget and capital programme and their subsequent management, receiving updated forecasts throughout the year. It advises the Audit Committee on their scrutiny of the annual accounts. The Committee reviews the financial regulations of AECC University College. It oversees the effectiveness and efficiency of the estates and physical provision within AECC University College, receiving the minutes of the operational Premises and Estates Committee.

Remuneration and Human Resources Committee

This Committee oversees the recruitment, performance and remuneration and considers the salary and conditions of service of the Principal and of the Executive Group. It also regularly reviews staff pay and service conditions and considers the HR policies as well as regular reports on HR performance through the minutes of the HR Group.

Nominations Committee

This Committee keeps under review the composition of the Governing Body, informed by the skills matrix and the outcome of individual appraisals to address succession. It oversees the arrangements for the recruitment of Governors and recommends appointments and re-appointments to the Board as well as Board effectiveness and individual appraisals. It reviews the induction arrangements for Board governors and receives reports on allegations of improper Governor conduct, recommending action to the Board. The Committee also reviews and decides on Honorary Awards through the Honorary Awards sub-committee.

The Chair of the Board and the Chairs of Committees have delegated authority to take urgent decisions within their Committee's remit on the advice of the Principal and with the consent of the Chair of the Board of Governors. A Register of Chairs' decisions is maintained and these are reported to the Board / Committee at its next meeting.

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Corporate Governance and Internal Control Statement (Continued)

Members of the Board

The table below contains the members of the Board during 2017-18 together with their Board attendance and membership of committees:

	Type of Governor	Date appointed	End of term of office/date of resignation	% Attended	Board	Audit	Finance & General Purposes	Nominations	Remuneration & HR	Subsidiary: AEL	Subsidiary: Spine Centre	Board Strategy Event
Total meetings held					3	4	3	2	2	2	1	1
Governors:					Number of meetings attended							
Martin Copp	Independent	20.11.10	01.04.21	100%	3	N/A	3	2	2	N/A	N/A	1
Peter Dingley	Independent	05.07.14	04.07.21	100%	3	N/A	3	N/A	N/A	N/A	N/A	1
Mark Gurden	Independent*	19.11.11	30.06.21	88%	3	N/A	N/A	N/A	1	2	N/A	1
Philip Hume	Staff	08.04.17	07.04.21	100%	3	N/A	N/A	N/A	N/A	N/A	N/A	1
Eddie Newcomb	Independent	22.11.14	21.11.18	100%	3	4	N/A	N/A	2	N/A	N/A	1
Peter Roberts	Independent	22.11.14	21.11.18	57%	3	N/A	0	N/A	N/A	N/A	N/A	1
Adrian Simpson	Independent	22.11.14	21.11.18	75%	2	3	N/A	N/A	N/A	N/A	N/A	1
Sarit Sirinan (resigned April 2018)	Student	02.07.17	30.04.18	75%	2	N/A	N/A	N/A	N/A	N/A	N/A	1
Chris Stephens	Independent	23.11.13	22.11.20	83%	3	N/A	N/A	1	N/A	N/A	N/A	1
Daniel Sullivan (appointed April 2018)	Student	30.04.18	31.03.19	100%	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Haymo Thiel	Principal	18.06.12	31.12.18	100%	3	N/A	3	2	N/A	2	1	1
Adrian Wild	Independent	18.11.06	01.04.19	100%	3	N/A	3	2	2	N/A	N/A	1
Judith Worthington	Independent	17.11.12	16.11.19	90%	2	4	N/A	2	N/A	N/A	N/A	1
Non-Governors:												
Jenni Bolton				100%	N/A	N/A	N/A	N/A	2	N/A	N/A	N/A
Karen Pichlmann				100%	N/A	N/A	N/A	N/A	2	N/A	N/A	N/A
Subsidiary Directors												
Neil Andrews - Director of AECC Enterprises Limited				100%	N/A	N/A	N/A	N/A	N/A	2	N/A	N/A
Brenda van der Vossen - Director of AECC Enterprises Limited				100%	N/A	N/A	N/A	N/A	N/A	2	N/A	N/A
Peter Ford - Director of Spine Centre Limited				100%	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A
Gilbert Meal - Director of Spine Centre Limited				100%	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A

Note: Apparent anomalies in the terms of office are due (a) to the reconstitution of the Governing Body which took effect from April 2011 and (b) an increase in the term of office from 3 to 4 years for appointments and re-appointments from November 2014.

*Mark Gurden confirmed as Independent Member at Board Meeting on 01-Jun-17

Governance

The University College is committed to exhibiting best practice in all aspects of corporate governance and has adopted the Committee of University Chairs (CUC) Higher Education Code of Governance (published December 2014 and revised June 2018). The revisions from CUC published in June 2018 have been incorporated in the University College Compliance statement and are being addressed accordingly. The Board reviewed its compliance with the Code during 2017/18. The Board were satisfied with the updates on the levels of compliance sustained and improvements implemented.

Compliance of the University College has also been mapped against the Office for Students Registration Requirements and updated documentation has been provided to the Office for Students to ensure that the University College becomes fully compliant with this document.

Skills of the Board and recruitment

The governor skills matrices support the Board in its succession planning to maintain the skills mix required for an effective Board. In recruiting new Board governors, nominations are sought in a variety of ways, including advertising in the press and within the Higher Education sector, with the National Associations, and publicising vacancies to staff and graduates of the University College. This work is underpinned by a procedure for the appointment of Governors.

All nominees are invited to visit AECC University College and meet other governors and senior staff as part of a pre-interview process. Subsequent nominations for independent members of the Board are considered by the Nominations Committee before a recommendation is made to the Board. Appointments are for four years and may be renewed for a second term of office and under exceptional circumstances for a third term.

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Corporate Governance and Internal Control Statement (Continued)

Training of Governors

All new governors receive a full induction including a governance handbook.

On appointment new Governors are asked to sign a copy of the letter of appointment that requires them, when acting as an AECC director, to conduct themselves in accordance with the Nolan Principles of Public Life and AECC's adopted policies and procedures. The induction pack supplied to new governors includes the AECC Code of Conduct and this contains the agreed ethical code of conduct required from members of the institution's community (employees, executive officers, governors and patrons) and from AECC as an employer and service provider to its students, patients and members of its wider community.

Board development is accessed in a variety of ways from briefings and seminars from Advance HE and the Office for Students, presentations by the Executive to attendance at seminars, and attendance at seminars and breakfast meetings at GuildHE to briefings from BDO the internal auditors, either for the whole Board or for individual governors.

Board of Governor appraisals

Individual appraisals are carried out annually. They help to inform that existing governors continue to have the skills needed on the Board, identify learning and development opportunities and inform where there may be skills gaps.

Register of business interests

A register of interests is held by the Clerk to the Board of Governors and details the interests of members of the Board; this is reviewed annually. In addition, at the start of any Board or committee meeting the attendees are asked to formally declare any particular interest in the items on the agenda and these are recorded in the minutes of that meeting.

Automatic disqualification declarations

AECC University College must ensure that governors and senior officers of the institution are not disqualified from acting as trustees and senior officers of a registered charity. All governors and senior officers are required annually to make and maintain a declaration to this effect. A register of declarations is held by the Clerk to the Board of Governors.

Risk register

The risk management policy and supporting procedures support the implementation and monitoring of risk management through the Corporate Risk Register and the departmental risk registers. The Clerk to the Board and Company Secretary is responsible for ensuring that risk management processes run efficiently and effectively at AECC University College.

The Board of Governors confirm that they have reviewed and considered the major risks to which AECC University College is exposed and that they are satisfied that systems have been established to manage those risks. The Board of Governors regularly reviews and determines its approach to risk appetite. It is ultimately responsible for the identification and management of risks that the AECC University College may face. It is informed in this task through the work undertaken by the Audit Committee at each of its meetings and its evaluation by the Principal and senior managers. Revisions are made by the Board of Governors or the Audit Committee, if appropriate, to reflect discussions / developments reported at the meetings.

Identification, evaluation and management of risk is an important part of the annual planning cycle and review of strategy. A formal review of the effectiveness of this process is considered annually by the Board. The Board will then review only the more strategic/higher impact risks.

Clerk to the Board

The Board of Governors has appointed a Clerk to the Board and Company Secretary. The Chair, in liaison with the Principal reviews their performance annually. Appointment and termination of the appointment ultimately rests with the Board. The Clerk is responsible for coordinating legal advice to the Governing Body and advice on all matters of procedure and its responsibilities. The Chair of the Governing Body, the Principal and the Clerk work closely together to expedite business. The Clerk has a duty to advise the Chair in respect of any matters where conflict, potential or real, may occur between the Governing Body and the Principal.

Academic Governance

The management and academic committee structure is overseen by the Board of Governors through Academic Board. The Academic Board is AECC University College's supreme decision-making authority for all academic matters including oversight of the maintenance of standards and quality enhancement, and academic regulations, policies and procedures. The Academic Board discharges its responsibilities in part through standing committees and sub-committees, and delegates authority to Assessment Boards for decisions on individual students in terms of their internal progression and award of qualifications. The Academic Board (through the Vice-Principals) reports directly to the Board of Governors.

Institutional management and structure

Implementation of the strategy and policies approved by the Board is the executive responsibility of the Principal and the Executive team. The Principal is Chief Executive of the University College with powers delegated by the Board to lead and manage the institution aligned to the University College's strategic plan. The Principal is supported by the Executive Group and a number of Management Groups:

- Clinic Advisory Group
- Clinical Governance Group
- Health and Safety Committee
- Human Resources Group
- Marketing Group
- Premises and Estates Group
- Senior Management Group

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Corporate Governance and Internal Control Statement (Continued)

Statement of internal control

BDO's opinion below, based on the reviews undertaken, the follow up audits completed during the period, and in the context of materiality contained in their annual report: annual report for 2017/18 confirms the adequacy of AECC's internal controls:

"Design and effectiveness of risk management, control and governance arrangements

- *The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.*
- *Based on our sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were achieved throughout the period under review.*

Design and effectiveness of value for money arrangements

- *The arrangements we examined to promote economy, efficiency and effectiveness were suitably designed to achieve the objectives required by management.*
- *Those arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related objectives were achieved during the period under review.*

Confirmation that coverage is sufficient to draw a reasonable conclusion on the above

- *We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes and its arrangement for economy, efficiency and effectiveness."*

The Board is ultimately responsible for AECC University 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 system of internal control is integrated with the strategic planning process and designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. To enable this there is:

- an approved risk appetite statement and risk tolerance framework;
- an approved Risk Management Policy;
- a Corporate Risk Register with departmental risk registers and a process to escalate and de-escalate risks to/from the Corporate Risk Register;
- an Audit Committee, with appropriate terms of reference, which meets four times a year providing oversight of the process of internal control. The Board receives reports from the Audit Committee at every meeting;
- an annual assurance report from the internal auditors of their independent opinion on the adequacy and effectiveness of specific systems of internal control together with recommendations for improvement;
- the internal auditors review of Risk Management;
- Comment made by the External Auditors in their management letter and other reports;
- The work of AECC University College managers with responsibility for the development and maintenance of the internal control framework, and by comments made by other external review agencies and stakeholders eg QAA, OFS etc.

Governors are satisfied that internal control processes have been in place throughout the year to 31 July 2018 and up to the date of signing these accounts.

AECC University College (a company limited by guarantee)

Year Ended 31 July 2018

Corporate Governance and Internal Control Statement (Continued)

Statement of Governors' responsibilities

The Board of Governors are responsible for preparing the Governors' Report and the Financial Statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent University College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent University College and of their income and expenditure, gains and losses and changes in reserves for that period. . In preparing each of the group and parent University College financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University College's transactions and disclose with reasonable accuracy at any time the financial position of the parent University College and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University College's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Governors on 17 November 2018 and signed on its behalf by:



A Wild
Chair of the Board of Governors



H Thiel
Principal, Governor and Accountable Officer

AECC University College
Parkwood Campus
Parkwood Road
Bournemouth
Dorset
BH5 2DF

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF AECC UNIVERSITY COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University College's affairs as at 31 July 2018, and of the Group's and the University College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Other information

The Directors are responsible for the other information, which comprises the Strategic Report and the Corporate Governance and Internal Control Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Corporate Governance and Internal Control Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University College, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University College's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 17, the Board of Governors (who are the Directors of the University College company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University College or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF AECC UNIVERSITY COLLEGE (Continued)

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University College's Statutes (or articles of government for post 1992 institutions);
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University College's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University College and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Rees Batley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandler's Ford
SO53 3TG

23 November 2018

AECC University College (a company limited by guarantee)
Consolidated Statement of Comprehensive Income and Expenditure
Year Ended 31 July 2018

	Notes	Year Ended 31 July 2018		Period Ended 31 July 2017	
		Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Income:					
Tuition fees and education contracts	1	7,775	7,775	7,665	7,665
Other income	2	1,591	1,541	1,329	1,163
Investment income	3	14	14	13	13
Research	4	12	12	44	44
Total income before endowments and donations		9,392	9,342	9,051	8,885
Donations and endowments	4	28	34	10	10
Total income		9,420	9,376	9,061	8,895
Expenditure:					
Staff costs	5	(5,785)	(5,784)	(5,247)	(5,227)
Other operating expenses	9	(2,682)	(2,661)	(2,706)	(2,580)
Depreciation	10	(431)	(431)	(346)	(344)
Interest and other finance costs	6	(16)	8	(146)	(146)
Total expenditure	7	(8,914)	(8,868)	(8,445)	(8,297)
Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates		506	508	616	598
Other gains losses and share of operating surplus/deficit of joint ventures and associates:					
Gain on investments		20	-	28	28
Surplus before tax		526	508	644	626
Taxation	8	(2)	-	(7)	-
Surplus for the year		524	508	637	626
Actuarial gain/(loss) in respect of pension schemes	20	198	198	159	159
Total comprehensive income for the year		722	706	796	785
Represented by:					
Restricted comprehensive income for the year		(13)	(13)	(45)	(45)
Unrestricted comprehensive income for the year		735	719	841	830
Attributable to the College		722	706	796	785

All items of income and expenditure relate to continuing activities, except for Spine Centre Limited which ceased trading in August 2017.

The accompanying notes form part of the financial statements.

AECC University College (a company limited by guarantee)
Consolidated and University College Statement of Changes in Reserves
Year Ended 31 July 2018

Consolidated	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	Total £'000
Balance at 31 August 2016	363	4,778	5,141
Deficit from the income and expenditure statement	(45)	841	796
Balance at 31 July 2017	<u>318</u>	<u>5,619</u>	<u>5,937</u>
Surplus/(deficit) from the income and expenditure statement	(13)	735	722
Balance at 31 July 2018	<u><u>305</u></u>	<u><u>6,354</u></u>	<u><u>6,659</u></u>
University College	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	Total £'000
Balance at 31 August 2016	363	4,825	5,188
Surplus/(deficit) from the income and expenditure statement	(45)	829	784
Balance at 31 July 2017	<u>318</u>	<u>5,654</u>	<u>5,972</u>
Surplus/(deficit) from the income and expenditure statement	(13)	718	705
Balance at 31 July 2018	<u><u>305</u></u>	<u><u>6,372</u></u>	<u><u>6,677</u></u>

AECC University College (a company limited by guarantee)
Consolidated and University College Balance Sheet
Year Ended 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Non-current assets					
Fixed assets	10	5,356	5,356	4,990	4,990
Investments	11	-	-	-	-
		<u>5,356</u>	<u>5,356</u>	<u>4,990</u>	<u>4,990</u>
Current assets					
Stock	13	16	16	21	17
Trade and other receivables	14	337	334	277	298
Cash and cash equivalents	18	4,059	4,040	4,244	4,198
		<u>4,412</u>	<u>4,390</u>	<u>4,542</u>	<u>4,513</u>
Less: Creditors: amounts falling due within one year	15	(1,091)	(1,051)	(1,379)	(1,315)
Net current assets		<u>3,321</u>	<u>3,339</u>	<u>3,163</u>	<u>3,198</u>
Total assets less current liabilities		<u>8,677</u>	<u>8,695</u>	<u>8,153</u>	<u>8,188</u>
Provisions					
Pension provisions	16	(2,018)	(2,018)	(2,216)	(2,216)
Total net assets		<u>6,659</u>	<u>6,677</u>	<u>5,937</u>	<u>5,972</u>
Reserves					
Income and expenditure reserve - restricted	17	305	305	318	318
Income and expenditure reserve - unrestricted		6,354	6,372	5,619	5,654
Total reserves		<u>6,659</u>	<u>6,677</u>	<u>5,937</u>	<u>5,972</u>

The financial statements were approved by the Board of Governors and authorised for issue on 17 November 2018 and were signed on its behalf on that date by:



Haymo Thiel
Principal, Governor and Accountable Officer



Martin Copp
Governor and Chair of the Finance and General Purposes Committee

AECC University College (a company limited by guarantee)
Consolidated and University College Statement of Cash Flow
Year Ended 31 July 2018

	Year Ended 31 July 2018		Period ended 31 July 2017	
	Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Cash flow from operating activities				
Total Surplus / (Deficit) for the year / period	689	691	782	769
Depreciation	431	431	346	344
Pension provisions	(198)	(198)	(159)	(159)
(Increase) / Decrease in stock	5	1	31	(3)
(Increase) / Decrease in trade debtors	(56)	(97)	75	70
(Increase) / Decrease in intercompany loan accounts	-	2	(28)	(2)
(Increase) / Decrease in prepayments	60	60	(100)	(105)
(Increase) / Decrease in sundry debtors	(23)	(1)	2	-
Increase / (Decrease) in trade creditors	163	179	(239)	(214)
Increase / (Decrease) in PAYE & NI liability	(4)	(4)	39	40
Increase / (Decrease) in payroll & associated costs	-	-	18	18
Increase / (Decrease) in VAT liability	(14)	(8)	5	(3)
Increase / (Decrease) in other creditors	(19)	(14)	(6)	(4)
Increase in accruals & deferred income	(436)	(417)	215	207
Interest paid	-	-	2	1
Interest received	14	14	13	13
Corporation tax paid	-	-	7	-
Net cash inflow from operating activities	612	639	1,003	972
Cash flows from fixed asset investing activities				
Payments to acquire fixed assets	(797)	(797)	(346)	(346)
Net cash outflow from investing activities	(797)	(797)	(346)	(346)
Increase in cash and cash equivalents	(185)	(158)	657	626
Cash and cash equivalents at beginning of the year	4,244	4,198	3,587	3,572
Cash and cash equivalents at end of the year	4,059	4,040	4,244	4,198

AECC University College (a company limited by guarantee)

Statement of Accounting Policies

Year Ended 31 July 2018

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

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards: FRS 102 (effective 1 January 2015). The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments) and the Companies Act 2006.

The financial statements are prepared on a going concern basis. This assessment has been informed by the University College's future financial forecasts / plans and its healthy cash balances.

2. Basis of consolidation

The consolidated financial statements include the College and all its subsidiaries for the year to 31 July 2018.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure, except for discounts, and is credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body 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.

Clinic Income, MRI and imaging income

Clinic, MRI and imaging income is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the services are provided and paid for.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are two main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted donations - the donor has not specified what the donation must be used for.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

4. Accounting for retirement benefits

The three principal pension schemes for the College's staff are the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and a stakeholder pension scheme.

AECC University College (a company limited by guarantee)
Statement of Accounting Policies (continued)
Year Ended 31 July 2018

5. Employment benefits

Short term employment benefits such as salaries and compensated absences 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.

6. Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Original College freehold land and buildings (Grade II listed building)	100 years
Other freehold buildings	50 years
Refurbishments and repairs	20 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Equipment

Equipment, including computers and software, costing less than de minimus per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Office equipment furniture & fittings	4 to 10 years
Medical and teaching equipment (plant & machinery)	4 to 12 years

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

AECC University College (a company limited by guarantee)
Statement of Accounting Policies (continued)
Year Ended 31 July 2018

9. Investments

Investments in subsidiaries are carried at cost in the College's accounts.

10. Stock

Stock is held at the lower of cost and net realisable value.

11. 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.

12. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the College has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

13. Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

14. Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

15. Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances which are held as a permanently restricted fund which the College must hold in perpetuity and balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

AECC University College (a company limited by guarantee)
Statement of Accounting Policies (continued)
Year Ended 31 July 2018

16. Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount.

17. Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

18. Financial instruments

The College only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

19. Judgements in applying accounting policies and key sources of estimation uncertainty

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023.

AECC University College (a company limited by guarantee)

Notes to the Accounts

Year Ended 31 July 2018

	Year ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
1. Tuition fees and education contracts				
Full-time home and EU students	4,838	4,838	4,352	4,352
Full-time international students	2,026	2,026	2,473	2,473
Part-time students	911	911	840	840
	<u>7,775</u>	<u>7,775</u>	<u>7,665</u>	<u>7,665</u>
2. Other income				
Clinic Income	759	759	789	789
MRI & Imaging	261	261	200	200
Catering	140	140	120	120
Retail (relates to Spine Centre Ltd, which ceased trading in Aug 17)	4	-	138	-
Royalties	46	-	45	-
Other income	380	380	37	54
	<u>1,590</u>	<u>1,540</u>	<u>1,329</u>	<u>1,163</u>
3. Investment income				
Interest received	14	14	13	13
	<u>14</u>	<u>14</u>	<u>13</u>	<u>13</u>
4. Donations and endowments (including research)				
Unrestricted donations	28	34	9	9
Restricted donations	12	12	44	44
	<u>40</u>	<u>45</u>	<u>54</u>	<u>54</u>
5. Staff costs				
Staff Costs :				
Salaries	5,015	5,014	4,461	4,443
Social security costs	434	434	378	377
Pension costs	337	337	408	407
Total	<u>5,785</u>	<u>5,784</u>	<u>5,247</u>	<u>5,227</u>
Principal's emoluments:		£'000		£'000
Salary		132		121
Benefits (private medical insurance)		3		2
Pension		22		19
Total emoluments of the Principal		<u>157</u>		<u>142</u>

The Principal's salary is set by a sub-committee of the Board of Governors and is based upon sector and local benchmarks for similar leadership roles, taking into consideration the size and performance of the University College.

The Principal's basic salary is 4.7 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Principal's total remuneration is 5.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

Remuneration of higher paid staff (including the Principal), excluding employer's pension contributions. Empty bandings have been excluded.

			No.	No.
£60,000	to	£69,999	7	6
£70,000	to	£79,999	2	-
£80,000	to	£89,999	2	1
£90,000	to	£99,999	1	-
£100,000	to	£104,999	-	1
£125,000	to	£129,999	-	1
£130,000	to	£134,999	1	-
			<u>13</u>	<u>9</u>

AECC University College (a company limited by guarantee)
Notes to the Accounts (continued)
Year Ended 31 July 2018

	Year Ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated	University College	Consolidated	University College
5. (cont'd)				
Average staff numbers by major category :		No.		No.
Executive		5		6
Management and specialist		13		14
Academic		80		76
Research		2		2
Other		108		104
		<u>208</u>		<u>202</u>

Compensation for loss of office payable to a senior post-holder:

£'000 £'000

Compensation payable recorded within staff costs

- -

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University College. Staff costs includes remuneration paid to key management personnel.

£'000 £'000

Key management personnel remuneration

511 459

Board of Governors

The University College's Governors are the trustees for charitable law purposes. Due to the nature of the University College's operations and the compositions of the Board of Governors, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the University College's Financial Regulations and usual procurement procedures.

No Governor has received any remuneration/waived payments from the group during the year (2017-18).

The total expenses paid to or on behalf of 17 Board members were £7,057 (2016-17: £5,887 to or on behalf of 15 Board members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

6. Interest and other finance costs

	Year ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated	University College	Consolidated	University College
	£'000	£'000	£'000	£'000
Bank charges	(35)	(35)	(31)	(31)
Interest paid	-	-	1	1
Bad and doubtful debts	20	43	(116)	(116)
	<u>(16)</u>	<u>8</u>	<u>(146)</u>	<u>(146)</u>

7. Analysis of total expenditure by activity

	Year ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated	University College	Consolidated	University College
	£'000	£'000	£'000	£'000
Academic and related expenditure	3,056	3,056	2,626	2,626
Administration and central services	3,629	3,629	3,072	3,072
Premises (including service concession cost)	492	492	487	487
Residences, catering and conferences	227	227	187	187
Research grants and contracts	154	154	162	162
Other expenses	1,408	1,362	2,018	1,870
	<u>8,966</u>	<u>8,920</u>	<u>8,552</u>	<u>8,405</u>

Other operating expenses include:

External auditors remuneration in respect of audit services 24 24 29 29

External auditors remuneration in respect of non-audit services 7 7 8 8

8. Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

	Year ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated	University College	Consolidated	University College
	£'000	£'000	£'000	£'000
Current tax on income for the period	2	-	8	-
Adjustments in respect of prior periods	-	-	1	-
Total current tax	<u>2</u>	<u>-</u>	<u>7</u>	<u>-</u>
Reconciliation of effective tax rate				
Profit for the year	526	508	644	-
Total tax expense	2	-	7	-
Profit excluding taxation	<u>524</u>	<u>508</u>	<u>637</u>	<u>-</u>
Tax using the UK corporation tax rate of 19% (2017: 19.7%)	2	-	8	-
Recognition of previously unrecognised tax losses	-	-	1	-
Total tax expense included in profit or loss	<u>2</u>	<u>-</u>	<u>7</u>	<u>-</u>

The applicable tax rate for the current year is 19% (2017: 19.7% following the reduction in the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017). Taxable profits relate to AECC Enterprises Limited.

AECC University College (a company limited by guarantee)
Notes to the Accounts (continued)
Year Ended 31 July 2018

9. Other operating expenditure	Year ended 31 July 2018		11 Month Period Ended 31 July 2017	
	Consolidated £'000	University College £'000	Consolidated £'000	University College £'000
Establishment costs	592	592	403	402
Administration costs	1,421	1,410	1,762	1,652
Travel & subsistence costs	92	92	100	100
Advertising & marketing costs	393	393	259	259
Professional costs	237	228	183	167
	<u>2,735</u>	<u>2,714</u>	<u>2,706</u>	<u>2,580</u>

10. Fixed Assets	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000	£'000
Consolidated				
Cost and valuation				
At 1 August 2017	5,212	2,056	2,065	9,333
Additions	392	156	250	797
At 31 July 2018	<u>5,604</u>	<u>2,211</u>	<u>2,315</u>	<u>10,130</u>
Depreciation*				
At 1 August 2017	(1,160)	(1,295)	(1,888)	(4,343)
Charge for the year	(134)	(148)	(149)	(431)
At 31 July 2018	<u>(1,294)</u>	<u>(1,443)</u>	<u>(2,037)</u>	<u>(4,774)</u>
Net book value				
At 31 July 2018	<u>4,310</u>	<u>768</u>	<u>278</u>	<u>5,356</u>
At 31 July 2017	<u>4,053</u>	<u>760</u>	<u>177</u>	<u>4,990</u>
University College				
Cost and valuation				
At 1 August 2017	5,212	2,056	2,058	9,326
Additions	392	156	250	797
At 31 July 2018	<u>5,604</u>	<u>2,211</u>	<u>2,308</u>	<u>10,124</u>
Depreciation				
At 1 August 2017	(1,160)	(1,295)	(1,881)	(4,336)
Charge for the year	(134)	(148)	(149)	(431)
At 31 July 2018	<u>(1,294)</u>	<u>(1,443)</u>	<u>(2,030)</u>	<u>(4,768)</u>
Net book value				
At 31 July 2018	<u>4,310</u>	<u>768</u>	<u>278</u>	<u>5,356</u>
At 31 July 2017	<u>4,053</u>	<u>760</u>	<u>177</u>	<u>4,990</u>

11. Non-Current Investments	University College		Total
	Shares in subsidiary undertakings	Loan to subsidiary undertakings	
	£'000	£'000	£'000
Cost			
At 1 August 2017	-	20	20
Repayment in year	-	(20)	(20)
At 31 July 2018	<u>-</u>	<u>-</u>	<u>-</u>
Provision			
At 1 August 2017	-	20	20
Released in period	-	(20)	(20)
At 31 July 2018	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Values			
At 31 July 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July 2017	<u>-</u>	<u>-</u>	<u>-</u>

The loans to the subsidiaries were fully repaid during the year.

AECC University College (a company limited by guarantee)
Notes to the Accounts (continued)
Year Ended 31 July 2018

12. Lease obligations	Year Ended 31 July 2018		11 Month Period Ended 31 July 2017	
	£'000		£'000	
Total rentals payable under operating leases:				
Due within one year		3		7
Due in two to five years		-		3
Total lease payments due		3		10

13. Stock	Consolidated		Consolidated	
	£'000	University College £'000	£'000	University College £'000
General consumables	9	9	11	11
Goods for resale	7	7	11	6
	16	16	21	17

14. Trade and other receivables	Consolidated		Consolidated	
	£'000	University College £'000	£'000	University College £'000
Amounts falling due within one year:				
Trade receivables (after provision for bad debts)	164	188	67	91
Amounts due from subsidiary companies	-	-	-	2
Other receivables	27	1	4	
Prepayments and accrued income	146	146	206	206
	337	334	277	298

15. Creditors : amounts falling due within one year	Consolidated		Consolidated	
	£'000	University College £'000	£'000	University College £'000
Trade payables	421	394	259	215
Other creditors	74	74	67	89
Social security and other taxation payable	130	128	153	140
Accruals and deferred income	465	454	901	871
	1,091	1,051	1,379	1,315

16. Provisions for liabilities	Group and University College		Group and University College	
	£'000		£'000	
Present value of defined benefit obligation	5,318		5,226	
Fair value of Fund assets (bid value)	(3,300)		(3,010)	
	2,018		2,216	

17. Restricted Reserves	Group and University College movement in resources			
	Balance at 31 July 2018 £'000	Incoming £'000	Outgoing £'000	Balance at 31 July 2017 £'000
New Clinic Fund & Legacy	239	-	(6)	245
MRI Fund	47	-	(6)	53
Rehabilitation Centre Fund	17	-	(1)	17
Student Hardship Funds	1	-	-	1
Kerkut Fund	(1)	-	(1)	-
History Library Fund	-	-	-	-
Research Funds	-	10	(10)	-
	304	10	(23)	317

AECC University College (a company limited by guarantee)
Notes to the Accounts (continued)
Year Ended 31 July 2018

17. Restricted Reserves (continued)

The New Clinic Fund represents donations received specifically for the purpose of building the new clinic.

The MRI fund is derived from donations made to help finance the purchase of equipment for the MRI facility.

The Rehabilitation Centre Fund was established following a grant from the Diana Princess of Wales Memorial Fund. This was to provide for building, equipment and initial set-up costs for the College's Rehabilitation Centre.

The Student Hardship Funds were established by donations specifically to help students experiencing financial difficulty.

The Kerkut Fund was established following a grant from the Gerald Kerkut Research Fund. It was used to purchase equipment to measure heart rate variability and evaluate stress responses.

The History Library Fund is derived from donations made to help to maintain the College's Chiropractic history library.

Research Funds represent grants received specifically for defined research projects.

18. Cash and cash equivalents

<u>Consolidated</u>	At 31 July 2018	Cash Flows	At 1 August 2017
	£'000	£'000	£'000
Cash and cash equivalents	4,059	(185)	4,244
	<u>4,059</u>	<u>(185)</u>	<u>4,244</u>

19. Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the College, are as follows:

Company	Principal Activity	Status
Spine Centre Limited (Parkwood Campus, Parkwood Road, Bournemouth)	Sales of Chiropractic supplies, books & stationery. Ceased trading in August 2017. This is not considered a discontinued operation as its contribution to the group was not material.	100% owned
AECC Enterprises Limited (Parkwood Campus, Parkwood Road, Bournemouth)	Commercial exploitation of Research.	100% owned

20. Pension schemes

The Group principally participates in four pension schemes – The Teachers' Pension Scheme and The Local Government Superannuation Scheme, which are both defined benefit schemes, and the Scottish Widows Scheme and Zurich Scheme, which are both defined contribution schemes.

The Group has capped its contributions to these pension arrangements at an effective rate of 7.5% (Increased to 8% from 1 August 2018). This is implemented by contractual arrangements with employees who take a reduction in salary when company contribution rates exceed this percentage, for example with the Teachers' Pension Scheme and Local Government Superannuation Scheme.

The amount outstanding at the year end was £70,496 (2017: £66,204). The total pension cost for the year may be analysed as follows, this is shown at the employers' full contribution rate and does not include the mitigating reduction in salary mentioned above or salary sacrifice:

	2018	2017
	£'000	£'000
Teachers' pension scheme	287	231
Local government superannuation scheme	154	123
Zurich	10	7
Scottish Widows	103	46
Other	-	-
	<u>554</u>	<u>407</u>

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs,

AECC University College (a company limited by guarantee)
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20. Pension schemes (continued)

design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and the valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and the subsequent consultation are:

- With effect from 1 September 2015 employer contribution rates set at 16.48% of pensionable pay including a 0.08% employer administration charge (formerly 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The real rate of earnings growth is assumed at 2.75%. The assumed nominal rate of return is 5.06%

Since September 2015, the Employer contribution rate is 16.48%, including the 0.08% administration levy. Employer contributions are based on the pensionable earnings paid to the employee in the pay period. It has been announced that an increased employers contribution rate will be put into force from September 2019 and it is currently proposed that this will be 23.68%.

Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering authority for the Fund is Dorset County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Dorset County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The agreed contributions rates for future years are currently 20.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 July 2018, using financial assumptions that comply with FRS 102:

	As at 31 July 2018	As at 31 July 2017
Rate of increase in salaries	3.85%	4.2%
Rate of increase in pensions	2.35%	2.7%
Discount rate for scheme liabilities	2.65%	2.7%
Inflation assumption (CPI)	2.35%	2.7%

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

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

The University College's share of the assets and liabilities in the scheme were:

	As at 31 July 2018	As at 31 July 2017
	£'000	£'000
Equities	1,802	1,660
Liability Driven Investment	413	400
Cash	31	81
Other Bonds	228	341
Diversified Growth Fund	198	131
Property	335	265
Infrastructure	140	132
Multi Asset Credit	153	-
Total market value of assets	3,300	3,010
Present value of scheme liabilities	(5,318)	(5,226)
Deficit in scheme	(2,018)	(2,216)

AECC University College (a company limited by guarantee)
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Year Ended 31 July 2018

20. Pension schemes (continued)

Amounts recognised in the profit & loss statement are:

	As at 31 July 2018 £'000	As at 31 July 2017
Service cost	330	259
Net interest on the defined liability (asset)	58	45
Administration expenses	2	2
Total loss / (profit)	390	306

Reconciliation of opening and closing balances of the fair value of Fund assets:

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Opening fair value of Fund assets	3,010	2,546
Interest on assets	83	50
Return on assets less interest	83	271
Other actuarial gains / (losses)	-	21
Administration expenses	(2)	(2)
Contributions by employer including unfunded	154	123
Contributions by Scheme participants and other employers	49	47
Estimated benefits paid plus unfunded net of transfers in	(77)	(46)
Settlement prices received / (paid)	-	-
Closing fair value of Fund assets	3,300	3,010

Reconciliation of opening and closing balances of the defined benefit obligation:

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Opening defined benefit obligation	5,226	4,921
Current service cost	330	259
Interest cost	141	95
Change in financial assumptions	(351)	(302)
Change in demographic assumptions	-	83
Experience loss/(gain) on defined benefit obligation	-	169
Estimated benefits paid net of transfers in	(77)	(46)
Contributions by Scheme participants and other employers	49	47
Closing defined benefit obligation	5,318	5,226

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

21. Related party transactions

Owing to the nature of the AECC's operations and the composition of the Board of Governors being partly drawn from local public and private sector organisations, it is inevitable that transactions will likely take place with organisations in which a member of the Board of Governors may have an interest. However, no material transactions occurred during the year.

Recharges from AECC University College to AECC Enterprises Limited totalled £5,437 during the year.

There were no outstanding balances at the year end between AECC University College and its related entities.

22. Recognition of short term employment benefits

Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff and at the reporting date there was a liability of £219,836 (2017: £182,381). In addition, certain employees are entitled to carry forward up to 10 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

23. Spine Centre Limited

Spine Centre Limited is a 100% owned subsidiary of AECC University College, which until August 2017 operated a small physical and online shop within the campus that sold chiropractic and educational goods to staff, students and the general public. The Company ceased trading on 1st August 2017 and paperwork relating to the dissolution of the company has been filed at Companies House.

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