City of Bristol College

Members’ report and financial statements

For the year ended 31 July 2020

Professional advisers

Financial statements auditor:	KPMG LLP 66 Queen Square, Bristol, BS1 4BE
Internal auditors:	RSM Risk Assurance Services LLP Hartwell House 55 – 61 Victoria Street Bristol, BS1 6AD
Bankers:	National Westminster Bank plc 32 Corn Street Bristol BS99 7UG
	Barclays Bank plc Bristol and North Somerset Group PO Box 207 Bristol BS99 7AJ
	Lloyds TSB Canons House Canons Way Bristol, BS99 7LB
Solicitors:	Burges Salmon One Glass Wharf Bristol BS2 0ZX
	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG

Members’ report and financial statements

Contents

Members' Report

Operating and Financial Review

The College year has been dominated by the COVID-19 pandemic which, in common with all sectors, has caused a significant impact on the way the College operates and its financial performance. In line with Government guidance the College closed its four main centres from 20 March 2020 and switched to delivering its courses via online methods. The vast majority of courses were able to be delivered successfully, and where certain courses that rely on the use of the College facilities could not be delivered to the required standards via online platforms, these were postponed into 2020/21. Throughout the pandemic and national lockdown, the College focussed on continued delivery of high-quality tuition to all its students. The College re-opened from July 2020 under a fully COVID-19 secure environment to ensure the safety of its staff and students.

The College underwent a full Ofsted visit under the new Ofsted framework in November 2019: although the judgement of overall effectiveness remained as 'requires improvement' the report noted 'good' provision in several areas and gave a clear acknowledgement of our continuing improvement and progress. The College has continued to improve the quality of its delivery and students results as detailed in page 13 and 14 of this report. This continued improvement has been led by the Principal and Chief Executive, Andy Forbes since his appointment in November 2019.

Financial highlights

The College delivered a sector-specific EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) of £1.7m, which is a decrease from the £2.5m generated in 2018/19. The EBITDA translates to a group operating deficit of £2,913k in 2019/20 (2018/19: £1,389k deficit). £1.8m of this (2018/19 £1.4m) related to the annual FRS102 pension charge which is not a cash cost. The underlying trading position is cash generative showing cash generated from operations of £1.96m (2018/19: £0.76m). The reduction in financial performance compared to last year is solely attributable to the impact of the COVID-19 pandemic, and is estimated at a net reduction in EBITDA of circa £1.2m.

This underperformance has meant that the College was in breach of its debt service and operational gearing covenants with Barclays, and its debt service covenant on the Government Loan as at 31 July 2020. Without the impact of COVID-19 the College was forecasting to be compliant with all covenants as at 31 July 2020. Since that date, a formal waiver has been issued by ESFA and a Reservation of Rights and accompanying Letter of Comfort has been issued by Barclays Bank. These give assurance that, whilst acknowledging the breach, the lenders do not intend to recall the loans and will continue to work alongside the College to monitor and secure ongoing improvements in financial sustainability and success. Due to the breach in year, both of the loans have been reclassified as due in less than one year, giving the balance sheet an overall position of net current liabilities. Had the loans not been reclassified, the Group Balance Sheet would show a position as outlined below:

Balance Sheet (£'000)	**31-Jul-20**	**31-Jul-20 Loans due in < 1 year**	**31-Jul-19**	**31-Jul-19 Loans due in < 1 year**
Fixed Assets	**68,035**	68,035	**67,421**	67,421
Current Assets	**3,564**	3,564	**5,704**	5,704
Creditors due within one year				
Loans	**(1,624)**	(17,091)	**(1,624)**	(18,715)
Other	**(5,449)**	(5,449)	**(5,855)**	(5,855)
	(7,073)	(22,540)	**(7,479)**	(24,570)
Net Current liabilities	**(3,509)**	(18,976)	**(1,775)**	(18,866)
Creditors due after one year:				
Loans	**(15,467)**	-	**(17,091)**	-
Other	**(17,526)**	(17,526)	**(15,931)**	(15,931)
Provisions	**(50,206)**	(50,206)	**(38,053)**	(38,053)
Net Assets	**(18,673)**	(18,673)	**(5,429)**	(5,429)

Operating and Financial Review *(continued)*

Due to both impact of COVID-19 and the reclassification of bank loans, the financial out-turn would automatically be graded as "inadequate" by the indicators employed by the ESFA monitoring regime. The College has however self-assessed as "requires improvement". As noted, financial plans confirm covenant compliance in 2020/21, and the College continues to operate on a Going Concern basis.

The impacts of COVID-19 and the construction of the Advanced Construction Skills Centre (ACSC) have placed additional strain on the College's cash reserves, and therefore the net current assets position has deteriorated from FY18/19. Since the year-end the College has marketed part of its site at Ashley Down, as part of the long term strategy to move construction from Ashley Down to the new ACSC facility in South Bristol. The sale of this in FY22 will give a significant boost to the College's cash reserves, strengthen the Balance Sheet and restore the financial health to "good".

Financial Performance 2019/20

In order to compare total operating out-turn with cash-generating trading, a table is presented below. This shows the relationship between Total Deficit for the year and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which is not shown separately on the Statement of Comprehensive Income, but provides a useful measure of underlying cash-based trading. Sector-specific EBITDA, a measure used by the ESFA in assessing financial health, is also shown below.

			2020	2019
			£'000	**£'000**
Total deficit for the year		(page 30)	(2,913)	(1,389)
Eliminate	Taxation	(note 12)	-	-
	Gains on sale of assets		(782)	(920)
	Depreciation and amortisation	(note 14)	3,426	3,060
	Interest	(note 11)	1,670	1,542
	EBITDA		**1,401**	**2,293**
Eliminate	Grant releases		(739)	(711)
Add Back:	FRS102 pension charge		1,034	871
	Sector EBITDA		**1,696**	**2,453**

The grant of £739k represents grant receipts released to income spread over the life of the assets for which the grants were made.

Sector EBITDA has decreased from £2.5m in 2018/19 to £1.7m in 2019/20. As noted, the reduction in financial performance compared to last year is due to the national COVID-19 pandemic. The impact of this from March 2020 on the College's commercial income was significant and despite the College taking relevant cost-cutting measures and making use of the Coronavirus Job Retention Scheme where appropriate, the impact on EBITDA and cash for the year is circa £1.2m.

Total income has grown by £149k compared to 2018/19, however £1m of this growth is due to new grants (CJRS and TPS Grant – see note 4) and therefore like for like income has reduced by £851k. The majority of this reduction relates to income from commercial fees due to courses being postponed or cancelled due to COVID-19.

The College has maintained the capacity of its staff base through the pandemic to be in a strong position to deliver services to the increased number of students and businesses in 2020/21. To support this, the College accessed the CJRS for certain posts not covered by public funding, offsetting £289k of pay costs during the year.

Operating and Financial Review *(continued)*

Savings on non-pay costs were made during the College closure, however these were largely offset by spend required to ensure that College buildings are COVID safe ready for re-opening in July 2020. As a consequence, non-pay spend is largely consistent with 2018/19.

The College has continued its capital investment programme with the £9m Advanced Construction Skills Centre which is due to welcome students from September 2021 as well as investment in essential IT equipment for students and staff. The investment in IT equipment was instrumental in the College's response to the COVID-19 pandemic, and enable to the College to provide IT equipment to students who would otherwise be unable to participate in online learning.

As a result of the COVID-19 pandemic, the College was in breach of its debt service and operational gearing covenants with Barclays, and its debt service covenant on the Government Loan as at 31 July 2020. Without the impact of COVID-19 the College was forecasting to be compliant with all covenants as at 31 July 2020. Since that date, a formal waiver has been issued by ESFA and a Reservation of Rights and accompanying Letter of Comfort has been issued by Barclays Bank. These give assurance that, whilst acknowledging the breach, the lenders do not intend to recall the loans and will continue to work alongside the College to monitor and secure ongoing improvements in financial sustainability and success. Nevertheless, as a consequence of the breach, both of the loans have been classified as due in less than one year in the Balance Sheet, although neither loan has been recalled by the lenders. The College's financial plan shows that the College will be compliant with all of its banking covenants in 2020/21.

Total comprehensive deficit income for the year is £13.2m (2019 £14.1m), reflecting actuarial losses in the LGPS pension scheme in excess of £10.3m (2019 £12.6m). The net LGPS pension liability as at July 2020 has increased by £12.1m primarily as a result of the decrease in the long-term discount rate used to calculate the overall value.

Going Concern:

The financial statements are prepared on a going concern basis notwithstanding that the Group reported an operating loss for the year ended 31 July 2020 of £3.7 million and has net current liabilities as at 31 July 2020 of £18.9 million.

The Group has reclassified its loans from the bank and ESFA as falling due within one year, arising from a breach of loan covenants as at 31 July 2020. This breach was caused by the financial impact of the COVID-19 pandemic and the subsequent under-performance against non-publicly funded income targets, including apprenticeships and full cost activity.

A formal waiver was subsequently obtained with regards to the ESFA loan, and the bank has provided the Board of Governors with a letter of support indicating its willingness to continue to lend. Both lenders continue to be supportive and the College is in ongoing dialogue with the lenders to reset the covenants during 2021 to prevent future breaches.

The Board of Governors has prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, including the impact of Covid-19, the Group and College will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

The forecasts of the College assume the continued availability of both the Barclays and ESFA loan and the renegotiation of covenants to prevent future breaches, which are ongoing and expected to be finalised during 2021. These key assumptions, which reflect external matters outside the College's control, indicate the existence of a material uncertainty that may cast significant doubt on the college's ability to continue as a going concern and that the college may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the latest available forecasts, along with positive assurances received from lenders, provide sufficient certainty to the Board for the accounts to be prepared on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Operating and Financial Review *(continued)*

Financial Objectives

The College submitted a new three year financial plan to the Education and Skills Funding Agency in July 2020. The Agency assesses financial health of organisations by the scoring of three key metrics:

- adjusted current ratio;
- EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) as a percentage of income;
- and borrowing as % of income.

The College's auto-score for the year to July 2020 was inadequate due to both the impact of COVID-19 and the breach of loan covenants. However, the College's self-assessment is requires improvement to reflect the underlying financial health of the organisation.

The planned financial health for the following years is as follows:

		2021 budget	2022 plan
Ratios			
1	Adjusted current ratio	0.55	1.3
2	EBITDA as a % of income - education specific	9.15%	8.56%
3	Borrowing as a % of income	38.98%	35.08%
Calculation of grade			
4	Adjusted current ratio	10	60
5	EBITDA as a % of income - education specific	90	80
6	Borrowing as a % of income	50	50
7	**Total points**	**150**	**190**
8	**Financial health grade (automated)**	**Requires Improvement**	**Good**

Operating and Financial Review *(continued)*

In addition to the ESFA financial health assessment, the College has set a full range of quality and financial KPIs, encompassing short-term and long-term targets which are delivered by the Financial Plan. This full suite of KPIs is monitored by the College and Governors.

KPI	**Short-Term Target**	**Long-Term Target**
EBITDA as % of income	8%	10%
Staff costs % of income	65%	63%
Borrowing as a % of income	35%	25%
Cash days in hand	60	70
Adjusted current ratio	1.0	1.2
Financial Health Score	Requires improvement	Good

The College ensures budgets are set and delivered to return an operating surplus and positive net cash inflows each year. As a result of the impact of COVID-19 and the overall impact on profitability and cash, the College has a self-assessed score of Requires Improvement for 2019/20. The College is on track to remain as "Requires Improvement" (RI) in 2020/21 and "Good" in 2021/22 as shown below.

Ratios (EFSA Key Performance Indicators)

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21 Budget**	**2021/22 Plan**
Op surplus as % income	1.3%	1.5%	2.3%	-1.8%	-5.0%	-2.56%	-0.7%
Staff costs as % income	68.0%	66.9%	66.8%	70.3%	67.0%	65.2%	66.6%
Borrowing as % income	15.0%	58.0%	56.6%	51.9%	46.0%	39.0%	35.0%
Cash days in hand	64	21	62	29	15	14	55
Adjusted current ratio	1.00	0.30	1.10	0.24	0.17	0.55	1.3
Financial health	**Inadequate**	**RI**	**RI**	**RI**	**RI**	**RI**	**Good**

Treasury policies and objectives

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

The College has a separate treasury management policy in place which sets out the objectives of treasury management to: -

- provide a means by which the College can meet its commitments;
- ensure that sufficient sums are available at short or no notice to meet foreseeable requirements; and
- earn an acceptable rate of return on surplus funds without undue risk.

Operating and Financial Review *(continued)*

Cash flows

In the year ended 31 July 2020 net cash outflow was £1,254k (2018/19 cash outflow £3,297k). The College has generated operating cash inflows of £1,962k which is in line with its EBITDA. The operational cash generation has improved on the prior year despite the impact of COVID-19 on our EBITDA.

Capital investment, net of grants received was £1,442k predominantly due to the commencement of the construction of the new Advanced Construction Skills Centre in Hengrove, South Bristol. The College also benefitted from an overage on the sale of its previous Hartcliffe site of £782k during the year.

Debt and finance repayments totalled £2,561k (2018/19 (£2,515k).

The College continues to monitor its cash flow on a regular basis to ensure that commitments are met and that ongoing financial sustainability is maintained.

The College

City of Bristol College is a large further and higher education college situated in the heart of Bristol.

It offers a wide range of academic and vocational qualifications across Bristol, with more than 1,000 courses available from entry to degree level and provides education and training to over 14,000 learners.

Public Benefit

City of Bristol College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2014, is regulated by the Department of Education as Principal Regulator for all Further Education Corporations in England.

The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17 to19.

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

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

- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

College Centres

The College operates four main centres in Bristol at; Ashley Down, College Green, Parkway/Advanced Engineering Centre and South Bristol Skills Academy, offering excellent facilities including purpose-built, well-equipped classrooms and workshops.

Investment in New Facilities

In February 2020 the College commenced the construction of its Advanced Construction Skills Centre in Hengrove, Bristol which will be open for its first intake of students in September 2021. The new facility will greatly enhance the geographical range and breadth of the College's offer in both traditional and civil construction training, with the support of local employers. The £9m project is being supported through £6m of LEP funding with the remainder being funded by the College through asset sales.

Operating and Financial Review *(continued)*

The College also invested heavily in its IT equipment during the year. 850 student laptops were purchased replacing all of the previous equipment bringing huge improvements to the student experience.

In August 2020 the College purchased a new suite of IT equipment for its staff, giving greater flexibility to working patterns and locations which will support the increase in online learning and ensuring that the College facilities are COVID safe.

Staff

The College employs in the region of 850 well-qualified staff. The College underwent a minor restructure during the year to create a tier of Programme Managers will strengthen the College's ability to respond more quickly and effectively to teaching and learning issues affecting the student experience. The College has invested in a non-pay benefits package and continues to seek new ways to reward and incentivise staff. It invests in a ring-fenced staff development budget, recognising that staff are its most valuable resources.

Learners

14-19 year-olds: The College is the main provider of post-16 education in Bristol with 3,300 16-18 year old students following College-based or Apprenticeship programmes. The College also links with several local schools to provide learning for 14 – 16 year olds.

Adults: Just over 10,500 adults choose to study with the College each year at one of our four main centres, at one of its local community partner venues or in their own workplace.

Apprentices: The College is a large provider of Apprenticeships with around 1,000 of its students aged 16-18 and 19+ studying for an Apprenticeship at the College.

Higher Education students: By working together with universities and awarding bodies, the College has made significant contributions to the delivery of higher education in Bristol. These include developing specialist courses for the region, and generally widening participation in higher education in the area. There were some 500 students studying on higher education courses with the College in 2019-20.

Employers: The College is in the process of renewing its employer engagement strategy to ensure that all sizes of employers have input into curriculum design and delivery of new programmes. The College works with 1,150 employers in the region and is in many subject sectors the largest provider of work-based training.

Regulatory Activity

The College's final Notice of Concern (financial health) was lifted in April 2020 and represents the end point of all regulatory intervention which was formally in place for the organisation.

Strategic plan

During 2019/20 the College consulted upon and issued a new Strategic Plan covering the period 2020 to 2023. The Strategic Plan outlined the achievements the College has made during the last planning period (2016 to 2019) as well as highlighting the response to the coronavirus crisis. The Plan also set out the College vision across the next three academic years where strategy will be focused on three key themes: growth, quality, and inclusion. Underpinning each of these themes there are three Strategic Aims to which the College is committed:

Growth

- Steady growth in the numbers of 16-18 year olds we enrol
- To rapidly expand our employer-facing work, including apprenticeships
- To develop our Higher Education and adult courses in selected vocational areas.

Operating and Financial Review *(continued)*

Quality
- To raise academic standards and improve student outcomes
- To invest in our staff, facilities and buildings
- To enhance our digital capability and environmental sustainability.

Inclusion
- To remain as accessible and inclusive as possible
- To enhance social mobility through improving access to our courses
- To enhance our equality and diversity profile.

The College will review progress against the aims in the Strategic Plan each year, and where necessary modify and update the targets set.

Transparency arrangements

The Corporation has adopted the FE Code of Good Governance For English Colleges and assesses that it is fully compliant with the provisions of the Code. The Corporation also has regard to the Corporate Governance Code (2018) and the Charity Governance Code (2018) drawing upon best practice available and regulatory requirements as they relate to the Further Education and Charity sectors.

In 2019/20 the Corporation established two Task & Finish Groups as sub-committees of the Curriculum & Quality Committee.

Board Minutes are published on the website once they have been approved and adopted at the next meeting.

Full minutes of all meetings (except Remuneration Committee and Confidential Minutes) are available upon request from the Clerk to the Corporation by email: governance@cityofbristolcollege.ac.uk or by writing to

The Clerk to the Corporation
City of Bristol College
College Green Centre
St Georges Road
Bristol BS1 5UA

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is published on the College website on the Corporate Governance pages.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of City of Bristol College. The College is an exempt charity for the purposes of the Charities Act 2011.

Subsidiary Companies

The College has three subsidiary companies.

Any surpluses generated by these subsidiary companies are transferred to the College under Gift Aid.

Name	**Nature of business**	**Trading status**
Partners in Bristol Limited	Education & Training	Trading
SBLN Limited	Vocational training and computer related activity	Dormant
South West Apprenticeship Company Limited	Apprenticeship Training Agency	Trading

Operating and Financial Review *(continued)*

Staff and student involvement

The College considers good communication with its staff to be very important. In addition to existing staff bulletins from the Principal and regular updates across campus, a new full Staff Voice forum has now been launched, which gives the opportunity for representatives of staff from all areas to raise items for discussion and suggest areas for improvement and development.

The College operates a full Student Union in order to engage students more fully with the management of the College. This, together with the Student Voice group, are prime sources of student influence in the operation of the organisation.

Taxation

The majority of the College's activities are not subject to corporation tax.

Financial

The group has £31.4m of net assets (excluding the £50m pension liability) with long term bank debt of £10m and government debt of £7m.

Reputation

The College's reputation continues to improve, as recognised in its recent Ofsted inspection and strengthening results in all major areas. In addition, the College's provision for students with additional support needs is held in high regard by stakeholders.

Principal risks and uncertainties

Based on the strategic plan, the Strategic Leadership Team undertakes a comprehensive review of the key risks to which the College is exposed as part of its Accountability Framework. The Framework identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent monthly reviews evaluate their effectiveness and progress against risk mitigation actions.

An Accountability Framework is therefore generated by the Strategic Leadership Team and maintained at the College level which is reviewed by the Audit Committee. The framework identifies the key risks, the likelihood of them occurring, their potential impact on the College and the actions being taken for them to be reduced and mitigated. Risks are prioritised using a consistent scoring system and a "Risk Owner" is identified. The risks are reviewed at relevant committees of governors, and by managers, on an ongoing basis and any movement in the impact assessment (positive or negative) is recorded.

Operating and Financial Review *(continued)*

The principal risk factors identified in the Accountability Framework during 2019/20 that affected the College were failure to:

- Improve quality to Ofsted "good" or to meet OFS regulatory standards;
- Plan and deliver a relevant curriculum tailored to student and employer needs;
- Attract new students or to progress existing students to meet annual recruitment targets
- Effectively manage the College's costs and revenues results in serious financial weakness, financial covenant breach and/or a deterioration of the College's financial health;
- Develop a relevant estates infrastructure and strategy results in an inability to invest in the College's future;
- Ensure staff are sufficiently engaged in order to achieve the college's strategic goals;

Quality

The College was inspected by Ofsted in November 2019 was graded as requires improvement, for the current year the College has again self-assessed as requires improvement.

The College has continued to make improvements in many areas and student outcomes are generally good for most areas of Adult Education, for the majority of High Needs learners, for a growing proportion of apprentices, and for young learners in several subject areas. The proportion of young people and adults achieving their Functional Skills qualifications has improved. However, results are below national averages in a number of areas, for example for vocational courses in Business, and Construction Skills, and in several A-Level courses. Achievement rates for apprenticeships – particularly timely achievement rates – are below national standards in a number of areas.

City of Bristol College's strategy is to contribute to the development of the skills, knowledge and capability of the region's citizens, working alongside local schools, universities, community organisations and the business community. Our priorities for curriculum development are aligned with those of Bristol City Council, the Local Enterprise Partnership and the West of England Combined Authority (WECA).

Headline classroom-based achievement:

		Provider Full Year			Prov Grp	National
		2017/18	2018/19	2019/20	2018/19	2018/19
16-18	Leavers	6,116	7,144	6,344	1,022,340	1,504,350
	Achievement %	72	76	80	83.1 %	82.2 %
19 +	Leavers	9,191	10,452	8,347	1,048,700	1,623,980
	Achievement %	85	86	85	88.6 %	87.6 %
Total	**Leavers**	**15,307**	**17,596**	**14,691**		
	Achievement %	**80**	**82**	**83**		

Operating and Financial Review *(continued)*

Headline apprenticeship achievement:

		Overall				
		Provider Full Year			Prov Grp	National
		2017/18	2018/19	2019/20	2018/19	2018/19
16 - 18	Leavers	272	234	228	34,940	86,260
	Achievement %	66.9 %	67.9 %	61.8 %	68.0 %	68.2 %
19 - 23	Leavers	158	111	101	26,310	79,950
	Achievement %	64.6 %	79.3 %	63.4 %	69.6 %	67.7 %
24+	Leavers	120	106	50	37,130	130,050
	Achievement %	63.3 %	55.7 %	56.0 %	63.5 %	60.4 %
Total	**Leavers**	**550**	**451**	**379**		
	Achievement %	**65.5 %**	**67.8 %**	**61.5 %**		

		Timely				
		Provider Full Year			Prov Grp	National
		2017/18	2018/19	2019/20	2018/19	2018/19
16 - 18	Leavers	230	227	248	31,540	71,960
	Achievement %	62.2 %	60.4 %	51.6 %	60.9 %	63.5 %
19 - 23	Leavers	130	106	101	22,600	60,120
	Achievement %	56.2 %	68.9 %	55.4 %	62.9 %	64.8 %
24+	Leavers	105	102	48	29,600	88,490
	Achievement %	58.1 %	50.0 %	45.8 %	56.5 %	56.5 %
Total	**Leavers**	**465**	**435**	**397**		
	Achievement %	**59.6 %**	**60.0 %**	**51.9 %**		

The College self-assessment process has identified the following as part of its ongoing quality improvement plan:

- To ensure that the current variations in the quality of curriculum delivery and students' achievement continue to reduce for young people and apprentices.
- To ensure that all students have access to a high-quality English and mathematics curriculum so that more young people and adults make good progress in or achieve their functional skills qualifications.
- To ensure that all young people can consolidate their knowledge and skills through high-quality external work experience that is planned at the start of their programmes.
- To develop the curriculum further for specific apprenticeships and ensure that on- and off-the-job training is aligned carefully to maximise apprentices' progress and their acquisition of skills, knowledge and behaviours.
- To improve attendance by focusing on the pockets of poor attendance in a few subject areas which need to be improved.
- To improve the proportion of vocational students moving onto higher level programmes.

Operating and Financial Review *(continued)*

The cross college quality improvement plan is driven by a central register of curriculum key performance indicators which are reported to senior leaders and to governance. Quality improvement points have a senior executive sponsor and are reported into governance chaired task and finish groups. Each department has a validated quality improvement plan which is monitored by the Head of Quality on a monthly basis.

The evaluation of the quality of teaching and learning has been moved from the individual graded observation of teachers to a focussed curriculum review model where leaders and managers are able to identify key themes across a department or sector area.

The college has a Higher Education Self Evaluation Document which identifies areas that require improvement in the HE provision the college delivers. The college's HE provision is rated TEF Silver.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy, and annual report against the public sector equality duty, is published on the College's web site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

The College has implemented an Equality Framework which aims to reduce disadvantages, discrimination and inequalities of opportunity, and which promotes diversity in terms of its learners, workforce, the community and partners as well as in the services it delivers. As part of this the College recognises its legal responsibilities set out in the Equality Act 2010.

The College wants disabled people learning, working and visiting City of Bristol College to be enabled to participate fully by: -

- Removing barriers and changing attitudes that prevent disabled people from getting access to education, employment and services provided by the College and its partners.
- Promoting Disability Equality at all levels within the College.
- Working together with disabled people, organisations of disabled people and disability access groups to achieve equality of opportunity.
- Involving disabled people including our disabled employees and students on employment matters and the services we provide.
- Training its own employees, so they are aware of and have the skills to take positive action in removing barriers placed in the way of disabled people by society.
- Creating a culture where harassment and discrimination against disabled people is unacceptable and will be stopped, should it occur.
- Creating a culture where both learners and employees feel able to declare their disability so that accurate information is available to help us look at such things, reasonable adjustments, priority areas and targets for improvement.
- Act as an example of good practice to other organisations.
- Utilising our Single Equalities Scheme and Action Plan to cover all Faculties, Units and activities within the College.

Operating and Financial Review *(continued)*

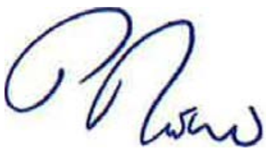
The College aims to remove any identified barriers to obtaining its services and will seek to ensure that the services provided are those that are required.

Disclosure of Information to Auditors

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

Members' report approval

Approved by order of the members of the Corporation on 14 December 2020 and signed on its behalf by:



……………………….
P Rilett
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges and having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the Further Education sector.

The College is committed to exhibiting best practice in all aspects of Corporate Governance. The College formally adopted the Code of Good Governance for English Colleges issued by the Association of Colleges (December 2011) in April 2012 and adopted the revised Senior Post Holder Remuneration Code (December 2019) in July 2020.

The College has not adopted, and therefore does not apply, the UK Corporate Governance Code (2018) but draws upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Further Education sector.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges including the revised Remuneration Code, and it has complied throughout the year ended 31 July 2020.

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

The Corporation
The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Governors appointed up to the signing of the accounts with attendance figures for 2019/20 up to 31 July 2020					
Name	**Date Appointed**	**Term of Office (years)**	**Date of Resignation / Retirement**	**Committees Served**	**Attendance for 2019/20**
External Members					
Lis Anderson	15 July 2020 First appointed 21 October 2015	Four (second term)			2/4
Andrea Arlidge	25 March 2020	Four		Curriculum & Quality	6/8
Tony Antonius	April 2019 appointed as co-opted category Change 16 July 2020	Four		Audit	3/3
Steve Bennett	15 July 2020	Four		Curriculum & Quality	8/8
Stephen Boardman	30 March 2020	Four		Business Services	2/2
Max Campbell-Jones	15 July 2020	Four		Audit	6/7
Geoffrey Channon (Vice Chair)	31 July 2017 First appointed 1 August 2013	Four (second term)		Curriculum & Quality (Chair), Remuneration,	15/15

				Search & Governance	
Richard Gaunt (Vice Chair)	25 March 2020 19 March 2015 (change of category from co-opted)	Four (second term)		Business Services (Chair), Remuneration (Chair), Search & Governance	14/14
Daniel Howarth	26 April 2016 extended until Dec 2020	Four (second term)		Audit (Chair)	5/10
Keith Hutton	14 December 2016 Extended until Dec 2021	Four (second term)		Curriculum & Quality	5/8
Peter Rilett (Chair)	First appointed 14 December 2016	Four		Business Services Curriculum & Quality, Remuneration, Search & Governance	15/15
Zoe Taylor	15 March 2017	Four			4/4
David Williams	15 March 2017	Four	September 2020	Business Services	4/8
Principal & Chief Executive					
Andy Forbes (Principal & Chief Executive)	11 November 2019	Ex Officio		Business Services Curriculum & Quality Search & Governance	11/11
Richard Harris (Acting Principal and Chief Executive)	31 May 2019	Ex Officio	November 2019	Business Services Curriculum & Quality Search & Governance	4/4
Staff Governor					
Zahid Gill	15 March 2017	Three (First)	March 2020	Business Services	5/5
Jonny Elphinstone	30 March 2020	Three	November 2020	Business Services	3/3
Emma Richer	30 March 2020	Three		Curriculum & Quality	3/3
Student Governors					
Ebony Clark	13 December 2019	Duration as student	July 2020	Curriculum & Quality	8/8
Martisse Thompson	Sept 2020	Duration as student		Curriculum & Quality Committee	N/A
Co-opted Members					
Asma Ahmad	October 2019	Four		Curriculum & Quality	2/3
Ruth Campbell	14 December 2016 (change of category from Governor)	Four (first as co-opted)		Audit	2/2
Jo Greenwood	13 October 2020	Four		Audit	N/A
Luke Menzies	21 October 2015	Four	Retirement October 2020	Audit	1/1

Vanessa Moon	08 May 2016 (change of category from Governor)	Four (second)		Search & Governance	3/3

Joanne Ward acted as the Clerk to the Corporation during 2019/20

The governance framework

The Corporation conducts its business through the following committees: Audit; Curriculum and Quality; Business Services; Remuneration; and Search and Governance. Each committee has terms of reference which have been approved by the full Corporation. There are two Task & Finish Groups which operate as sub-committees of the Curriculum & Quality Committee.

The following persons acted as directors of the College's wholly owned subsidiaries

Partners in Bristol Limited:

- Andy Forbes from 15 November 2019
- Richard Harris from 16 July 2019
- Simon Face (Independent Director) from 24 September 2020
- Simon Arnold (Managing Director) from 19 December 2019

The South West Apprenticeship Company:

- Andy Forbes from 14 November 2019
- Richard Harris from 28 February 2019
- Luke Menzies (Independent Director) from 12 February 2016
- Clare Vertigen (Managing Director) from 11 May 2012

SBLN Ltd

- Andy Forbes from 24 September 2020
- Richard Harris from 16 July 2020
- Jim Richardson from 24 September 2020

The following persons acted as directors of the companies in which the College has membership:

Trust in Learning Limited - Emma Jarman, Vice Principal, Curriculum and Quality from 10 July 2019 until 5 February 2020. Andy Forbes, Principal & Chief Executive from 5 February 2020.

The Corporation

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Curriculum & Quality, Business Services, Audit, Remuneration and Search and Governance.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on key issues as and when they arise.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Principal & Chief Executive of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee which comprises of four governors and one co-opted member with relevant experience and is responsible for recommending to the Board potential members for the Corporation's consideration.

During 2019/20 the Committee conducted successful search activity and an open advertisement for recruiting new governors and succession planning for vacancies including for co-opted members with specialist skills and experience to support committees.

The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years expect for the staff member (three years) and student members who are appointed for the duration of their studies.

Members can apply for an additional four year term through the Search & Governance Committee for final decision by the Corporation as a whole.

Corporation performance

The Corporation reviews its performance as a part of an annual self-assessment. For 2019/20 a review has been conducted against the criteria in The English College's Foundation Code of Governance. Individual committee self-assessment is undertaken annually alongside the review of the Terms of Reference. The Chair conducts 1:1 meetings with individual governors

Remuneration Committee

Throughout the year ending 31 July 2020, the College's Remuneration Committee comprised of four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal & Chief Executive and designated senior post holders including the Clerk.

The Corporation adopted the AoC's Senior Staff Remuneration Code at its July 2019 meeting and has complied with the code throughout 2019/20

Details of remuneration for the year ended 31 July 2020 are set out in note 9 to the financial statements.

Audit Committee

The Audit Committee comprises of four members, the Chair is a full member of the Corporation, and one member is a co-opted member. Several members of the Committee are Chartered Accountants with significant audit experience. The Chair of the Corporation, the Principal & Chief Executive, members of the Business Services committee and the staff governor are excluded from membership.

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated day-to-day responsibility to the Principal & Chief Executive, as Accounting Officer, (from 31 May 2020-11 November 2020 this was to the Acting Principal & Chief Executive), for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which the post holder is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the ESFA and other funding bodies. The post holder is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

Risk Management reporting, which includes the key results of risk identification and evaluation of these risks is a standing agenda item at each Audit Committee meeting and includes the review of business operational, compliance and financial risk. The Risk Register brings together, and sets out, the accountabilities of the Strategic Leadership Team in relation to risks and Key Performance Indicators (KPIs). The purpose of the framework is to make clear the accountability and leadership of KPIs and risks and the identification of committee responsibilities in relation to assurance monitoring and reporting. In 2019/20 each committee reviewed the relevant risks and KPIs as a standing agenda item each meeting. The Audit Committee and Main Board reviewed all the risks and all KPIs as a standing agenda item at each meeting.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City of Bristol College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the business, operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College's internal auditors operate in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal auditors is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Internal Auditors provide the Governing body with a report on internal audit activity at the College.

The College's Financial Regulations govern its approach to procurement, which ensures regularity and propriety in the use of public funding, as well as securing value for money as part of the commitment to achieving efficiency, economy and effectiveness. As part of the scope of the internal and external auditors work any non-compliance with the College's Financial Regulations would be reported to the Audit Committee and the Corporation.

Statement of the Audit Committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

Financial Notices of Concern

The one remaining Financial Notice of Concern issued by the Skills Funding Agency that was in place at the start of the year was lifted in April 2020.

Review of effectiveness

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

- The work of the internal auditors;
- The work of the Strategic Leadership Team within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors and regularity auditors in their management letter and other reports. The input of the Audit Committee, including the annual report of the Audit Committee to the Corporation.

The Principal & Chief Executive has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditors and other sources of assurance including the College's Risk Register, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Principal & Chief Executive and Strategic Leadership Team receive regular reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded across the college and reinforced by risk awareness training. The Principal & Chief Executive, members of the Strategic Leadership Team (as appropriate) and Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Strategic Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended July 2020 by considering documentation from the Strategic Leadership Team and the internal auditors, and taking into account of events since 31 July 2020.

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

There have been no significant internal control weaknesses identified during the period to July 2020 and up to the date of approval of the annual report and financial statements.. The Audit Committee considers that there are no other recommendations that are not receiving adequate management attention and that the timescale for the implementation of recommendations is being observed. The College has demonstrated good progress in implementing actions agreed to address internal audit recommendations.

....
P Rilett
Chair

…….......................
A Forbes
Principal and Chief Executive

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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

………..........................
P Rilett
Chair

………..........................
A Forbes
Principal & Chief Executive

29 January 2021

Statement of responsibilities of the members of the corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year. Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, WECA and OfS, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the corporation and surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation 17

The corporation is also required to prepare a Members' Report that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation. The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any other public funder.

Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 29 January 2021 and signed on its behalf by:

Peter Rilett

Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF CITY OF BRISTOL COLLEGE

Opinion

We have audited the financial statements of City of Bristol College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows 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 College's affairs as at 31 July 2020, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- 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 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the college breached certain loan covenants as at 31 July 20 as a result of COVID-19 and is working with current lenders to reset covenants during 2021 to prevent future planned breaches. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 25, the Corporation 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 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 College or to cease operations, or has no realistic alternative but to do so.

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 by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in note 7 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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

Jonathan Brown

Jonathan Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

Date: 29 January 2021

Reporting Accountant's Report on Regularity to the Corporation of City of Bristol College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by City of Bristol College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of City of Bristol College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
  - Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
  - Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Brown

Jonathan Brown
For and on behalf of KPMG LLP, Reporting Accountant
66 Queen Square
Bristol
BS1 4BE

Date: 29 January 2021

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
INCOME					
Funding body grants	2	27,178	27,178	26,967	26,967
Tuition fees and education contracts	3	7,576	7,561	8,048	8,048
Other grants and contracts	4	1,147	1,086	61	61
Other income	5	1,592	841	2,302	1,386
Investment income	6	5	5	9	9
Total income		**37,498**	**36,671**	**37,387**	**36,471**
EXPENDITURE					
Staff costs	8	25,131	24,232	24,119	23,226
Restructuring costs	8	231	226	159	159
Other operating expenses	10	10,735	10,771	10,807	10,795
Depreciation	14	3,374	3,372	2,921	2,921
Amortisation	15	52	52	139	139
Interest and other finance costs	11	1,670	1,670	1,551	1,551
Total expenditure		**41,193**	**40,323**	**39,696**	**38,791**
Deficit before other gains and losses		**(3,695)**	**(3,652)**	**(2,309)**	**(2,320)**
Gain on disposal of assets		782	782	920	920
Deficit for the year before tax		**(2,913)**	**(2,870)**	**(1,389)**	**(1,400)**
Taxation	12	-	-	-	-
Deficit for the year	13	**(2,913)**	**(2,870)**	**(1,389)**	**(1,400)**
Actuarial loss in respect of pensions schemes		(10,331)	(10,331)	(12,679)	(12,679)
Total Comprehensive deficit for the year		**(13,244)**	**(13,201)**	**(14,068)**	**(14,079)**

The accompanying notes 1 to 29 form part of these financial statements.

Consolidated and College Statement of Changes in Reserves

Group	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2018	**4,899**	**3,740**	**8,639**
Deficit from the income and expenditure account	(1,389)	-	(1,389)
Other comprehensive income	(12,679)	-	(12,679)
Transfers between revaluation and income and expenditure reserves	380	(380)	-
Total comprehensive income for the year	**(13,688)**	**(380)**	**(14,068)**
Balance at 31 July 2019	**(8,789)**	**3,360**	**(5,429)**
Deficit from the income and expenditure account	(2,913)	-	(2,913)
Other comprehensive income	(10,331)	-	(10,331)
Transfers between revaluation and income and expenditure reserves	32	(32)	-
Total comprehensive deficit for the year	**(13,212)**	**(32)**	**(13,244)**
Balance at 31 July 2020	**(22,001)**	**3,328**	**(18,673)**
College			
Balance at 1 August 2018	**5,131**	**3,740**	**8,871**
Deficit from the income and expenditure account	(1,400)	-	(1,400)
Other comprehensive income	(12,679)	-	(12,679)
Transfers between revaluation and income and expenditure reserves	380	(380)	-
Total comprehensive income for the year	**(13,699)**	**(380)**	**(14,079)**
Balance at 31 July 2019	**(8,568)**	**3,360**	**(5,208)**
Deficit from the income and expenditure account	(2,870)	-	(2,870)
Other comprehensive income	(10,331)	-	(10,331)
Transfers between revaluation and income and expenditure reserves	32	(32)	-
Total comprehensive deficit for the year	**(13,169)**	**(32)**	**(13,201)**
Balance at 31 July 2020	**(21,737)**	**3,328**	**(18,409)**

Consolidated and College Balance sheets

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fixed assets					
Tangible fixed assets	14	67,993	67,971	67,327	67,325
Intangible fixed Assets	15	42	42	94	94
Investments		-	3	-	3
		68,035	**68,016**	**67,421**	**67,422**
Current assets					
Stocks		85	85	65	65
Trade and other receivables	17	1,933	2,186	2,839	3,026
Cash and cash equivalents	22	1,546	1,528	2,800	2,760
		3,564	**3,799**	**5,704**	**5,851**
Less: Creditors – amounts falling due within one year	18	(22,540)	(22,492)	(24,570)	(24,497)
Net current liabilities		(18,976)	(18,693)	(18,866)	(18,646)
Total assets less current liabilities		49,059	49,323	48,555	48,776
Less: Creditors – amounts falling due after more than one year	19	(17,526)	(17,526)	(15,931)	(15,931)
Provisions					
Defined benefit obligations	21	(50,040)	(50,040)	(37,862)	(37,862)
Other provisions	21	(166)	(166)	(191)	(191)
Total net assets		**(18,673)**	**(18,409)**	**(5,429)**	**(5,208)**
Unrestricted reserves					
Income and expenditure account		(22,001)	(21,737)	(8,789)	(8,568)
Revaluation reserve	23	3,328	3,328	3,360	3,360
Total unrestricted reserves		**(18,673)**	**(18,409)**	**(5,429)**	**(5,208)**

The financial statements on pages 29 to 57 were approved and authorised for issue by the Corporation on 29 January 2021 and were signed on its behalf on that date by:

P Rilett
Chair

A Forbes
Accounting Officer

Consolidated statement of Cash Flows

	Notes	2020	2019
		£'000	**£'000**
Cash inflow from operating activities			
Deficit for the year		(2,913)	(1,389)
Adjustment for non-cash items			
Depreciation and amortisation		3,426	3,060
(Increase) in stocks		(20)	(26)
Decrease/(increase) in debtors		906	(934)
(Decrease) in creditors due within one year		(590)	(723)
(Decrease) in creditors due after one year		(739)	(711)
(Decrease) in provisions		(25)	(10)
Pensions costs less contributions payable		1,034	871
Taxation		-	-
Adjustment for investing or financing activities			
Investment income	6	(5)	(9)
Interest payable	11	1,670	1,551
Taxation paid		-	-
Gains on sale of fixed assets		(782)	(920)
Net cash flow from operating activities		1,962	760
Cash flows from investing activities			
Proceeds from sale of fixed assets		782	-
Investment income		5	9
Payments made to acquire fixed assets		(3,757)	(1,547)
Payments made to acquire intangible assets		-	(76)
Deferred Capital Grants received		2,315	72
		(655)	(1,542)
Cash flows from financing activities			
Interest paid		(857)	(891)
Capital element of finance lease rental payments		(80)	-
Repayments of amounts borrowed		(1,624)	(1,624)
		(2,561)	(2,515)
Decrease in cash and cash equivalents in the year		(1,254)	(3,297)
Cash and cash equivalents at beginning of the year	21	2,800	6,097

Cash and cash equivalents at end of the year	21	1,546	2,800

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Group reported an operating loss for the year ended 31 July 2020 of £3.7 million and has net current liabilities as at 31 July 2020 of £18.9 million.

The Group has reclassified its loans from the bank and ESFA as falling due within one year, arising from a breach of loan covenants as at 31 July 2020. This breach was caused by the financial impact of the COVID-19 pandemic and the subsequent under-performance against non-publicly funded income targets, including apprenticeships and full cost activity.

A formal waiver was subsequently obtained with regards to the ESFA loan, and the bank has provided the Board of Governors with a letter of support indicating its willingness to continue to lend. Both lenders continue to be supportive and the College is in ongoing dialogue with the lenders to reset the covenants during 2021 to prevent future breaches.

The Board of Governors has prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, including the impact of Covid-19, the Group and College will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

The forecasts of the College assume the continued availability of both the Barclays and ESFA loan and the renegotiation of covenants to prevent future breaches, which are ongoing and expected to be finalised during 2021. These key assumptions, which reflect external matters outside the College's control, indicate the existence of a material uncertainty that may cast significant doubt on the college's ability to continue as a going concern and that the college may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the latest available forecasts, along with positive assurances received from lenders, provide sufficient certainty to the Board for the accounts to be prepared on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1 Statement of accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

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

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

Post-retirement benefits

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

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

1 Statement of accounting policies *(continued)*

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

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

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred. Further details of the pension schemes are given in note 26.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets:
Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Cost includes purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years and for the major adaptions to buildings, over the remaining period of their useful life.

Leasehold buildings are depreciated over the period of the lease. Building refurbishments are depreciated over 10 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset(s) exceeds its recoverable amount. The recoverable amount is the higher of its value in use (being the present value of expected future cash flows) and its fair value less costs to sell.

The gain or loss on disposal of an asset is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

1 Statement of accounting policies *(continued)*

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2020. They are not depreciated until they are available for use.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Cost includes purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Equipment inherited from the Local Education Authority has been fully depreciated. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its economic useful life as follows:

Inherited equipment and motor vehicles	-	25% per annum
Computer equipment	-	33.3% per annum
General equipment	-	20% per annum

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

Intangible assets

Intangible assets are capitalised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the institution and the cost can be measured reliably. Amortisation is charged as follows:

Software Licences	-	20% per annum

Maintenance of premises

The College has a 10 year planned maintenance programme which is reviewed on an annual basis. The cost of routine planned maintenance expenditure is charged to the income and expenditure account in the period it is incurred. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

1 Statement of accounting policies *(continued)*

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Capitalisation of finance cost

Finance costs directly associated with capital work are capitalised along with other construction costs during the construction phase of fixed assets. Capitalisation of such financing costs will cease when substantially all the activities that are necessary to get the tangible fixed asset ready for use are complete.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Current asset investments are stated at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value on a First in First Out (FIFO) basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

1 Statement of accounting policies *(continued)*

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Financial instruments and equity

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

All loans, investments and short-term deposits held by the group are classified as basic financial instruments in accordance with Section 11 and Section 12 of FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the college has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Agency arrangements

The College acts as an agent in the collection and payment of learner support funds and adult learning grants. Related income received from the main funding body and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 28), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

1 Statement of accounting policies (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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 26, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		**Year ended 31 July**	
	2020 Group	**2020 College**	**2019 Group**	**2019 College**
	£'000	**£'000**	**£'000**	**£'000**
ESFA				
Recurrent grant	17,716	17,716	23,487	23,487
Devolved Authorities	6,131	6,131	-	-
Work based learning	2,312	2,312	2,444	2,444
Releases of deferred capital grants				
Land & buildings	642	642	652	652
Equipment	-	-	-	-
Other funds	32	32	53	53
	26,833	**26,833**	**26,636**	**26,636**
Office for Students (OfS)				
Recurrent grant	217	217	216	216
Releases of deferred capital grants				
Equipment	37	37	29	29
Widening participation	91	91	86	86
	345	**345**	**331**	**331**
	27,178	**27,178**	**26,967**	**26,967**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Tuition Fees and charges				
UK higher education students	2,238	2,238	2,144	2,144
EU and UK	2,808	2,793	3,701	3,701
Non-EU students	-	-	-	-
	5,046	**5,031**	**5,845**	**5,845**
Education contracts				
Local education authority	2,530	2,530	2,203	2,203
Other income	-	-	-	-
	2,530	**2,530**	**2,203**	**2,203**
Total	**7,576**	**7,561**	**8,048**	**8,048**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Releases from deferred capital grants (non main funding bodies)	60	60	30	30
Coronavirus Job Retention Scheme Grant	350	289	-	-
Teachers Pension Scheme Grant	737	737	-	-
Other grants and contracts	-	-	31	31
Total	**1,147**	**1,086**	**61**	**61**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Residences, catering and conferences	561	561	544	544
Other income generating activities	29	29	260	260
Exam fees	8	8	19	19
Sale of materials	2	2	2	2
Student travel	149	149	175	175
Apprenticeship Training Agency income	744	-	917	0
Other income	99	92	385	385
Total	**1,592**	**841**	**2,302**	**1,386**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank interest receivable	5	5	9	9

7 Sources of Grant and Fee Income

The following disclosure relates to the requirements of the Office for Students (OfS) Accounts Direction and is in respect of Higher Education courses.

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Grant income from OfS	345	345	331	331
Grant income from other bodies	27,980	27,919	26,697	26,697
Fee income for taught awards	2,238	2,238	2,144	2,144
Fee income for research awards	-	-	-	-
Fee income for non-qualifying courses	2,808	2,793	3,701	3,701
Total Grant and Fee Income	33,371	33,295	32,873	32,873

8 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as average headcount, was:

	Year ended 31 July	
	2020	**2019**
Staff Numbers		
Teaching staff	411	420
Teaching - other	13	13
Teaching support services	191	185
Other support services	69	62
Administration and central services	70	79
Premises	29	28
Other	-	-
	783	**787**

Temporary and casual workers are excluded from the above head-count calculation. The comparative staff numbers are unaudited due to the change in disclosure from Full Time Equivalent (FTE) to average headcount.

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
Staff costs	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	18,679	17,827	18,517	17,648
Social security costs	1,533	1,510	1,514	1,502
Other pension costs (including FRS102 adjustments)	4,919	4,895	3,609	4,083
Payroll sub total	**25,131**	**24,232**	**24,114**	**23,221**
Contracted out services	-	-	5	5
Restructuring costs	231	226	159	159
	25,362	24,458	24,278	23,385

8 Staff costs - Group and College (continued)

Key management personnel

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of the College, The Principal & Chief Executive, The Vice Principal, Curriculum and Quality and the Vice Principal, Finance and Professional Services.

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	3	4

The above figures include the total number of individuals who held key management posts which remained at 3 during the current and prior year.

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

	Key Management Personnel		Other staff	
	2020	2019	2020	2019
	No.	No.	No.	No.
£60,001 to £65,000	-	-	6	5
£65,001 to £70,000	-	-	2	2
£70,001 to £75,000	-	-	-	1
£85,001 to £90,000	-	1	-	-
£105,001to £110,000	1	-	-	-
£115,001 to £120,000	-	1	-	-
£120,001 to £125,000	1	-	-	-
£125,001 to £130,000	-	1	-	-
£145,001 to £150,000	1	1	-	-
	3	**4**	**8**	**7**

The above figures include 2 other staff and 1 key management personnel who joined during the year, and 2 other staff and 1 key management personnel who left during the year. Annualised emoluments spread PILON and associated pension payments over the notice period rather than the date paid.

Key management personnel compensation is made up as follows:

	Year ended 31 July	
	2020	2019
	£'000	£'000
Salaries	363	324
Other emoluments	15	-
Benefits in kind	-	-
Pension contributions	83	60
	460	**384**

9 Emoluments of Key management personnel, Accounting Officer and other higher paid staff (continued)

Highest Paid Individual

Andy Forbes, the Principal & Chief Executive and accounting officer, was the highest paid individual and commenced employment on 11 November 2019. The above emoluments include amounts payable to the principal (who was also the highest paid senior post-holder) as follows:

	Year ended 31 July	
	2020	**2019**
	£'000	**£'000**
Salaries	110	130
Benefits in kind	-	-
Pension contributions	26	21
	136	**151**

Prior to 11 November 2019 the accounting officer and highest paid individual was Richard Harris, the Acting Principal & Chief Executive, who received salary of £35,595 and pension contributions of £8,968 between 1 August 2019 and 10 November 2019.

The governing body adopted the AoC's Senior Staff Remuneration Code at the 25 July 2020 meeting and assesses pay in line with its principles. The remuneration package for Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking data to provide objective guidance. This data includes sector comparisons taking into account responsibilities, turnover and geography. The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of their performance taking into account the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2020	**2019**
Principal's and CEO's basic salary as a multiple of the median of all staff	5.2	5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	5.4	6.4

The ratio has been calculated by calculating the basic salary and total remuneration of the two (2019 two) Principal and CEOs for the time they held this post. The median pay excludes agency and casual workers and is based on July salary costs.

Compensation for loss of office paid to former key management personnel

	Year ended 31 July	
	2020	**2019**
	£'000	**£'000**
Compensation paid to the former key management personnel	7	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	7	**-**

The severance payment was approved by the College's remuneration committee. The payment relates to one individual.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

10 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching departments	2,712	2,701	2,407	2,406
Teaching support services	1,239	1,239	1,013	1,013
Other support services	33	33	48	48
Administration and central services	758	752	934	929
General education (Examinations and marketing)	969	969	1,170	1,170
Premises costs - running costs	1,604	1,604	1,643	1,643
Premises costs - maintenance	478	478	374	374
Premises costs - rents and leases	309	305	349	343
Planned maintenance	288	288	380	380
Other income generating activities	-	-	-	-
Catering and residence operations	73	73	46	46
Franchised provision	2,231	2,289	2,366	2,366
Other expenses	41	40	77	77
	10,735	**10,771**	**10,807**	**10,795**

Other operating expenses include:				
Operating leases (buildings and equipment)	320	312	442	432
Auditors remuneration				
Financial statements audit	39	35	38	35
Other services	-	-	-	-
	359	**347**	**480**	**467**

11 Interest payable - Group and College

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
On bank loans, overdrafts and other loans	857	857	891	891
Other interest payable:				
Pension finance costs	813	813	660	660
	1,670	**1,670**	**1,551**	**1,551**

12 Taxation - Group only

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
United Kingdom corporation tax at 19%	-	-	-	-
Total	**-**	**-**	**-**	**-**

13 Deficit on continuing operations for the year

	Year ended 31 July	
	2020	**2019**
	£'000	**£'000**
College's deficit for the year	2,870	1,400
Retained by subsidiary undertakings	41	(11)
	2,911	1,389

14 Tangible fixed assets

Group	Land and buildings Leasehold	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	12,979	83,088	12,672	1,463	110,202
Additions	-	34	141	3,864	4,039
Transfer	-	733	827	(1,560)	-
Disposals	-	-	(264)	-	(264)
At 31 July 2020	12,979	83,855	13,376	3,767	113,977
Accumulated depreciation					
At 1 August 2019	4,856	25,856	12,163	-	42,875
Charge for the year	259	2,545	569	-	3,373
Elimination in respect of disposals	-	-	(264)	-	(264)
At 31 July 2020	5,115	28,401	12,468	-	45,984
Net book value at 31 July 2020	7,864	55,454	908	3,767	67,993
Net book value at 31 July 2019	8,123	57,232	509	1,463	67,327

College	Land and buildings Leasehold	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	12,979	83,088	12,669	1,463	110,199
Additions	-	15	139	3,864	4,018
Transfer	-	733	827	(1,560)	-
Disposals	-	-	(264)	-	(264)
At 31 July 2020	12,979	83,836	13,371	3,767	113,953
Accumulated depreciation					
At 1 August 2019	4,856	25,856	12,162	-	42,874
Charge for the year	259	2,544	569	-	3,372
Elimination in respect of disposals	-	-	(264)	-	(264)
At 31 July 2020	5,115	28,400	12,467	-	45,982
Net book value at 31 July 2020	7,864	55,436	904	3,767	67,971
Net book value at 31 July 2019	8,123	57,232	507	1,463	67,325

The net book value of equipment includes £176,759 (2019 - £224,000) in respect of assets held under finance leases. The depreciation charge for the year for these assets was £88,380 (2019 - £Nil).

15 Intangible fixed assets

Group and College	Software Licenses £'000	Total £'000
Cost or valuation		
At 1 August 2019	442	442
Additions		
Transfer		
Disposals	(33)	(33)
At 31 July 2020	409	409
Accumulated depreciation		
At 1 August 2019	348	348
Charge for the year	52	52
Elimination in respect of disposals	(33)	(33)
At 31 July 2020	367	367
Net book value at 31 July 2020	42	42
Net book value at 31 July 2019	94	94

16 Non-current Investments

	Year ended 31 July 2020 £'000	2019 £'000
Investments in subsidiary companies	3	3

The College owns 100 per cent of the issued ordinary shares of South West Apprenticeship College Limited, Partners in Bristol Limited, and SBLN Limited. All companies are incorporated in England and Wales. The principle business activity of South West Apprenticeship College Limited is the provision of apprenticeship training. The principle activity of Partners in Bristol Limited is that of a training provider. SBLN Limited is dormant.

17 Debtors

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Amounts falling due within one year:				
Trade debtors	505	479	1,208	1,173
Amounts owed by group undertakings	-	318	-	230
Other debtors	331	296	63	55
Prepayments and accrued income	576	572	918	918
Amounts owed by funding bodies	521	521	650	650
Total	**1,933**	**2,186**	**2,839**	**3,026**

18 Creditors: amounts falling due within one year

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	10,030	10,030	10,710	10,710
Obligations under finance leases	74	74	74	74
Payments received on account	27	13	113	75
Trade creditors	464	464	1,731	1,727
Corporation tax	-	-	-	-
Other taxation and social security	395	370	781	754
Holiday pay Accrual	574	574	525	525
Other Accruals	2,121	2,114	536	533
Amounts due to funding bodies	-	-	-	-
Loans from Government	7,061	7,061	8,005	8,005
Deferred income - government capital grants	597	597	696	696
Other creditors	1,197	1,195	1,399	1,398
Total	**22,540**	**22,492**	**24,570**	**24,497**

19 Creditors: amounts falling due after one year

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	-	-	-	-
Obligations under finance leases	70	70	150	150
Loans from Government	-	-	-	-
Deferred income - government capital grants	17,456	17,456	15,781	15,781
Total	**17,526**	**17,526**	**15,931**	**15,931**

20 Maturity of debt

a) Bank loans and overdrafts

Loans and overdrafts are repayable as follows:

	Year ended 31 July		Year ended 31 July	
	2020	**2020**	**2019**	**2019**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	17,091	17,091	18,715	18,715
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	17,091	17,091	18,715	18,715

20 Maturity of debt (continued)

A 25 year commercial loan of £17 million was taken in 2010, repayable in instalments by 2035. The rate on this loan is 7.1%. In 2019 the College restructured its remaining debt of £8.949 million with the Department for Business Innovation and Skills and is now payable to the government over a period of 10 years. Interest is accruing at a rate of 1.5%.

The Group has reclassified its loans from the bank and ESFA as falling due within one year, arising from a breach of loan covenants as at 31 July 2020. This breach was caused by the financial impact of the COVID-19 pandemic and the subsequent under-performance against non-publicly funded income targets, including apprenticeships and full cost activity.

A formal waiver was subsequently obtained with regards to the ESFA loan, and the bank has provided the Board of Governors with a letter of support indicating its willingness to continue to lend. Both lenders continue to be supportive and the College is in ongoing dialogue with the lenders to reset the covenants during 2021 to prevent future breaches. There is however an acknowledged material uncertainty that is reflected in the basis of preparation and going concern disclosure which is set out in note 1 to the accounts.

b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
In one year or less	74	74	74	74
Between one and five years	70	70	150	150
In five years or more	-	-	-	-
Total	144	144	224	224

Finance lease obligations are secured on the assets to which they relate.

21 Provisions

Group and College	Defined benefit obligations	Other Pension obligations	Total
	£'000	£'000	£'000
At 1 August 2019	37,862	191	38,053
Net pension scheme movement	12,178	-	12,178
Expenditure in the period	-	(25)	(25)
At 31 July 2020	50,040	166	50,206

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

22 Cash and cash equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	2,800	(1,254)	-	1,546
Total	**2,800**	**(1,254)**	**-**	**1,546**

23 Revaluation reserve

Group and College	**Year ended 31 July**	
	2020	**2019**
	£'000	**£'000**
At 1 August	3,360	3,740
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(32)	(40)
Depreciation on disposal of revalued assets	-	(340)
At 31 July	**3,328**	**3,360**

24 Capital commitments

	Group and College	
	2020	**2019**
	£'000	**£'000**
Commitments contracted for at 31 July	4,312	-

The College has £4.312m remaining to pay on its contract to construct the Advanced Construction Skills Centre in South Bristol.

25 Lease Obligations

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

	Group and College	
	2020	**2019**
	£'000	**£'000**
minimum Lease payments falling due		
Land and buildings		
Not later than one year	21	21
Later than one year and not later than five years	86	-
later than five years	-	-
	107	21
Other		
Not later than one year	60	72
Later than one year and not later than five years	25	37
later than five years	-	-
	85	109

26 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Bath & North East Somerset Local Government Pension Scheme (LGPS) for non-teaching staff.

Total pension cost for the year		**2020** **£'000**		**2019** **£'000**
Teachers' Pension Scheme: contributions paid		2,195		1,604
Local Government Pension Scheme:				
Contributions paid	1,725		1,640	
FRS 102 (28) charge	1,034		839	
Charge to the Statement of Comprehensive Income		2,759		2,479
Total Pension Cost for Year		**4,954**		**4,083**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.
Contributions amounting to £391,827 (2019: £732,439) were payable to the schemes on 31 July 2020 and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Bath & North East Somerset Local Authority. The total contribution made for the year ended 31 July 2020 was £2,047,411 (2019: £2,037,936), of which employer's contributions totalled £1,632,833 (2019: £1,631,899) and employees' contributions totalled £414,578 (2019: £406,064). The agreed contribution rates for future years are 17.3% 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 March 2016 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries	3.8%	3.7%
Future pensions increases	2.4%	2.3%
Discount rate for scheme liabilities	1.6%	2.2%
Inflation assumption (CPI)	2.3%	2.2%

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

	At 31 July 2020 years	**At 31 July 2019 years**
Retiring today		
Males	23.2	23.70
Females	25.3	26.20
Retiring in 20 years		
Males	24.7	26.30
Females	27.3	29.00

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	30,279	33,387
Government Bonds	4,932	-
Other Bonds	1,850	7,776
Property	6,029	3,924
Other	23,361	25,397
Cash	2,055	856
Total market value of assets	**68,506**	**71,340**
Actual return on plan assets	**2,998**	**4,678**

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

	2020 £'000	2019 £'000
Fair value of plan assets	68,506	71,340
Present value of plan liabilities	(118,521)	(109,174)
Present value of unfunded liabilities	(25)	(28)
Net pensions liability (Note 21)	**(50,040)**	**(37,862)**

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	2,516	1,934
Past service cost	140	465
Curtailments	62	80
Total	**2,718**	**2,479**

Amounts included in investment income

	2020 £'000	2019 £'000
Net interest expense	(813)	(660)
	(813)	**(660)**

Local Government Pension Scheme (Continued)

Amounts recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Return on pension plan assets	(4,161)	2,740
Experience gains arising on defined benefit obligations	1,795	-
Changes in assumptions underlying the present value of plan liabilities	(7,965)	(15,419)
Amount recognised in Other Comprehensive Income	**(10,331)**	**(12,679)**

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Surplus/(deficit) in scheme at 1 August	(37,862)	(23,652)
Movement in year:		
Current service cost	(2,516)	(1,934)
Past service cost	(140)	(465)
Employer contributions	1,725	1,640
Administrative expenses	(41)	(32)
Curtailments	(62)	(80)
Net interest on the defined liability	(813)	(660)
Actuarial gain or loss	(10,331)	(12,679)
Net defined benefit liability as at 31 July	**(50,040)**	**(37,862)**

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	109,202	90,583
Current Service cost	2,516	1,934
Past Service cost	140	465
Interest cost	2,380	2,598
Contributions by Scheme participants	415	401
Experience gains and losses on defined benefit obligations	(1,795)	-
Changes in financial assumptions	7,965	15,419
Estimated benefits paid	(2,339)	(2,278)
Curtailments and settlements	62	80
Defined benefit obligations at end of period	**118,546**	**109,202**

Reconciliation of Assets

	2020	2019
Fair value of plan assets at start of period	71,340	66,931
Interest on plan assets	1,567	1,938
Return on plan assets	(4,161)	2,740
Administrative expenses	(41)	(32)
Employer contributions	1,725	1,640
Contributions by Scheme participants	415	401
Estimated benefits paid	(2,339)	(2,278)
Assets at end of period	**68,506**	**71,340**

These accounts show a past service cost of £465,000 in FY2019 in respect of the McCloud judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just over 0.4% of the total scheme liability as at 31 July 2019. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

At 31st July 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 120 basis points at the prior year end to 80 basis points at this year-end. Based on the sensitivity information provided by the actuary, the impact of this change is expected to have resulted in a c.£8,900k increase in Defined Benefit Obligations since the prior year end.

27 Related party transactions

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

Exemption has been taken from disclosing transactions with wholly owned subsidiaries.

The total expenses paid to or on behalf of the Governors during the year was £447; expenses were claimed by 2 governors (2019: £140; expenses were claimed by 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

28 Amounts disbursed as agent

Learner support funds

	2020	**2019**
	£'000	**£'000**
Funding body grants	1,038	1,193
	1,038	1,193
Disbursed to students	(1,016)	(1,098)
Administration costs	(54)	(53)
Balance unspent as at 31 July, included in creditors	242	274

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

29 Events after the reporting period

Since the year-end the College has marketed one of its properties, Davy House which forms part of the Ashley Down campus. This sale is part of the longer term Estates Strategy alongside the opening of the Advanced Construction Skills Centre in South Bristol which is due to welcome new students in September 2021. It is likely that the sales price will be different to the carrying value on the balance sheet, but this does not impact on the fair value at the balance sheet date.