

REGISTRAR OF COMPANIES

British Accreditation Council for Independent Further and Higher Education

Annual Report and Financial Statements

31 August 2018

Company Registration Number
01828990 (England and Wales)

Charity Registration Number
326652



Reference and administrative details

| | |
|------------------------------------|--|
| Members of the Council | Peter Williams CBE (Chairman) (resigned 1 January 2019) Diane Billam (resigned 22 February 2018) Mary Bishop (appointed 18 October 2018) David Bland OBE Kate Clarke Kelvin Everett (appointed 1 January 2019) Colette Fletcher (appointed 14 December 2017) Stephen Jackson David Law Richard Lewis (resigned 1 January 2019) Karena Maguire Robin Middlehurst Ann Read (appointed 14 December 2017) Dominic Scott OBE |
| Company Secretary | David Bland OBE |
| Registered office | Ground Floor 14 Devonshire Square London EC2M 4YT |
| Company registration number | 01828990 (England and Wales) |
| Charity registration number | 326652 |
| Auditor | Buzzacott LLP 130 Wood Street London EC2V 6DL |
| Solicitor | Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE |
| Banker | CAF Bank 25 Kings Hill Avenue West Malling Kent ME19 4JQ |
| Investment manager | Octopus investments Limited 20 Old Bailey London EC4M 7AN |

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Report of the Council Year to 31 August 2018

The members of the Council present their annual report together with the audited financial statements of the British Accreditation Council for Independent Further and Higher Education ('British Accreditation Council' or 'BAC') for the year ended 31 August 2018.

The financial statements have been prepared in accordance with the accounting policies set out on page 17 to 20 therein and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

This report has been prepared in accordance with Part 8 of the Charities Act 2011 and also constitutes a directors' report for the purposes of company legislation.

Structure, governance and management

The British Accreditation Council was incorporated on 29 June 1984 (Company No 1828990) and registered as a UK charity on 28 August 1984 (Charity No 326652). It is limited by guarantee without share capital. The liability of the members is limited to £10 each and accumulated funds are not distributable to the members.

The governing instrument under which the Company operates is its Memorandum and Articles of Association. Amended Articles of Association were approved by the charity on 19 October 2017 and 2 April 2018 by special resolution.

The directors are treated as trustees for Charities Act purposes.

Members of the Council

The members of the Council are the Board of Trustees. The trustees who served during the year, and up to the date of approval of this report, are shown in the reference and administrative details at the front of this report.

The Articles of Association provide for a maximum of twelve directors. The trustees may appoint any member of the Company as a member of the Board of Trustees.

The chair and deputy chair are appointed by the Board from among its members.

Induction and training of Council members

At the recruitment stage potential Council members are given extensive information about the organisation and are fully informed of the purpose and charitable objectives of BAC. Potential trustees are then invited to meet with the Standing Committee to discuss the challenges facing the organisation and their potential contribution to the charity.

The induction and training of Council members has been identified by the charity as an area requiring further development.

Structure, governance and management (continued)

Statement of Council's responsibilities

The Council members (who are also directors of the British Accreditation Council for Independent Further and Higher Education for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period.

In preparing these financial statements, the Council members are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Council members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Council members confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Structure, governance and management (continued)

Statement of Council's responsibilities (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Council members are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Risk management

The Council members have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error. The Council members are satisfied with the measures employed to assess and address identified risks.

The Council members have identified the key risks to the charity as:

| Identified Risk | Mitigating Actions |
|--|--|
| <i>Change in government short term study student visa regime (STSV)</i> | Undertake value-added activities to highlight the attractiveness of BAC accreditation for students and other stakeholders; Ensure that BAC accreditation continues to be rigorous so as to maintain Home Office confidence in BAC accreditation; Develop supporting income streams that are less reliant on government policy. |
| <i>Loss of key staff</i> | Develop standard operating procedures for common processes so that other members of staff can take over; Improve the quality of training to disseminate skills and good practice within the organisation; Continue to improve and strengthen the internal communication processes; Ensuring that more than one member of staff has the requisite knowledge and skills to provide continuity of key processes. |

Structure, governance and management (continued)

Risk management (continued)

| Identified Risk | Mitigating Actions |
|--|---|
| <i>Financial loss arising out of financial impropriety</i> | Maintain adequate reserves; Ensure transparent and rigorous financial controls are in place. |
| <i>Competition increases in the quality assurance arena</i> | Conduct regular reviews of BAC processes to ensure they meet the needs of all stakeholders; Continue to develop BAC products and processes to ensure they remain world leading in terms of quality assurance; Improve the BAC profile in all markets in which we operate; Maintain stakeholder trust and confidence; Build and develop links with all stakeholders; Maintain strict cost controls to allow competitive prices to be offered to existing and new providers. |
| <i>Reputational damage arising out of inappropriate activity or behaviour</i> | Ensure that integrity and transparency is embedded in BAC activity; Ensure all BAC representatives are DBS checked when working with under 18s; Clear inspection guidelines are produced and adhered to; The Bribery and Anti-Corruption policy is strictly enforced and monitored; There is ongoing training of all BAC staff and associates to embed and instill the values and expectations of the organisation. |
| <i>Catastrophic infrastructure failure</i> | All data is backed up off site and is accessible within 48 hours; In the longer term, BAC will investigate and consider moving all key activities into the 'Cloud'; In the event of damage to premises BAC telephone services can be rerouted to temporary accommodation. Offline backup data can be restored relatively quickly (48 hours) although this will require the installation of a physical server. |

Structure, governance and management (continued)

Governance

The 2017/18 financial year saw BAC adopting a new governance structure designed to strengthen Council members' oversight of the organisation.

The new governance structure now consists of the Council, which is formed of the trustees, and acts as the Board of Directors. The Council meets three times a year. An Audit Committee has been created to provide financial and regulatory oversight. A Standing Committee has been created which is a subcommittee of the Council. The Standing Committee meets between Council meetings to provide continuity and support the charity. The Standing Committee has, as standing members, the Chair of the Council, the Deputy Chair and the Honorary Treasurer.

The Chair of the Council was held by Mr Peter Williams who retired on 1 January 2019.

The responsibility for decisions on accreditation is delegated to the Accreditation Committee (AC). The AC is appointed by the Council and consists of members appointed by virtue of their experience and expertise with regard to educational standards. The current chair of the Accreditation Committee is Ann Read. The Accreditation Committee receives the reports of completed inspections and takes decisions on the award or withdrawal of accreditation, making its recommendations based on BAC's accreditation policy and procedures. It also regularly reviews the quality assurance criteria used by inspectors in making judgements and recommendations. The Committee usually meets up to eight times a year.

During this period, the company was managed on a day-to-day basis by the Chief Executive, Mr Paul Fear.

Key management personnel

The Council members consider that they, together with the Chief Executive, Deputy Chief Executive and Chief Inspector, comprise the key management personnel of the charity. None of the Council members receive any remuneration from the charity in connection with their role as Council members. The annual pay increase of the Chief Inspector and Deputy Chief Executive is recommended to the Council by the Chief Executive. The annual review of the Chief Executive's salary is undertaken by the Council.

Other transactions with members of the Council are disclosed in note 6.

Objectives and activities

The British Accreditation Council for Independent Further and Higher Education is registered for charitable purposes and its objects are:

- providing a system of accreditation for educational and training institutions in order to promote public confidence in such institutions and their programmes of study; and
- assisting in the improvement and maintenance of the standards of accredited institutions through the offer of advisory and consultancy services principally in the field of further and higher education.

Public benefit

The Council members believe that all the Council's activities are directed to fulfilling its charitable objects of the improvement and maintenance of standards in independent further and higher education and training and that in doing so it is working for the public benefit. Some of these benefits are given below:

- BAC inspection helps HM Government to protect the reputation of further and higher education and training in the UK by providing independent judgments, made on the basis of inspection by qualified and experienced inspectors, of the quality of provision of private institutions of further and higher education and training.
- The BAC accreditation mark provides students and potential students with an indication of quality.
- The information, marketing and promotional work undertaken ensures that international students, agents and the education sector as a whole are aware of the range of institutions and courses available.
- Training events and seminars assist in the professional development of staff and institutions, thereby improving the quality of provision.
- The valued advice and support offered to institutions through informal and formal avenues provide them with guidance regarding good and best practice, thus helping to raise standards of provision.
- The complaints procedure provides students with a free and accessible means of resolving disputes with accredited institutions.

Achievement and performance

Accreditation and inspection activity

The table below gives details of the applications received, inspections carried out and awards of accreditation in the period September 2017 to August 2018 and compares these with the figures from the previous year.

| | September 2017 to August 2018 | September 2016 to August 2017 |
|---|--|--|
| New institutions awarded accreditation – UK | 17 | 23 |
| New institutions awarded accreditation – overseas | 4 | 4 |
| Total number of accredited institutions | 230 | 230 |
| Withdrawals | 21 | 23 |
| Overseas accredited institutions | 27 | 27 |
| Applications received from new institutions | 21 | 24 |
| Inspections conducted | 127 | 139 |

Funding

The charity continued to receive no monies from any source of public funding.

Progress made: BAC's objectives

With regard to BAC's objectives for 2017/18 the following progress has been made:

| Objective | Key achievements |
|--|--|
| <i>Develop 'value-added' services</i> | BAC completed a suite of value added activities and products entitled 'The Provider Journey'. The activities include virtual support through to a marketing pack designed to help providers communicate with their stakeholders. |
| <i>Raise BAC's profile amongst British and international training providers</i> | BAC continues to expand overseas with accreditation activities taking place in 22 countries. |

Progress made: BAC's objectives (continued)

| Objective | Key achievements |
|--|--|
| <i>Reduce the number of voluntary withdrawals by institutions</i> | We are seeing a falling number of voluntary withdrawals. However, the highly difficult operating environment for UK providers continues with almost all of UK voluntary withdrawals occurring as a result of financial stress. |
| <i>To complete a review of BAC governance</i> | A major review of BAC governance was completed with a new structure put into place. |

Financial review

Accreditation fees

The annual accreditation fee per full-time equivalent (FTE) student was increased to £14 with a maximum annual accreditation fee of £8,000. The rate per course day for accredited short course providers increased to £16 with a maximum annual accreditation fee of £3,750. For international centres, the minimum annual fee up to 1,000 course days increased to £2,500 and the maximum annual accreditation fee was increased to £4,775.

Reserves policy

The Council members consider that free reserves of the charity should represent at least six months' expenditure, equating to approximately £450,000, to ensure that the organisation can cope with all financial commitments without recourse to borrowing.

The free reserves at 31 August 2018 were £1,107,054 (2017 – £1,160,769) which exceeds the target level of reserves stated in the reserves policy. However, the Council members consider it appropriate to hold reserves in excess of the target as the reserves policy reflects only the minimum level of free reserves required.

Over the forthcoming coming year, the Council will give due consideration to the use of reserves to support the implementation of the next BAC Strategic Plan whilst maintaining a prudent level of reserves necessary to meet the reserves policy.

Investment policy

The value of BAC's investments, a mixture of equities and fixed income, decreased to £1,138,216 in 2018 (2017 - £1,251,395). BAC's investments are held in a managed investment portfolio with Octopus (Charities Aid Foundation Managed Portfolio Service – Progressive Capital Growth Account).

Financial review (continued)

Investment policy (continued)

The investment policy aims to generate capital growth over the medium to long term, without exposing BAC to the risks and volatility associated with a wholly equity focused portfolio. The Council members are satisfied with the performance of the investment portfolio during the year.

The charity also has cash at bank and in hand of £224,127. The liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility of access to funds.

Financial summary

A summary of the year's results can be found on page 14 of the financial statements. The deficit for the year before gains on investments was £97,601 (2017 – £141,851). The net expenditure for the year after gains on investments of £54,041 was £43,560 (2017 – net expenditure of £35,045 after gains on investments of £106,806).

The operating deficit occurred in part due to the launch of the International English Language Provider Scheme, funded by reserves of £37,553 (see Note 12).

Fundraising

The charity does not actively undertake fundraising activities and does not employ the services of Professional Fundraisers. During 2017/18, the charity received no complaints about its fundraising activities.

Future plans

| Description | Details |
|--|---|
| <i>BAC Internal Quality Assurance Manual</i> | To draft a QA document pulling together thematically including monitoring outcomes of all current QA procedures across Inspection activity, awarding of accreditation, report writing, reviews of standards and governance. |
| <i>Finance and Operational oversight mechanisms</i> | To develop and implement new financial and oversight mechanisms to support financial and operations systems of BAC and improve productivity. |
| <i>Short Course Provider Scheme Review</i> | To conduct a review of existing SCP standards through a Stakeholder Review Group and revise standards for consideration by the Accreditation Committee. |

Future plans (continued)

| Description | Details |
|---|---|
| <i>To prepare for the 2020 ENQA Review</i> | To co-ordinate and, where necessary, develop and submit all documentation and evidence required by ENQA in preparation for the 2020 review. |
| <i>Strategic Plan</i> | To develop and produce a 3-year Strategic Plan covering the period March 2019 – October 2021. |
| <i>Inspection Activity</i> | To continue to develop and support BAC Inspection activity in terms of the veracity of inspection and report writing. |
| <i>Marketing</i> | To engage and raise the BAC profile amongst BAC target groups whilst recognising the financial and resource constraints facing BAC. |
| <i>Accreditation Fee Calculations</i> | To review the current algorithms which translate raw student data into accreditation fees to ensure that fees fully reflect the student body at BAC accredited providers. |
| <i>Efficiency</i> | To reduce indirect costs whilst maintaining or improving the effectiveness of current activities. |

On behalf of the Board:

 (STEPHEN JACKSON)

Date: 7 February 19

Independent auditor's report to the members of the British Accreditation Council

Opinion

We have audited the financial statements of the British Accreditation Council (the 'charitable company') for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Council members are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Council has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Council.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Council members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Council members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Report of the Council and from the requirement to prepare a strategic report.

Responsibilities of the Council

As explained more fully in the Statement of Council's responsibilities, the Council members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council members are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Edward Finch (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

14/3/19

Statement of financial activities 31 August 2018

| | Notes | Unrestricted funds | |
|--|-------|--------------------|--------------------|
| | | Total 2018 £ | Total 2017 £ |
| Income from: | | | |
| Charitable activities | | | |
| . Accreditation and inspection fees | 1 | 836,326 | 690,575 |
| Investments | 2 | 69 | 202 |
| Total income | | 836,395 | 690,777 |
| Expenditure on: | | | |
| Raising funds | | 2,221 | 1,621 |
| Charitable activities | | | |
| . Accreditation and inspection | | 931,775 | 831,007 |
| Total expenditure | 3 | 933,996 | 832,628 |
| Net expenditure before gains on investments | | (97,601) | (141,851) |
| Gains on investments | 9 | 54,041 | 106,806 |
| Net expenditure and net movement in funds | | (43,560) | (35,045) |
| Reconciliation of funds | | | |
| Total funds brought forward | | 1,193,269 | 1,228,314 |
| Total funds carried forward | | 1,149,709 | 1,193,269 |

All of the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains or losses other than those shown above.

Balance sheet 31 August 2018

| | Notes | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|-------|------------------|-------------------------|------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | 11,338 | | 18,630 | |
| Investments | 9 | <u>1,138,216</u> | | <u>1,251,395</u> | |
| | | | 1,149,554 | | 1,270,025 |
| Current assets | | | | | |
| Debtors | 10 | 103,385 | | 82,626 | |
| Cash at bank and in hand | | <u>224,127</u> | | <u>161,866</u> | |
| | | 327,512 | | 244,492 | |
| Creditors: amounts falling due within one year | 11 | <u>(327,357)</u> | | <u>(321,248)</u> | |
| Net current liabilities | | | 155 | | (76,756) |
| Total net assets | | | <u>1,149,709</u> | | <u>1,193,269</u> |
| The funds of the charity | | | | | |
| Unrestricted funds | | | | | |
| . General funds | | | 1,107,054 | | 1,160,769 |
| . Designated funds | 12 | | 31,317 | | 13,870 |
| . Tangible fixed asset fund | 13 | | 11,338 | | 18,630 |
| Total funds | | | <u>1,149,709</u> | | <u>1,193,269</u> |

The financial statements were approved by the Council and were signed on its behalf by

 (STEPHEN JACKSON)

Date: 7 February 19

Company Registration Number 01828990 (England and Wales)

Statement of cash flows Year to 31 August 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|----------------|----------------|
| Cash flows from operating activities: | | | |
| Net cash used in operating activities | A | (103,226) | (558) |
| Cash flows from investing activities: | | | |
| Purchase of tangible fixed assets | | (1,803) | (4,015) |
| Investment income received | | 69 | 202 |
| Proceeds from sale of investments | | 327,090 | 111,402 |
| Purchase of investments | | (159,869) | (109,781) |
| Net cash provided by (used in) investing activities | | 165,487 | (2,192) |
| Change in cash and cash equivalents in the year | | 62,261 | (2,750) |
| Cash and cash equivalents at 1 September 2017 | B | 161,866 | 164,616 |
| Cash and cash equivalents at 31 August 2018 | B | 224,127 | 161,866 |

Notes to the statement of cash flows for the year to 31 August 2018.

A Reconciliation of net movement in funds to net cash used in operating activities

| | 2018 £ | 2017 £ |
|---|------------------|-----------------|
| Net movement in funds (as per the statement of financial activities) | (43,560) | (35,045) |
| Adjustments for: | | |
| Depreciation charge | 9,095 | 12,262 |
| Net gains on investments | (54,041) | (106,806) |
| Increase in debtors | (20,759) | (50,465) |
| (Decrease) increase in creditors | (100,245) | 179,698 |
| Investment income receivable | (69) | (202) |
| Net cash provided by operating activities | (103,226) | (558) |

B Analysis of cash and cash equivalents

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Total cash and cash equivalents: Cash at bank and in hand | 224,127 | 161,866 |

Principal accounting policies Year to 31 August 2018

The principal accounting policies adopted, judgements made and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2018 and are presented in sterling rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council members and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- estimating the useful economic life of tangible fixed assets.

Assessment of going concern

The Council members have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council members have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Council members of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. Despite the fact that the charity has low current assets of £115 at 31 August 2018, the Council members are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The low net current assets position is due to advanced payments received for 2018/19 annual accreditation fees. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 August 2019, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy of the Report of the Council for more information).

Principal accounting policies Year to 31 August 2018

Basis of consolidation

The financial statements contain information about The British Accreditation Council for Independent Further and Higher Education as an individual charity and do not contain consolidated financial information as the parent of a group as the charity's subsidiary, BAC Limited, was dormant for both the year ended 31 August 2018 and for the year ended 31 August 2017. BAC Limited was dissolved on 30 October 2018.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises fees from inspections and accreditations, consultancy contracts and investment income.

Accreditation and inspection fees are recognised when they have been earned. For inspection fees, entitlement is measured with reference to the date that the inspection takes place.

Income of a contractual nature is recognised to the extent that it is probable that the economic benefits will flow to the charitable company and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value-added tax and other sales taxes.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Governance costs, comprising the costs involved in the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice, are allocated to the cost of charitable activities.

Principal accounting policies Year to 31 August 2018

Tangible fixed assets

Items are capitalised where the purchase price exceeds £250. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|---|-------------|
| Computer equipment and office furniture | 33% on cost |
| Fixtures and fittings | 20% on cost |

Fixed asset investments

Fixed asset investments consist of the shares in the charity's dormant subsidiary, BAC Limited, and listed investments.

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The main form of financial risk faced by the charity is that of fluctuations in equity and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value, or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits.

Principal accounting policies Year to 31 August 2018

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Taxation

The British Accreditation Council is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within various exemptions available to registered charities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Council members.

Designated funds are amounts set aside out of unrestricted funds and designated for specific purposes by the Council members.

The tangible fixed asset fund represents the net book value of the fixtures, fittings and office furniture of the charity. Such assets are vital to the charity being able to carry out its work and the value invested in the assets cannot, therefore, be realised in order to meet future expenditure or liabilities. To emphasise this point, the net book value of the assets is represented by a specific tangible fixed asset fund on the balance sheet.

Pension costs and other post-retirement benefits

The charity operates a defined contribution pension scheme. Contributions payable to the charity's pension scheme are charged to the statement of financial activities in the period to which they relate.

Notes to the financial statements Year to 31 August 2018

1 Income from charitable activities – Accreditation and inspection fees

| | 2018 £ | 2017 £ |
|--------------------------------|----------------|----------------|
| Accreditation Fees UK | 319,036 | 346,246 |
| Inspection Fees UK | 270,302 | 168,894 |
| Accreditation Fees Overseas | 102,131 | 83,379 |
| Inspection Fees Overseas | 44,807 | 60,246 |
| Educational Consultancy Income | 59,761 | 3,310 |
| Other Fees | 39,695 | 28,500 |
| | 836,326 | 690,575 |

2 Investment income

| | 2018 £ | 2017 £ |
|---------------------|-----------|-----------|
| Interest receivable | 69 | 202 |

3 Expenditure

| | Direct costs £ | Support costs | | | 2018 Total £ | 2017 Total £ |
|---|-------------------|--------------------|--------------|------------------|--------------------|--------------------|
| | | Running costs £ | Finance £ | Staff costs £ | | |
| Raising funds | | | | | | |
| · Investment manager fees | 2,221 | — | — | — | 2,221 | 1,621 |
| Accreditation and inspection: | | | | | | |
| · Accreditation and inspection delivery | 250,811 | 209,818 | 564 | 448,653 | 909,846 | 792,679 |
| · Bad debts | 1,549 | — | — | — | 1,549 | 13,198 |
| · Governance (note 4) | — | 20,380 | — | — | 20,380 | 25,130 |
| | 254,581 | 230,198 | 564 | 448,653 | 933,996 | 832,628 |

4 Governance costs

| | 2018 £ | 2017 £ |
|--|---------------|---------------|
| Legal and professional fees | 6,700 | 11,632 |
| Council expenses | 2,847 | 2,558 |
| Accountancy fees | 2,093 | — |
| Auditor's remuneration – statutory audit | 8,740 | 9,440 |
| Auditor's remuneration – non-audit work | — | 1,500 |
| | 20,380 | 25,130 |

5 Net expenditure

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Net expenditure is stated after charging: | | |
| Auditor's remuneration – statutory audit | | |
| · Current year | 8,500 | 9,120 |
| · Prior year | 240 | 320 |
| Auditor's remuneration – non audit work | | |
| · Prior year | — | 1,500 |
| Depreciation | 9,095 | 12,262 |

6 Transactions with Council members' and key management personnel

The Council members consider that they, together with the Chief Executive, Deputy Chief Executive and Chief Inspector, comprise the key management personnel of the charity. The total remuneration of the key management personnel for the year (including taxable benefits and employer's pension and national insurance contributions) was £229,002 (2017 - £214,936).

No Council members received any remuneration or other benefits for the year ended 31 August 2018 or for the year ended 31 August 2017.

Expenses totalling £3,692 were reimbursed to 14 Council members for out of pocket expenses (2017 - £2,558 to nine trustees).

7 Staff costs

| | 2018 £ | 2017 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 359,008 | 340,903 |
| Social security costs | 36,539 | 34,880 |
| Pension costs | 33,667 | 27,032 |
| Agency staff | 19,440 | 8,399 |
| | 448,654 | 411,214 |

The average monthly number of employees during the year was as follows:

| | Average headcount | |
|----------------------------|-------------------|-------------|
| | 2018 No. | 2017 No. |
| Administration/ management | 5 | 4 |
| Inspection | 2 | 2 |
| Accreditation | 2 | 2 |
| | 9 | 8 |

7 Staff costs (continued)

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

| | 2018 No. | 2017 No. |
|-------------------|-------------|-------------|
| £70,001 - £80,000 | 1 | 1 |

8 Tangible fixed assets

| | Computer equipment and office furniture £ | Fixtures and fittings £ | Total £ |
|-----------------------|---|----------------------------------|------------|
| Cost | | | |
| At 1 September 2017 | 56,717 | 18,326 | 75,043 |
| Additions | 1,803 | — | 1,803 |
| At 31 August 2018 | 58,520 | 18,326 | 76,846 |
| Depreciation | | | |
| At 1 September 2017 | 49,083 | 7,330 | 56,413 |
| Charge for the year | 5,430 | 3,665 | 9,095 |
| At 31 August 2018 | 54,513 | 10,995 | 65,508 |
| Net book value | | | |
| At 31 August 2018 | 4,007 | 7,331 | 11,338 |
| At 31 August 2017 | 7,634 | 10,996 | 18,630 |

9 Fixed assets investments

| | Shares in group undertakings £ | Listed investments £ | Totals £ |
|--|---|----------------------------|-------------|
| Market value | | | |
| At 1 September 2017 | 1 | 1,251,395 | 1,251,396 |
| Additions at cost | — | 159,869 | 159,869 |
| Disposal at opening market value (proceeds £327,090; gains £5,706) | — | (321,384) | (321,384) |
| Net unrealised gain | — | 48,335 | 48,335 |
| At 31 August 2018 | 1 | 1,138,215 | 1,138,216 |
| Cost | | | |
| At 31 August 2018 | 1 | 951,621 | 951,622 |
| At 31 August 2017 | 1 | 1,064,861 | 1,064,862 |

9 Fixed assets investments (continued)

| | Total 2018 £ |
|---|--------------------|
| Unrealised gains included above on listed investments (see below) | |
| Reconciliation of movements in unrealised gains on investments | |
| Unrealised gains at 1 September 2017 | 186,534 |
| Unrealised losses brought forward and realised in the year | (48,275) |
| Net unrealised gains in the year | 48,335 |
| Unrealised gains at 31 August 2018 | 186,594 |

The following holdings comprised a material holding when compared to the value of the total listed investment portfolio at 31 August 2018:

| | Market Value | % |
|-------------------------------------|-----------------|----|
| FP CAF UK Equity C Acc | 196,274 | 17 |
| FP CAF International Equity C Acc | 434,859 | 38 |
| FP CAF Alternative Strategies C Acc | 309,776 | 27 |
| FP CAF Fixed interest C Acc | 197,306 | 18 |

Listed investments held at 31 August 2018 comprised the following:

| | 2018 £ | 2017 £ |
|------------------------|------------------|------------------|
| UK Equities | 196,274 | 250,737 |
| Overseas Equities | 434,859 | 439,950 |
| Alternative Strategies | 309,776 | 435,425 |
| UK fixed interest | 197,306 | 125,283 |
| | 1,138,215 | 1,251,395 |

The company's investments at the balance sheet date include one wholly-owned subsidiary, BAC Limited which is incorporated in England and Wales (Company Registration Number 06733031). BAC Limited was dormant during the year ended 31 August 2018 and year ended 31 August 2017 before being dissolved on 30 October 2018.

10 Debtors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|--------------------------------|----------------|---------------|
| Charitable activity debtors | 87,775 | 49,484 |
| Prepayments and accrued income | 12,607 | 31,644 |
| Other debtors | 3,003 | 1,498 |
| | 103,385 | 82,626 |

11 Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|---------------------------------|----------------|----------------|
| Charitable activity creditors | 41,470 | 37,313 |
| Social security and other taxes | 11,066 | 10,990 |
| Accruals | 27,451 | 32,161 |
| Deferred income | 242,205 | 227,492 |
| Other creditors | 5,165 | 13,292 |
| | 327,357 | 321,248 |

Deferred income relates to inspection fees received in advance of inspections taking place. Movements on deferred income are shown below:

| | 2018 £ |
|-------------------------------------|----------------|
| Deferred income at 1 September 2017 | 227,492 |
| Resources released in the year | (227,492) |
| Resources deferred in the year | 242,205 |
| Deferred income at 31 August 2018 | 242,205 |

12 Designated funds

| | At 1 September 2017 £ | New designations £ | Utilised/ released £ | At 31 August 2018 £ |
|---|--------------------------------|--------------------------|----------------------------|------------------------------|
| Research & Development and Marketing Projects | 13,870 | 55,000 | (37,553) | 31,317 |

Funds have been set aside for various research and development and marketing projects, with the aim of furthering the charity's profile with a larger number of organisations.

13 Tangible fixed asset fund

| | Total £ |
|-----------------------|---------------|
| At 1 September 2017 | 18,630 |
| Net movements in year | (7,292) |
| At 31 August 2018 | 11,338 |

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets. The fund recognises the fact that the assets are required for the day-to-day operation of the charity and are not available for other purposes or as a general reserve.

14 Related party transactions

There were no transactions between the charity and any of its related parties.

15 Ultimate controlling party

The charity is under the ultimate control of the Council members.

16 Financial commitments

At 31 August 2018 the charity had total commitments under non-cancellable operating leases as follows:

| | 2018 Land and buildings £ | 2017 Land and buildings £ |
|--------------------------------|------------------------------------|------------------------------------|
| Operating lease payable | | |
| Within one year | 75,195 | 75,195 |
| Between 2 to 5 years | 75,195 | 150,390 |