Strode College

Governors' report and financial statements

For the year ended 31 July 2021

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Executive Management Team which, in 2020/21 comprised the following:

Katy Quinn - Principal, CEO and Accounting Officer
Alison Leaverland – Deputy Principal Curriculum and Quality
Paul Davies – Vice Principal Finance and Resources

Board of Governors

Kate Lovell - Chair
Rob Bennett - Vice Chair

A full list of Governors is given on pages 18 and 19 of this Governors' report and financial statements.

Clerk to the Corporation

Linda Burlison

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
66 Queen Square
Bristol
BS1 4BE

Internal auditors:
RSM
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Banker:
Lloyds Bank plc
High Street
Street
Somerset
BA16 0EJ

Solicitor:
Clarke Willmott LLP
1 Georges Square
Bath Street
Bristol
BS1 6BA

Governors' report and financial statements

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Report of the Board of Governors

Nature, Objectives and Strategies

The Governors present their report and the audited financial statements for the year ended 31 July 2021.

Legal status

Strode College ("the College") is a corporation established under the Further and Higher Education Act 1992.

Strode College corporation is a distinct legal entity that has members appointed in accordance with the College's instrument of governance.

The members' principal role, other than to act as members of the corporation, is to provide governance over the College and they are referred to as Governors and collectively the Board of Governors in this Governors' report and financial statements.

The College is also an exempt charity for the purposes of the Charities Act 2011 and members / Governors are also trustees for the purposes of that act.

Vision and mission

The College's vision and mission, during the year, as approved by the Board of Governors were as follows:

Strode College's vision:

"Inspiring all to maximise their potential"

Strode College's mission is to be:

"The region's first choice for high quality education and training."

Public benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as principal regulator for all further education corporations in England.

In setting and reviewing the College's strategic objectives, the Board of Governors 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 benefit of the public.

As a rural Further Education College with a focus on provision for 16-18 year olds, the College provides high quality learning opportunities suitable for a wide range of abilities and interests, in an environment where students can develop as individuals. The College contributes to the development of a dynamic local, regional and national economy by enhancing the employability of our students and preparing them for higher education or employment. The College aims to promote the economic, social and cultural life of the local community through work with business, the professions, community groups and local government and by encouraging the local community to make use of the College's facilities.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems

- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Implementation of strategic plan

In January 2018, the Board of Governors approved the College's strategic plan for the financial years 2018 to 2021. This strategic plan includes a property strategy and financial forecasts. The Board of Governors monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic objectives are:

1. *To provide outstanding education and training*
    - Ensure at least 95% of students achieve a positive progression or destination outcome
    - Sustain student progress, measured through value added, at least in the top 25% of Colleges nationally
    - Achievement rates for all learners will exceed national averages
    - Maintain Ofsted Outstanding
    - Achieve a successful HE quality review each year

2. *To sustain robust finances*
    - Achieve an ESFA financial assessment of good by 2020
    - Strive to award at least a 1% cost of living pay rise each year
    - Re-invest annually into the campus benefiting our local community and students
    - Achieve cash operating surplus target of at least 7%

3. *To provide an inclusive and safe community of learning*
    - Provide ongoing investment into the campus to ensure modern and innovative learning and social spaces.
    - Ensure learners, staff and visitors feel safe and are safe
    - Provide an inclusive and welcoming place to learn and work
    - Ensure that no groups are disadvantaged

4. *To be a rewarding and inspiring place to work*
    - Enable our workforce to deliver high quality teaching and learning and support services
    - Encourage and support development through a culture of creativity, innovation and lifelong learning
    - Maintain a balanced and diverse workforce that has the skillset to meet current and future education and training needs
    - Provide opportunities for cross college collaboration and social activities
    - Recognise and celebrate outstanding performance and achievements
    - Listen and respond to staff ideas and suggestions

5. *To meet the education and social needs of our learners and wider community*
    - Ensure our curriculum offer delivers high quality adult professional and leisure courses; provides affordable Higher Education; meets the needs of local employers and continues to deliver outstanding, full time Study Programmes.
    - Build on the strong relationships in place with local schools at least maintaining the current level of full time students.
    - Maintain a vibrant theatre programme and high quality community sports facilities
    - Create a new "heart of the campus" with a central student hub, new reception and entrance, outward facing community facilities and a hospitality-training centre of excellence.

6. *To expand our work with local and national employers*
    - Maximise opportunities to enhance the development of key employability skills for all learners, ensuring they are best placed and ready to secure high quality and rewarding jobs, which lead to successful careers.
    - Listen and respond to the training needs of local and national, levy and non-levy paying employers
    - Provide training opportunities that meet local and nationally identified skills shortages
    - Increase income generated from apprenticeships and other employer related training

Financial objectives

The College's financial objectives are:

Objective	**Outcome in 2021**
1. Progress towards a Good financial health grade with the EFSA by 2020.	**Financial health grade of 'Outstanding' achieved in 2020/21**
2. Generate a minimum cash operating surplus or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of 5%, with a long term target of achieving 7%.	**Achieved – EBTIDA 9.44% EBITDA - £1.58m**
3. Deliver and maintain an adjusted current ratio above 1.0 (excluding FRS102 adjustments).	**Achieved – 1.4**
4. Maintain Borrowing to Income ratio below 40%	**Achieved – 18.58%**
5. Generate sufficient additional income to ensure adequate funding is available to: 5.1. Recruit and retain staff 5.2. Fund premises maintenance and repairs at a sustainable level 5.3. Fund IT support and maintenance at a sustainable level 5.4. Replace / renew capital assets on a reasonable timescale	**The college maintains a focus on preserving cash reserves to enable it to achieve its ongoing operational activities and capital commitments.**
6. Comply with banking covenants	**Achieved**

Financial position

Financial results

The table below shows the results for the College presented in the format used internally by all levels of management and governance. The College's key financial metric is cash operating surplus which is defined as surplus /deficit on continuing operations before depreciation, interest and other finance costs, capital grants received and FRS102 adjustments for defined benefit pensions and accrued holiday pay.

	For the year ended 31 July 2021	For the year ended 31 July 2020
Income	£16,821k	£13,814k
Expenditure	£15,234k	£13,316k
Cash operating surplus	**£1,587k**	**£498k**
Cash operating surplus %	**9.4%**	**3.6%**
Pay to income ratio	**50.0%**	**60.0%**
Capital Expenditure	**£1,804k**	**£761k**
Cash at bank and in hand as at 31 July 2020	**£2,181k**	**£1,121k**
Adjusted current Ratio	**1.40**	**1.14**
Borrowing as a percentage of income	**18.58%**	**24.57%**
Education and Skills Funding Agency Financial Health Rating	**Outstanding**	**Good**

The tables below reconcile the cash operating surplus above to the total comprehensive income Including depreciation, interest and other finance costs, capital grants received and FRS102 adjustments for defined benefit pensions and accrued holiday pay.

Year to 31 July 2021	Income	Expenditure	Total comprehensive income
	£'000	£'000	£'000
Cash operating surplus	**16,821**	**15,234**	**1,587**
Capital grants received	1,700		1,700
Bank interest received	1		1
Depreciation		728	(728)
Interest charges (including FRS102 – net interest cost on defined benefit pension liabilities of £200k)		288	(288)
FRS102 - Defined benefit pension scheme adjustment		894	(894)
(Deficit) on continuing operations	**18,522**	**17,144**	1,378
Gain on disposal of fixed assets			1
Actuarial gain in respect of pensions schemes			1,680
Total comprehensive Income for the year			**3,059**

Year to 31 July 2020	Income	Expenditure	Total comprehensive income
	£'000	£'000	£'000
Cash operating surplus	**13,814**	**12,759**	**959**
Capital grants received	22		22
Bank interest received	2		2
Depreciation		663	(663)
Interest charges (including FRS102 – net interest cost on defined benefit pension liabilities of £189k)		285	(285)
FRS102 - Defined benefit pension scheme adjustment		536	(536)
(Deficit) on continuing operations	**13,838**	**14,243**	**(432)**
Gain on disposal of fixed assets			**4**
Actuarial loss in respect of pensions schemes			(5,128)
Total comprehensive Income for the year			**(5,556)**

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021 these funding bodies provided 88% (2020 - 79%) of the College's total income.

Financial impact of COVID-19

The board approved a set of revised financial objectives for the 2020/21 budget as set out below:

- A financial health grade of Requires Improvement – minumum of 160 points.
- Cash operating surplus of 5%.
- Deliver and maintain a current ratio above 1.0 (excluding FRS102 adjustments).
- Generate sufficient additional income to ensure adequate funding is available to:
    - Recruit and retain staff
    - Fund premises maintenance and repairs at a sustainable level
    - Fund IT support and maintenance at a sustainable level
- Replace / renew capital assets on a reasonable timescale.
- Comply with banking covenants.

Performance against these objectives can be seen elsewhere in this report.

These revised objectives were reflected in a prudent budget with reduced margins from the college's commercial activiites and reflected the potential for lower student enrolment numbers for fee paying adult and HE courses. In addition, likely COVID costs we included in overhead budgets with no knowledge of any government income support.

Whilst the college has returned an cash operating surplus of £1.58m there were a number of income streams that did not return budget targets, most notably apprenticeships and adult leisure courses.

In contrast, the college was able to meet management point targets within the Adult Education Budget (AEB) 19-24 Traineeship allocations and received unbudgeted in-year funding increases of £1.2m. Furthermore, the college submitted a successful bid to the ESFA's 2020 19-24 Traineeship Contract for Services and were awarded a funding contract worth £2.179m. These funding increases contributed significantly to the improved year-end outturn.

The college was able to take advantage of the Coronavirus Job Retention Scheme to support furloughed staff who's salary costs were not supported by government grants, most notably catering and theatre casual staff.

A successful bid was submitted to the Arts Council for England securing a 247k Cultural Recovery Fund to support the closure and re-opening of Strode Theatre. The college is bound by the restrictions placed on the Fund and report back when appropriate to the Art Council.

Management control was maintained over overhead costs with college closures contributing to some savings. Any significant increases, for example, direct costs attributed to commercial income and subcontracting costs, are associated to increases in income whilst maintaining the targeted margin. Unbudgeted professional fees and bank charges have been accrued to account for the cost of re-financing the Lloyds Bank loan.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, 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 treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Board of Governors and shall comply with the requirements of the Education and Skills Funding Agency (ESFA) conditions of funding.

Cash flows and liquidity

Operating cash flow was £1,818,000 (2020 - £1,128,000). There was a net cash inflow for the year after loan repayments and fixed asset investments of £1,060,000, (2019 – net cash outflow of £9,000).

The size of the College's total borrowing and our approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves policy

The College has adopted a policy of targeting a minimum of 5% EBITDA surplus each year. Achievement of this target will contribute to a satisfactory financial health rating with the ESFA and satisfies the College's loan covenants.

In respect of accumulated reserves, the College is required to retain the greater of £3,000,000 or 25% of gross income of general reserves, excluding any defined benefit pension scheme liabilities, in order to satisfy our loan covenants. The College will seek to utilise additional reserves, as cash levels permit, for the benefit of students.

Current and future development and performance

Strategic overview

It has been another hugely challenging year for the College as it has successfully navigated its way through the adaptations needed in response to Covid. Staff and students have responded admirably, and the college community has shown an unrelenting commitment to supporting its students in whatever way it could. Despite everything, student achievement remains exceptional.

The financial position is strong and this has enabled continued investment into the IT infrastructure, systems and wider campus. This will remain a key focus as the college transitions into a new strategic plan. The Board agreed a new College Property Strategy in January 2021 and the College is now working closely with the DfE. It is one of sixteen colleges that has been approved to benefit from the multibillion pound FE Capital Transformation Fund. This will address the remaining Category C and D aspects of the Estate and include the College's longer term vision of relocating its Hair and Beauty Salons to the ground floor and creating a new Training Kitchen and Restaurant. A new central heart to the campus is planned which will co-locate all student study and social spaces, main reception, refectory and student support functions.

The College successfully delivered Wave 2 T level capital investment of £650,000 to create a new mock hospital ward and expansion of the science labs. An additional £535,000 from the FE Capital Improvement fund has been used for emergency campus improvements. The college was unsuccessful in securing capital funds in the Wave 3 T level bids and is now reviewing options to enable the upgrading of learning spaces for the delivery of T levels in Engineering and Business in September 2022. Early conversations have taken place with Somerset County Council to support their SEN strategy and the college continues to expand this provision. A capital solution is still being sought to enable the full potential of this provision to be realised.

Alongside the transformation of the campus, a detailed curriculum strategy has been developed which will see the transformation of the College's vocational curriculum over the next 5 years. This will align qualifications with the new L3 Policy changes including the further roll out of T levels and the expansion of L4 and L5 Higher technical qualifications. It also plans for small growth in the college's outstanding Academic provision.

Study Programmes recruited in line with targets in September 2020 and represent approximately 50% of the college's income. Recruitment in September 2021 has been 1,456. The first year of the new T levels in Digital and Education and Care have been very successful with 100% retention and all students having secured placements. Recruitment for the new T levels in Health is strong, and in line with expectations for Science. The newly refurbished Health and Science facilities were delivered on time and on budget and will transform the experience for the students. Our capacity to expand and develop cross college work experience, placements and employability development is progressing with the implementation of a new system, Grofar, to support this work. The college continues to enjoy expanding and improving relationships with local employers and there is a positive appetite from local businesses to be involved with the College.

Apprenticeships have been impacted by Covid and as a result the College fell short of its targets in this area. Recruitment for 21-22 is looking buoyant and we are confident that this market will quickly recover over the coming months. The introduction of Rail Engineering apprenticeships for the College, working closely with one its subcontracted partners in London, will enable progression from our Rail Engineering traineeship programme. This is an exciting development opportunity for Strode.

The College's high quality, traineeships which are sub-contracted to specialist partners, continues to grow. The College was successful in securing a new contract for services of £2.1m. This initial contract has been exceeded and continued growth is planned for 2021-2022. The college is also working closely with the DfE and ESFA to trial the delivery of new specialist traineeships in Rail. Expansion of this area of work is planned to roll out nationwide over the next 12 months.

Higher Education has been impacted by Covid and recruitment in 2020-2021 was slightly down on previous years. A new psychology degree was validated by Plymouth and has recruited well for September 2021 start. The college was successful in its application to the Higher Technical Development Bid and plans to introduce new Higher Technical qualifications in Digital from September 2022 and Health in 2023. Development of the College's Higher Education offer is planned to ensure alignment with the transformation of the vocational curriculum and provide progression routes from T levels as well as Higher Technical provision which meets local needs.

The college has developed strong relationships with the local Job Centre Plus centres and has delivered employability and sector based work academy programmes during 2020-2021. This work is expected to continue and grow throughout 2021-2022. Expansion of the English and maths training in the health sector is planned. The College has responded to the new L3 National Skills Fund, providing training opportunities in targeted areas. Full cost, adult leisure courses were cancelled during 2020-21 as a result of Covid, but it is hoped this will return to pre-Covid levels. The College will be actively working to reduce the proportion of adult skills its sub contracts over the coming year to bring this down to no more than 25% of its total delivery.

As a result of Covid, the college temporarily closed the Theatre resulting in the redundancy of the majority of staff. The Theatre Manager secured a £250,000 grant from the Arts Council which will be used to cover the costs of closure as well as the costs to re-open the theatre when it is possible. A new strategic vision and plan is being developed for the Theatre.

Student numbers

	2020/21 Number	2019/20 Number
16-19 learners	**1,499**	1,460
Adult Learners	**3,072**	2,339
HE learners	**114**	139
Apprentices	**486**	550
Traineeships	**1,264**	467
Adult Leisure Learners	**20**	331
	6,455	5,286

Student achievements

The College has outstanding pass rates for advanced level study programme students (A level and Technical). The College uses ALPS for tracking student progress and measuring value added. The ALPS value added grade for A Level programmes is consistently high at ALPS 2 (3- year trend), which places the College within the top 10% nationally. This year we achieved ALPS 1, which puts us on par with the top performing colleges and schools nationally. This year the impact of COVID and submitting teacher assessed grades has seen us maintain an ALPS 6 (3-year trend), however for 20-21 we have improved from ALPS 7 to ALPS 5. GCSE English and maths re-sit pass rates (9-4) have improved this year and are well above the JCQ National Achievement Rates and National Achievement Rates (18-190 at 63% for English and 44% for maths. 84% of our advanced level students meet or exceed their targets.

	A Levels		Level 3 Vocational		GCSE 9-4 All ages	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Pass Rate	**100%**	**99%**	**99%**	**97%**	**99.7%**	**99.6%**
Achieved minimum target grade	**86%**	**77%**	**86%**	**85%**		
Grades at A*- B (JCQ England average 2020: 65.4%)	**66%**	**62%**				
Grades at A*- C (JCQ England average 2020 87.5%)	**89%**	**87%**				
Extended diplomas - DDM			**72%**	**72%**		
GCSE English and maths Grades at 9-4 (NART NA 2018-19: *24.5%)*					**47%**	**32%**
GCSE English Grades at 9-4					**52%**	**38%**
GCSE Maths Grades at 9-4					**43%**	**27%**

Access and Participation

Strode College is required by the Office for Students (OfS), as a condition of its inclusion on the 'Register of UK Higher Education Providers', to evidence expenditure in relation to the Access and Participation Plan (APP) applicable to each academic year. Income comes from two distinct sources: the amount charged to students in fees above the basic level of £6,165 and the monies received from the OfS in the form of student premium funding. There is an expectation that a specific proportion of this combined resource is allocated to support activities designed to assist the College in meeting the access, participation and progression targets set out in the APP and agreed by the Director of Fair Access. The following tables itemise the breakdown of this expenditure for 2019-20.

Access investment £11,743

a. outreach work with partner schools	• promoting positive progression in partner schools, including onward to HE study • regular contacts and events organised by Admissions team • advanced learning scheme for Crispin School to support progression • HE-specific events in local school Sixth Forms • engaging with NSSW outreach activity across Somerset • Open Evenings (live and virtual)	£5,110
b. outreach work with adults	• employer engagement with diverse sectors • HE events with academic and business representatives • targeted publicity in local community • Higher Apprenticeship delivery and recruitment with Historic England • Click-through digital marketing campaign focused on HE provision	£4,697
c. additional staffing and administration costs		£1,936
Total access expenditure		**£11,743**

Disability £8,593

a. ongoing work to support disabled students (DSA application; interventions and mentoring; etc.) – investment concentrated on success of current students (*recruitment and progression activity focused more widely on target groups with consistent approach to inclusivity at all times*)	£4,518
b. developmental work in support of disabled students (expansion of disability services + assistive technologies; improvement of teaching and learning; creation of learning support posts; etc.)	£4,075
Total expenditure on supporting disabled students	**£8,593**

Financial support £26,762 (*including Covid-related additional funding from OfS*)

a. support for students in financial hardship – 31 bursary payments of £250 made to students awarded the full maintenance loan in recognition of their financial difficulties	£7,750
b. support for students from low participation neighbourhoods – 10 bursary payments of £200 to students living in areas of statistically lower involvement in HE (Polar4 Q1-2)	£2,000
Total bursary expenditure	**£9,750**
c. disbursal of additional student hardship funding awarded by OfS in light of problems facing students during the pandemic and the closure of educational establishments: students awarded support funding of £100 - £350 against specific criteria; purchase of items to assist study off-site, including kitchen equipment, printing facilities + laptops;	£17,012
Total hardship expenditure (*including additional funding*)	**£26,762**
Total number of bursary and/or hardship support allocations to students	70

Research + evaluation £13,214

a. support into employment or higher study	• University of Plymouth progression day + investigating degree top-up opportunities for Foundation Degree and HND graduates • employer engagement – visits and guest speakers on programmes HE End-of-Year Showcase (completed virtually under Covid-19 closure) • HE Employability Day with National Careers Service • regular contacts with SW business organisations • interaction with universities and employers at a national level	£8,558
b. additional staffing and administration costs		£4,656
Total research and evaluation expenditure		**£13,214**

Teacher qualifications

Teaching staff are required to hold, or to be working towards, a teaching qualification relevant to their role. During 2021, 100% of full time staff held a full teaching qualification i.e. PGCE, Cert Ed or equivalent (2020 – 96%). 86% of part time staff held a relevant teaching qualification appropriate for their role (2020 – 84%).

Sustainability Statement

Purpose

The College is committed to the principles of maintaining a healthy environment for staff, students, visitors and the general public.

- Human activities put a strain on the environment with potentially devastating effects worldwide on economies, societies and the environment.
- Economic growth and development of our communities is a necessity for survival but we have to reconcile our needs with those of the environment to make this happen.
- Sustainable development can have a positive impact on local economies, communities and the environment.
- The College has a significant role to play in incorporating sustainable development into our operations and the lives of the individuals, communities and business that we serve.

Objectives

The College aims to be regarded as a leader of the sustainability agenda in Further Education. Sustainability has been defined as '**meeting the needs of the present without compromising the ability of the future generations to meet their own needs**'.

Through its focus on sustainability, The College will:

- Achieve enthusiasm and commitment from staff, students and partners
- Encourage students to explore sustainable aspirations across their studies
- Use sustainable energy to achieve measureable reductions to its carbon footprint.

Aims

Through the Sustainability Statement, the College commits to:

- Adopting, as far as possible, recognised good practice across all of its operations.
- Complying with all applicable legal requirements.
- Making progress against the Climate Action Roadmap for FE Colleges, moving from Emerging to Established.
- Regularly reviewing Sustainability targets against appropriate benchmarks.
- Providing all learners with the opportunity to raise awareness of sustainability issues through sustainability related curriculum and enrichment activities.
- Encouraging sustainable travel by staff, learners and partners.
- Promoting the conservation of material resources to reduce environmental impact.
- Purchasing from local, or near local, suppliers wherever possible

- Implementing an effective waste management procedure that will reduce the use of landfill by recycling opportunities.
- Monitoring energy consumption against past performance.
- Following sustainable construction principles in all new building developments and refurbishments of existing buildings.
- Communicating the Sustainability Statement to all learners, staff and organisations we work with.
- Raising awareness about sustainability with learners, staff, visitors and others.
- Ensuring that information on the College's progress in Sustainability is made available to learners and staff.
- Maintaining a Sustainability Group that promotes, monitors and implements these commitments.
- Working with external partners and the community to support these objectives.

Going concern

The financial statements have been prepared on a going concern basis notwithstanding the balance sheet showing net current assets of £624,000 (2020 - net current liabilities of £435,000), which is appropriate for the following reasons:

The activities of the College, together with the factors likely to affect our future development and performance are set out in the Report of the Board of Governors. The financial position of the College, our cash flow, liquidity and borrowings are described in these financial statements and accompanying notes.

The College currently has £3,125,000 of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement run until 31 July 2022, the college has a draft agreement in place for a new 5 year term to be formally signed in April 2022 as agreed with its bankers. The College's forecasts and financial projections indicate that we will be able to operate within this existing facility and meet the bank's loan covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future, and for this reason we will continue to adopt the going concern basis in the preparation of our financial statements.

Resources

The College has various resources that we can deploy in pursuit of our strategic objectives.

Tangible resources include:

Financial

The College has net liabilities of £192,000 (after deducting £14,514,000 defined benefit pension scheme liabilities) (2020 – net liabilities of £3,251,000 (after deducting £15,100 defined benefit pension scheme liabilities)) and long term debt of £3,125,000 (2020 - £3,394,000).

Estates

The College has a well-managed campus and we have renewed a significant portion of our building stock since 2001. In September 2014, we opened a new Higher Education and Skills Building, which provides a very high standard of accommodation for delivering employer-facing provision, including apprenticeships, traineeships, functional skills and full cost work. Since opening the building, both apprenticeship numbers and the number of students studying higher level qualifications have grown. Students and employers report that it is a valuable resource for the area.

During 2020 the college invested £1.2m in refurbishing C block for delivery of the Digital T Level and 650k in 2021 in refurbishing E block for delivery of Health and Science T Level.

The college is one of 16 colleges in earmarked by the DfE for direct investment via the Capital Transformation Fund to replace category C ad D property. This will see a complete refurbishment or replacement of the original A block tower and catering facilities.

People

The College employs 313 people (227 Full Time Equivalents (FTE)), (2020 – 328 (226 FTE)), of whom 191 (138 FTE) (2019– 216 (143 FTE)) are teaching staff or student support staff. The ESFA College accounts direction has applied a new methodology for how the number of people employed is calculated.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

In September 2014, the College was subject to a full Ofsted inspection. The grades awarded by Ofsted were as follows:

Outcomes for students	Outstanding, Grade 1
Quality of teaching, learning and assessment	Outstanding, Grade 1
Effectiveness of leadership and management	Outstanding, Grade 1
Overall effectiveness	Outstanding, Grade 1

Principal Risks and Uncertainties

The senior management have identified 7 key areas of strategic risk:

- Maintaining financial heath and maximising on all funding opportunities
- Recruiting, developing, engaging and retaining of staff.
- Delivering an effective and flexible curriculum that supports all learners, employers, staff and stakeholders.
- Failure to maintain a safe environment for students, staff, visitors and all stakeholders. (safeguarding)
- Failure to maintain a safe estate / campus for students, staff, visitors and all stakeholders. (health & safety)
- IT infrastructure is secure, resilient and flexible enough to meet future demand.
- Ineffective governance, leadership and oversight

These risks are reviewed biannually by the senior team and reported to the audit committee.

Work is ongoing to identify the operational risks that inform the strategic risks and these will be reviewed on rotation by the senior management team.

Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2021, 88% of the College's revenue was funded by these bodies and this level of requirement is expected to continue. There is no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of four specific issues which may impact on future income of the College:

- Apprenticeship funding changed in May 2017, with some funding now routed directly through employers, rather than being paid directly to the College. Employers are free to choose any provider for apprenticeship training provision, which could result in reduced income for the College. Further changes to apprenticeship funding were introduced in January 2020 whereby employers not liable to the apprenticeship levy are able to apply directly for funding rather than relying on the college.

- In 2018 the College delivered around £500,000 of training funded by the ESFA Adult Education Budget in the Greater London Authority (GLA) Area. From 2019 this funding will be devolved to the GLA. The GLA has indicated that from 2021 all devolved funding will be allocated to training providers within the Greater London Area. The college will not be in receipt of GLA funding in future years, an income shortfall of 380k.

- The current Adult Education Budget contract for services ended in July 2021, the college was unsuccessful in a bid to renew the contract.

- In 2020/21 the college submitted a successful bid to secure funding form the 2020 Traineeship procured contract, The initial allocation was £2.179m with opportunities for growth during the contract period to 31 July 2023.

- The college subcontracts a significant value of its Adult Education Budget, following a DfE review in 2019/20 future changes to the criteria for subcontracting may reduce the college's ability to subcontract. During 2020/21 to 2022/23 the college has a strategic plan to increase the proportion of Adult Education delivered directly by the college to mitigate any future restrictions to subcontracting.

These specific risks are mitigated by the following:

- Optimising funding contracts for in year growth;
- ensuring the College is rigorous in delivering high quality education and training;
- focusing on maintaining and managing key relationships with the various employers, local authorities and funding bodies; and
- continually reviewing costs and seeking alternative sources of income.

Maintain adequate funding of pension cost and liabilities
The College is legally obliged to enrol any teaching staff in the Teachers' Pension Scheme (TPS). The TPS has recently increased employer contributions to the scheme with effect from September 2019 from 16% to 23%. This increase in cost may be covered by additional grants from government until July 2022, however after that it is unclear if additional funding will be available. If funding is not made available, the College will need to cover the additional cost of around £200,000 from its own resources.

The College has a significant deficit on its Local Government Pension Scheme (LGPS). The LGPS currently treats the College as a government backed organisation and as a consequence accepts a long term deficit reduction plan from the College and does not require any security.

There is a risk that changes being implemented by the government to the insolvency regime for colleges or the levels of funding the government directs towards colleges could result in a change to the LGPS's approach to college pension scheme deficits. If this happens the College may struggle to either afford increased deficit reduction contributions or provide any security.

To mitigate this risk the College will continue to lobby key stakeholders and support the efforts of other groups lobbying to ensure college funding is prioritised and any changes to the insolvency regime or college funding generally do not have an adverse impact on current LGPS deficit funding plans.

Student numbers
The local demography over the next few years is unlikely to result in any growth in the number of 16 and 17 year olds moving into further education. There is a risk that demographic changes at individual schools over the period and increased competition for students from other providers will result in the College recruiting fewer students and suffering a loss of income as a result.

To mitigate this risk, the College continues to invest in its School Liaison activities and places significance importance on this work. The College has commissioned external market research in order to strengthen its brand with key stakeholders and continue to differentiate effectively from local competitors. We will also continue to develop our curriculum to strengthen the competitive advantage of the quality and variety of curriculum that we offer.

Building Repairs
Two of the College's seven main buildings were built in the 1960s and 1970s. These buildings are in a reasonable state of repair; however, given their age, there is a risk that substantial repairs or refurbishment will be required. If this risk materialises in the short term the College may not have sufficient funds to undertake the works.

Following a full condition survey carried out by the DfE in 2019 the college has developed a property strategy referred to earlier to address the category D1 and C2 parts of the college estate. The remedial works will be costed to inform future capital requirements for the estate. This document is being used to inform the redevelopment of the estate as part of the DfE Capital Transformation Fund.

Stakeholder Relationships

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

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local schools, particularly partner schools
- Local authorities
- Government offices/ Local Enterprise Partnerships
- Local community
- Other colleges and universities
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work with us. The College respects and values differences and strives to remove barriers which place people at a disadvantage. The College will challenge bigotry, discrimination, bullying, harassment and victimisation.

The College has an equality scheme which is reviewed on a planned cycle and actions are implemented as appropriate. This scheme is published on the College's intranet and website. The College publishes an Annual Equality Report and an action plan to comply with the Equality Act 2010. The College undertakes equality impact assessments on all new and existing policies and procedures and records the results.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College has made a number of adjustments to support staff who require these to enable them to continue to attend work. This includes additional equipment in line with Occupational Health or specialist guidance, remote working where appropriate and funding in line with Access to Work guidance.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has a cycle of training to update staff on equality and diversity related issues. All staff as part of their probation period must attend equality and diversity training to complete their probation. To support this, equality and diversity is also part of the staff review and development process.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and the Children's and Families Act 2016.

As part of our property strategy the College has ensured that all our buildings are accessible.

The College has a Director of Student Services who performs the role of access co-ordinator providing information, advice and arranging support for students with learning difficulties and/or physical disabilities. Support is provided prior to coming to the College, during their time at the College and when making the transition to the next stage of education, training or employment.

There is a list of specialist equipment, such as radio aids, personal care equipment and mini-coms, which the College can make available for use by students. Other adaptive equipment can be provided depending on each individual student's needs. A range of assistive technology is available in the college's learning centre, computer centre and with the additional support team.

The admissions policy for all students is described in the College charter and in the accessibility statement. Appeals against a decision not to offer a place are dealt with under the complaints policy.

The College has made a significant investment in the appointment of specialist lecturers and training of existing lecturers to support students with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide support for learning that meets the needs of our students. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

The College provides staff members who are union representatives paid time off from work to fulfil their union duties. This time off is called facility time.

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

	For the year ended 31 July 2021
Numbers of employees who were relevant union officials during the period.	8
Full-time equivalent employee number	7 FTE
Percentage of time spent on facility time: 1-50%	3.3%
Percentage of pay bill spent on facility time	0.12%
Total cost of facility time	£12,024
Total pay bill	£9,353,000
Time spent on paid trade union activities as a percentage of total paid facility time	10%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2020 to 31 July 2021, the College paid 60% per cent of its invoices within 30 days of receipt by the finance department. The College incurred no interest charges in respect of late payment for this period.

Disclosure of Information to Auditors

The Governors 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 auditor is unaware; and each governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the Board of Governors on 15 December 2021 and signed on its behalf by:

Kate Lovell

Kate Lovell
Chair of Governors

Statement of Corporate Governance and Internal Control

The following statement is provided to give readers of this Governors' report and financial statements for the College a better understanding of the College's governance and legal structure. This statement covers the period from 1st August 2020 to 31st July 2021 and up to the date of approval of the Governor's report and financial statements.

The College endeavours to conduct its business:

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

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it has adopted the Association of Colleges Code of Good Governance for English Colleges. In the opinion of the Board of Governors, the College complies with all the provisions of this code, and it has complied throughout the year ended 31 July 2021, except to where Governors have been in post for more than eight years, the Board of Governors has decided that that it is in the best interests of the College not to follow the recommendation of the code that the maximum term for Governors should be eight years.

The Board of Governors, whilst not having adopted the UK Corporate Governance Code 2016, has due regard to its principles and guidance.

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.

Board of Governors

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

The Board of Governors is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are Finance and Personnel, Academic Standard and Quality, Search and Governance, Remuneration, Audit, and Theatre Board.

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

Full approved minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on the governance area of the College website at www.strode-college.ac.uk and from the Clerk to the Corporation at:

Strode College,
Church Road,
Street,
Somerset
BA16 0AB

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

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors, which is updated annually. The register is available for inspection at the above address.

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and the Accounting Officer of the College are separate. The roles and responsibilities of the Accounting Officer, the Board of Governors, and the committee structures, are clearly laid out in the College's scheme of delegation, which is reviewed annually by the Board of Governors.

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 Board of Governors as a whole.

Appointments to the Board of Governors

Under the College's Instrument of Governance the Board of Governors can comprise:

- up to sixteen independent governors;
- the Principal;
- at least one and not more than three governors who are College staff; and
- at least two and not more than three governors who are students at the College.

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a Search and Governance Committee comprising five Governors (including the Chair, Vice Chair and the Principal) which is responsible for the selection and nomination of any new member for the Board of Governor's consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Governors of the College are appointed for a term of office not exceeding four years and may be re-appointed for successive four year terms. Where Governors have been in post for more the eight years, the Board of Governors has decided that that it is in the best interests of the College not to follow the recommendation in the Association of Colleges Code of Good Governance for English Colleges that the maximum term for Governors should be eight years.

Board of Governors performance

At its annual self-assessment on 16th June 2021, the Board of Governors considered that it was working effectively through the current board and committee structure to set the College's strategic targets and to monitor and scrutinise progress against financial and quality targets in accordance with its responsibilities. The College's financial health and management is very effectively monitored through the key committees of Finance and Personnel and Audit; suitably qualified Governors and external members are appointed to ensure that appropriate scrutiny takes place.

Remuneration Committee

In 2021, the College's Remuneration Committee comprised five Governors including the Chair and Vice Chair, but excluding the Principal. The Committee's responsibilities are to determine the remuneration and benefits of the Principal (Accounting Officer), the Deputy Principal, the Vice Principal and the Clerk and to report their decisions to the Board.

Details of remuneration for 2021 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises of four Governors (excluding the Accounting Officer and Chair of the Board) and one external member. The committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors 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 on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of the College's management. The committee also receives and considers reports from the Education and Skills Funding Agency, as they affect the College's business.

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

Management is responsible for the implementation of agreed recommendations.

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

Governors

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

Name	Date of appointment	End of Term of office	Date of resignation	Status of appointment	Committees served
Matt Atkinson	1 September 2020	31 August 2024	30 April 2021	Independent	Finance and Personnel
Rob Bennett (Vice Chair)	11 December 2002 Re-appointed 1 September 2020	31 August 2021		Independent	Audit (Chair) Remuneration Search and Governance (Chair)
Lynda Bevan	1 September 2021	31 August 2025		Independent	Academic Standards and Quality
Simon Bruce	1 September 2021	31 August 2025		Independent	Audit
David Carruthers	24 March 2020	23 March 2024		Staff	Finance and Personnel Theatre Board
Richard Clark	8 December 1999 Re-appointed 1 April 2018	31 March 2022		Independent	Finance and Personnel Remuneration Theatre board
Charlotte Clarke (on maternity leave)	20 February 2019	19 February 2023	20 April 2021	Staff	Academic Standards and Quality
Brenda De Sousa	25 September 2019	24 September 2023	31 July 2021	Independent	Academic Standards and Quality
Ann Diment	5 March 2020	31 July 2021	17 November 2020	Student	Academic Standards and Quality

Name	Date of appointment	End of Term of office	Date of resignation	Status of appointment	Committees served
Dale Edwards (Vice Chair from 01/09/21)	28 November 2018	27 November 2022		Independent	Finance and Personnel
Marcia Hein	24 February 2020	23 February 2024		Independent	Academic Standards and Quality
Abbey Hughes	31 March 2021	31 July 2022		Student	Academic Standards and Quality
Anthony King	1 October 2014 Re-appointed 1 September 2020	31 August 2024		Independent	Audit
Kate Lovell (Chair)	8 December 1999 Re-appointed 1 April 2018	31 March 2022		Independent	Academic Standards and Quality Finance and Personnel (Chair) Remuneration Search and Governance Theatre Board (Chair)
Tessa Miller	1 September 2020	31 August 2024		Independent	Remuneration Search and Governance
Oliver Morris	31 March 2021	31 July 2022		Student	Academic Standards and Quality
David Mozley	1 October 2010 Re-appointed 1 September 2020	30 June 2021		Independent	Audit Academic Standards and Quality (Chair) Theatre board Remuneration (Chair)
Natalie Norton-Ashley	24 February 2024	23 February 2024	9 December 2020	Independent	Finance and Personnel
John O'Connell	1 September 2020	31 August 2024		Independent	Audit
Andrew Palmer	1 September 2020	31 August 2024		Independent	Finance and Personnel
Toby Payne	1 September 2021	31 August 2025		Staff	Academic Standards and Quality
Katy Quinn	5 June 2017	Ongoing		Principal	Finance and Personnel Academic Standards and Quality Search and Governance
Kevin Sherrard	30 November 2005 Re-appointed 1 January 2020	31 December 2021		Independent	Finance and personnel
Kim Unwin	5 November 2020	31 July 2021		Student	Academic Standards and Quality
Malcolm Walsh	1 September 2020	31 August 2024		Independent	Academic Standards and Quality

Linda Burlison acted as the Clerk to the Corporation throughout the year.

Attendance at board and committee meetings
Overall attendance at full board meetings in 2020/21 was 84% (2019/20 – 76%). Overall attendance at board and committee meetings taken together was 87% (2019/20 – 81%). A report detailing the attendance of individual Governors is presented to the Board of Governors annually at the last meeting of the academic year. All meetings in the year were conducted via zoom due to COVID- 19 restrictions.

In addition to this high level of attendance several Governors also regularly attend key committee meetings and presentations as non-member observers. All Governors participate in training and other events throughout the year.

The table below details the attendance by Governors at full Board meetings and committees.

Name	Board of Governors	Finance and Personnel Committee	Academic Standards and Quality Committee	Search and Governance Committee	Remuneration Committee	Audit Committee	Theatre board
Number or Meetings in 2020-21	**7**	**4**	**3**	**3**	**1**	**3**	**3**
Matt Atkinson	3/6	3/ 3					
Rob Bennett	7	4*	2*	3	1	3	
David Carruthers	7	2	1*				3
Richard Clark	6	3			1		3
Charlotte Clarke	Maternity Leave		Maternity Leave				
Brenda De Sousa	5		2				
Ann Diment	1/2						
Dale Edwards	7	4					
Marcia Hein	6	1*	2			2*	
Abbey Hughes	1 / 2		1/1			1*	
Anthony King	7		1*			3	
Kate Lovell	7	4	3	3	1	2*	3
Tessa Miller	7	1*	3*	3	1	1*	
Oliver Morris	0/2		1/1				
David Mozley	7	1*	3		1	3	3
Natalie Norton-Ashley	0/3	0/1					
John o' Connell	3					2	
Katy Quinn	7	4	3	3	1*	2*	
Kevin Sherrard	6	3				2*	
Kim Unwin	4/5		2				
Malcolm Walsh	7		3				

**in attendance*

Only governors that were in post when meetings occurred in 2020-21 are included in the table above

Internal control

Scope of responsibility

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control. The system supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which the Principal is personally responsible. All of this is undertaken in accordance with the responsibilities assigned to the Principal in the grant funding agreements and contracts between the College and the funding bodies. The Principal is also responsible for reporting to the Board of Governors any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives. It evaluates the likelihood of those risks being realised, the impact should they be realised, and endeavours to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Governors has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

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 Board of Governors;
- regular reviews by the Board of Governors of periodic and annual financial reports which indicate actual and forecast financial performance against budgets;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements and regularity auditors, and the appointed funding auditors in their management letters and other reports.

The Accounting Officer 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 auditor, and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The College senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the college and reinforced by risk awareness training. The senior management team and audit committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governor's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The College formally reviews the risk register twice a year with risks reviewed routinely as part of regular meetings. A new computerised risk management system was introduced in 2020 and has been populated with the key strategic risks. Further work will take place in 2021/22 to include operational risks.

This is line with the need to continuously evaluate the controls and mitigations used to manage risks and the need to regularly gain assurance that the controls and mitigations are effective.

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

Going Concern

The financial statements have been prepared on a going concern basis with the balance sheet showing net current assets of £653,000.

The activities of the College, together with the factors likely to affect our future development and performance are set out in the Report of the Board of Governors. The financial position of the College, our cash flow, liquidity and borrowings are described in these financial statements and accompanying notes.

The College currently has £3,124,555 of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement run until 31 July 2022, the college has a draft agreement in place for a new 5 year term to be formally signed in April 2022 as agreed with its bankers. The College's forecasts and financial projections indicate that we will be able to operate within this existing facility and meet the bank's loan covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future, and for this reason we will continue to adopt the going concern basis in the preparation of our financial statements.

Approved by order of the Board of Governors on 15 December 2021 and signed on its behalf by:

Kate Lovell

Kate Lovell
Chair of Governors

Katy Quinn
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

We confirm, on behalf of the Board of Governors, 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 College, or material non-compliance with the ESFA's terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA.

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

Kate Lovell

Kate Lovell
Chair of Governors

15 December 2021

Katy Quinn
Accounting Officer

15 December 2021

Statement of the Responsibilities of the Board of Governors

The Board of Governors, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the grant funding agreements and contracts with the Education and Skills Funding Agency (EFSA) the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction for 2020 to 2021, and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period.

In preparing the financial statements, the Board of Governors 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the college will continue in operation.

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

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

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

Governors 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 ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Governors 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, Governors are responsible for securing economical, efficient and effective management of the college's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

Approved by order of the Board of Governors on 15 December 2021 and signed on its behalf by:

Kate Lovell

Kate Lovell
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF STRODE COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Strode College ("the College") for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income and Expenditure, Balance Sheet, Statement of Changes in Reserves and Cash Flow Statement 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 College's affairs as at 31 July 2021, and of the College's income and expenditure, gains and losses and changes in reserves, and 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.*

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 College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease their operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Corporation's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the College will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Corporation, the audit committee, internal audit and inspection of policy documentation as to the College's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the College's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
  - We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
  - As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from adult funding is subject to clawback and that income is recorded in the wrong period and the risk that College's management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions.
  - We did not identify any additional fraud risks.
  - In determining the audit procedures we took into account the results of our evaluation of the design and implementation of some of the College-wide fraud risk management controls

- We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

- Inspecting cash receipts in the period prior to and following 31 July 2021 to verify income had been recognised in the correct accounting period.

- *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Corporation and other management (as required by auditing standards), and discussed with the Corporation and other management the policies and procedures regarding compliance with laws and regulations.

- As the College is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

- The potential effect of these laws and regulations on the financial statements varies considerably.

- Firstly, the College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, pensions legislation and specific disclosures required by higher education related legislation, including the Accounts Direction issued by the Office for Students on 25 October 2019, post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the College is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with higher education regulatory requirements of the Office for Students, recognising the regulated nature of the College's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Board of Governors 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, except as explicitly stated below, any form of assurance conclusion thereon.

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

- we have not identified material misstatements in the other information; and

- in our opinion the information given in Report of the Board of Governors and the Corporation's Statement of Corporate Governance and Internal Control is consistent with the financial statements.

Matters on which we are required to report by exception

- Under the Post-16 Audit Code of Practice 2020 to 2021 (March 2021) 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 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 [X], 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 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 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 Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government;
- 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; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the College's expenditure on access and participation activities for the financial year disclosed in Note 22 has been materially misstated.

We are also required by the 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 notes 2 and 3 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 and Article 22 of the 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
16 December 2021

Reporting Accountant's Report on Regularity to the Corporation of Strode College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

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 Strode College during the period 1 August 2020 to 31 July 2021 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 Strode 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 Strode College and the reporting accountant

The corporation of Strode 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 2020 to 31 July 2021 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 2020 to 31 July 2021 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
16 December 2021

Statement of Comprehensive Income
for the year ended 31 July 2021

	Notes	2021 £'000	2020 £'000
INCOME			
Funding body grants	2	14,480	10,395
Tuition fees and education contracts	3	1,484	1,824
Other grants and contracts	4	399	390
Other income	5	2,158	1,227
Endowment and investment income	6	0	1
Total income		**18,521**	**13,837**
EXPENDITURE			
Staff costs	7	9,373	8,491
Other operating expenses	8	6,755	4,825
Depreciation	11	728	663
Interest and other finance costs	9	288	285
Total expenditure		**17,144**	**14,264**
Surplus /(Deficit) before other gains and losses		**1,377**	**(427)**
Gain on disposal of assets		1	4
Surplus /(Deficit) before tax		**1,378**	**(423)**
Taxation	10	-	-
Surplus /(Deficit) for the year		**1,378**	**(423)**
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes		1,680	(5,128)
Total Comprehensive Income for the year		**3,058**	**(5,551)**

The notes to the financial statements form an integral part of these financial statements

Statement of Changes in Reserves

	Income and Expenditure account	Net pension scheme liabilites reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2019	10,723	(9,247)	824	2,300
Surplus/(deficit) from the income and expenditure account	302	(725)	-	(423)
Other comprehensive income	-	(5,128)	-	(5,128)
Transfers between revaluation and income and expenditure reserves	17	-	(17)	-
	319	(5,853)	(17)	(5,551)
Balance at 31st July 2020	11,042	(15,100)	807	(3,251)
Surplus/(deficit) from the income and expenditure account	2,472	(1,094)	-	1,378
Other comprehensive income	-	1,680	-	1,680
Transfers between revaluation and income and expenditure reserves	17		(17)	-
Total comprehensive income for the year	2,489	586	(17)	3,058
Balance at 31st July 2021	13,531	(14,514)	791	(193)

The notes to the financial statements form an integral part of these financial statements

Balance Sheet as at 31 July 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	11	16,486	15,409
		16,486	**15,409**
Current assets			
Stocks		15	19
Trade and other receivables	12	1,593	1,203
Cash and cash equivalents	19	2,181	1,121
		3,789	**2,343**
Less: Creditors – amounts falling due within one year	14	(3,136)	(2,778)
Net current assets / (liabilities)		**653**	**(435)**
Total assets less current liabilities		**17,139**	**14,974**
Less: Creditors – amounts falling due after more than one year	15	(2,817)	(3,125)
Provisions			
Defined benefit obligations	20	(14,514)	(15,100)
Other provisions	20	-	-
Total net liabilities		**(192)**	**(3,251)**
Unrestricted reserves			
Income and expenditure account		13,531	11,042
Revaluation reserve		791	807
Defined benefit obligations		(14,514)	(15,100)
Total reserves		**(192)**	**(3,251)**

The financial statements on pages 32 to 55 were approved by the Board of Governors on 15 December 2021 and were signed on its behalf by:

Kate Lovell

Kate Lovell
Chair

Katy Quinn
Accounting Officer

The notes to the financial statements form an integral part of these financial statements

Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		1,378	(423)
Adjustment for non cash items			
Depreciation		728	663
(Increase)/decrease in stocks		5	-
(Increase)/decrease in debtors		(391)	(120)
Increase/(decrease) in creditors due within one year		617	169
Release of deferred capital grants		(1,700)	(22)
Pensions costs less contributions payable		894	536
Taxation			
Adjustment for investing or financing activities			
Investment income		(0)	(1)
Interest payable		288	285
Proceeds from sale of fixed assets		(1)	(4)
Net cash flow from operating activities		**1,818**	**1,083**
Cash flows from investing activities			
Proceeds from sale of fixed assets		1	4
Disposal of non-current asset investments		-	-
Government Capital Grants received		1,403	-
Non-Government Capital Grants received		-	22
Investment income		0	1
Payments made to acquire fixed assets		(1,805)	(761)
		(401)	(734)
Cash flows from financing activities			
Interest paid		(88)	(96)
Repayments of amounts borrowed		(269)	(262)
		(357)	(358)
Increase / (decrease) in cash and cash equivalents in the year		**1,060**	**(9)**
Cash and cash equivalents at beginning of the year	19	1,121	1,130
Cash and cash equivalents at end of the year	19	2,181	1,121

The notes to the financial statements form an integral part of these financial statements

Notes to the Financial Statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention except for the revaluation of certain non-current assets.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are described in these financial statements and accompanying notes.

With current assets of £653,000 and net liabilities of £192,000 at 31 July 2021, the financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. After reviewing these forecasts, the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the continued impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

Improvements in the cash operating surplus during 2020/21 are reflected in the budget and financial plan for 2021/22 and 2022/23 which are substantiated by increases to the Adult Education Budget allocations for 19-24 Traineeships and expansion of the apprenticeship programme.

The College currently has £3,125,000 of loans outstanding with bankers on terms negotiated in 2013. The College's forecasts and financial projections indicate that we will be able to operate within this existing facility and meet the bank's loan covenants over the going concern assessment period. The terms of the current loan agreement run until 31 July 2022, at which point the loan will need to be refinanced. The college has a draft agreement in place for a new 5 year term to be formally signed in April 2022 as agreed with its bankers.
Consequently, the Board of Governors is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Funding body grants
Funding body grants are accounted for under the accrual model as permitted by FRS 102. Education and Skills Funding Agency (ESFA) grants in respect of adult education and apprenticeships are recognised in the statement of comprehensive income in line with best estimates of what is receivable for the period. The final grant income is normally determined with the conclusion of a year end reconciliation process with the ESFA following the year end, and the results of any funding audits.

The grants from the ESFA for 16-18 education and the Higher Education Funding Council represent the funding allocations attributable to the current financial year and are credited directly to the statement of comprehensive income.

Grants (including research grants and capital grants) from government sources are recognised in income when the College is entitled to the income and any 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.

Tuition fees and education contracts
Income from tuition fees, grants, contracts and other services rendered is recognised to the extent the conditions of the funding have been met or to the extent of the completion of the contract or service concerned.

Capital grants
Capital grants from non-government sources are recognised as income when the College is entitled to the funds subject to any performance related conditions being met.

Other income
Other income is recognised to the extent the conditions of the funding have been met or to the extent of the completion of the contract or service concerned.

Investment income
All income from short-term deposits is credited to the statement of comprehensive income account in the period in which it is earned on a receivable basis.

Agency arrangements
Where the College receives and disburses funds in which we have no direct beneficial interest, such funds are excluded from the statement of comprehensive income account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the ESFA (see note 22).

Accounting for pension benefits

Pension benefits for employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit pension schemes, which are externally funded and until 1 April 2016 were contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)
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 pension 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 pension scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Somerset and Devon Local Government Pension Scheme (LGPS)
The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to statement of comprehensive income 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.

The interest cost on the net pension scheme liabilities is also recognised in the statement of comprehensive income and comprises the interest cost on the pension scheme liability and interest income on the pension 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 scheme liabilities.

Actuarial gains and losses are recognised immediately in statement of comprehensive income.

Further details of the pension schemes are given in note **Error! Reference source not found.**.

Holiday pay

Holiday pay is recognised as an expense in the year in which the employees render service to the College. Any unused holiday is accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Non-current assets

Tangible fixed assets are stated at cost or, where the assets were revalued to fair value prior to the date of transition to the 2015 FE HE SORP, the revalued amount less accumulated depreciation and accumulated impairment losses.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Land and buildings
On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

The College applies the following depreciation policy to land and buildings:

- Freehold land is not depreciated.
- Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.
- The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Finance costs
Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the statement of comprehensive income 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

Buildings owned by third parties
Where land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

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

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

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

Motor vehicles and general equipment	-	5 years
Computer equipment	-	3-5 years
Furniture and fittings	-	5 years
Longer life fixtures and fittings	-	10 years

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the statement of comprehensive income.

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

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

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

Inventory

Inventory is stated at the lower of cost or net realisable value, where net realisable value equals selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Cash and cash equivalents

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

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

Financial liabilities

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

The loan held by the College is classified as a basic financial instrument in accordance with FRS 102. This instrument is 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.

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 statement of comprehensive income account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore 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 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax (VAT), meaning we can only recover a small proportion of VAT charged on goods and services we purchase. Irrecoverable VAT is included in expenditure or added to the cost of tangible fixed assets as appropriate.

Provisions

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, bursary funds, and grants for free school meals. Related payments received from the ESFA and subsequent disbursements to students are excluded from the statement of comprehensive income and are shown separately in note 22 except for 5 per cent of the grants received which is available to the College to cover administration costs. The College employs one member of staff dedicated to the administration of bursary funds applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Accounting Officer has made the following judgements:

- Determining whether leases entered into by the College as 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.
- Determining whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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 pension 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 18, 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 2021. 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

	2021 £'000	2020 £'000
Recurrent grants		
ESFA Adult Education	1,147	1229
Devolved Area Adult Education	429	353
19 - 24 Traineeships	2,028	1559
ESFA 16-18 Education	7,235	6,299
ESFA Apprenticeships	668	769
Office for Students grant	67	84
Somerset County Council grant	291	102
Total	11,865	10,395

	2021 £'000	2020 £'000
Specific grants - Coronavirus additional funding		
Education and Skills Funding Agency - Traineeships	2,569	-
Education and Skills Funding Agency - National Skills Fund	9	-
Education and Skills Funding Agency - COVID 19 mass testing funding	37	-
Total	2,615	-

3. Tuition fees and education contracts

	2021 £'000	2020 £'000
Enrichment course fees	9	69
Apprenticeship fees	446	439
Further Education fees	235	441
Higher Education fees	758	830
Total tuition fees	1,448	1,779
Education contracts	36	45
Total	1,484	1,824

4. Other grants and contracts

	2021 £'000	2020 £'000
Teachers Pension Scheme grant	286	260
Coronavirus Job Retention Scheme	113	130
Total	399	390

5. Other income

	2021 £'000	2020 £'000
Catering	248	383
Other income generating activities	119	471
Other grant income	58	-
Government capital grants received	1,700	-
Non - government capital grants	-	22
Other income	33	351
Total	2,158	1,227

6. Investment income

	2021 £'000	2020 £'000
Other interest receivable	0	1
	0	1

7. Staff numbers and costs

7.1. Staff numbers

The average number and the full time equivalent of persons employed by the College (including key management personnel) during the year, was as follows:

	2021 No.	2020 No.
Teaching staff	102	102
Teaching support staff	36	41
Non teaching staff	89	83
	227	**226**

7.2 Staff costs for the above persons

		2021 £'000	2020 £'000
Wages and Salaries		6,333	5,928
Social security costs		528	494
Pension costs		2,246	1,838
Payroll sub total		**9,107**	**8,260**
Freelance assessors and tutors		255	198
Total Staff Costs		**9,362**	**8,458**
Fundamental restructuring costs -	contractual	11	33
	non contractual	-	-
		9,373	**8,491**

7.3 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. At the College this comprises the Executive Management Team which includes the Principal and CEO (who also holds the role of Accounting Officer), the Deputy Principal Curriculum & Quality, and the Vice Principal Finance and Resources.

	2021 Number	2020 Number
The number of key management personnel including the Accounting Officer was:	3	3

The College typically operates with 3 key managers and in both 2020 and 2021 only 3 key managers were in post at any time.

The table below indicates the ranges of the annual rate of emoluments of key management personnel. The annual rate of emoluments includes annual salary and benefits in kind but excludes pension contributions.

The annual rate of emoluments is the salary that would be paid and any benefits in kind that would be provided to key management personnel if they were in post throughout the whole financial year. This does not equate to the salary paid and any benefits in kind provided to key management personnel that left or joined the College during the year.

	Senior post-holders		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£0 to £5,000 p.a.	-	-	-	-
£5,001 to £10,000 p.a.	-	-	-	-
£10,001 to £15,000 p.a.	-	-	-	-
£15,001 to £20,000 p.a.	-	-	-	-
£20,001 to £25,000 p.a.	-	-	-	-
£25,001 to £30,000 p.a.	-	-	-	-
£30,001 to £35,000 p.a.	-	-	-	-
£35,001 to £40,000 p.a.	-	-	-	-
£40,001 to £45,000 p.a.	-	-	-	-
£45,001 to £50,000 p.a.	-	-	-	-
£50,001 to £55,000 p.a	-	-	-	-
£55,001 to £60,000 p.a.	-	-	-	-
£60,001 to £65,000 p.a.	-	-	-	-
£65,001 to £70,000 p.a.	-	-	1	1
£70,001 to £75,000 p.a.	-	1	-	-
£75,001 to £80,000 p.a.	2	1	-	-
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	-	-	-	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	-	-	-	-
£100,001 to £105,000 p.a.	-	-	-	-
£105,001 to £110,000 p.a.	-	-	-	-
£110,001 to £115,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	1	-	-	-
	3	3	1	1

7.3 Key management personnel continued

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Salaries - gross of salary sacrifice and waived emolumenst	343	326
Employers National Insurance	40	40
Benefits in kind	-	-
	383	**366**
Pension contributions	75	40
Total emoluments	**458**	**406**

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

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

Katy Quinn	2021 £'000	2020 £'000
Salaries	120	113
Benefits in kind	-	-
	120	113
Pension contributions	28	26

Katy Quinn was the highest paid officer in 2021 and 2020.

The basic salary of the accounting officer is 5.95 times the median pay for all other staff and total emoluments are 6.34 times the median total emoluments for all other staff.

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

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of 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 information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

8. Other operating expenses

	2021 £'000	2020 £'000
Premises costs	507	431
Subcontracted provision	4,614	2,546
Direct and other costs	990	1,352
Other staff related costs	101	116
Overheads	543	380
Total	6,755	4,825

Other operating expenses include:	2021 £'000	2020 £'000
Auditors' remuneration:		
Financial statements audit	41	40
Internal audit	19	9
Hire of assets under operating leases	37	28
	97	77

9. Interest and other finance costs

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans:	88	96
	88	96
Net interest on defined pension liability (note 22)	200	189
Total	**288**	**285**

10. Taxation

The Governors do not believe the College was liable for any corporation tax arising out of its activities during either period.

11. Tangible fixed assets

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Work in progress relates to the refurbishment of a 1960's building to facilitate the provision of T Level Digital Technologies.

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000		£'000
Cost or valuation				
At 1 August 2020	25,326	2,553	592	28,471
Additions	308	522	975	1,805
Transfer	1,087		(1,087)	-
Disposals	-	-	-	-
At 31 July 2021	**26,721**	**3,075**	**480**	**30,276**
Depreciation				
At 1 August 2020	11,191	1,871	-	13,062
Charge for the year	486	242	-	728
Elimination in respect of disposals	-	-	-	-
At 31 July 2021	**11,677**	**2,113**	-	**13,790**
Net book value at 31 July 2021	**15,044**	**962**	**480**	**16,486**
Net book value at 31 July 2020	14,135	682	592	15,409

12. Trade and other receivables

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	95	131
Prepayments and accrued income	138	302
Amounts owed by the ESFA	1,360	769
Total	**1,593**	**1,203**

13. Cash

The college held no cash equivalents during 2021 (2020 £nil).

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	1,121	1,060	-	2,181
Total	**1,121**	**1,060**	-	**2,181**

14. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdrafts	308	269
Trade payables	425	32
Other taxation and social security	131	133
Accruals and deferred income	1,609	1,473
Staff holiday pay accrual (FRS102 adjustment)	250	250
Government Capital Grants	182	479
Other Creditors	231	142
Total	**3,136**	**2,778**

15. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loans	2,817	3,125
Total	**2,817**	**3,125**

16. Analysis of borrowings

Bank loans

	2021 £'000	2020 £'000
In one year or less	308	269
Between one and two years	320	285
Between two and five years	2,497	2,840
In five years or more	-	-
Total	**3,125**	**3,394**

The borrowings of the College have been used to fund previous capital investment programmes. The borrowings comprise a term loan of £3,394,000 repayable in quarterly instalments. The final repayment is 31 July 2022. The college has a draft agreement in place for a new 5 year term to be formally signed in April 2022 as agreed with its bankers.

On the 10th October 2016 the College entered into a fixed interest rate agreement in respect of the amount owed to Lloyds Bank, at that date, of £4,276,000 for a period of 4.75 years at an interest rate to 2.69%.

The loan is secured via a negative pledge, which means the college cannot provide security to any other lender without the consent of the College's bankers.

17. Capital commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	171	803

18. Provisions

	Defined benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2020	(15,100)	-	(15,100)
Expenditure in the period	(1,094)	-	(1,094)
Transferred from income and expenditure account	1,680	-	1,680
At 31 July 2021	**(14,514)**	-	**(14,514)**

19. Lease Obligations

	2021	2020
	£'000	£'000
Future minimum lease payments due		
Equipment		
Not later than one year	36	37
Later than one year and not later than five years	106	142
later than five years	-	-
	142	180

20. Defined benefit pension scheme

The College's employees belong to two principal pension plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Devon and Somerset Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit pension schemes.

20.1. Total pension cost for the year

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 2012 and of the LGPS 31 March 2016.

Contributions amounting to £153,681 (2020 - £140,000) were payable to the two schemes at 31st July and are included within creditors.

20.2. Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit pension scheme, governed by the Teachers' Pensions Regulations 2010 and Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments. Membership is automatic for teachers and lecturers. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension budgeting and valuation account

Although members of the TPS may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension budgeting and valuation account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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 on (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

The pension costs paid to TPS in the year amounted to £775,000

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 pension 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 pension scheme. The College has set out above the information available on the pension scheme and the implications for the College in terms of the anticipated contribution rates.

The College's contributions payable to the TPS in 2021 amounted to £775,000 (2020 - £725,000).

20.3. Local Government Pension Scheme

The LGPS is a funded, defined-benefit pension plan, with the assets held in separate funds administered by Peninsula Pensions Local Authority (part of Devon and Somerset County Councils). The total contributions made for the year ended 31 July 2021 was £790,000 (2020 - £607,000) of whiche mployers' contributions totalled £790,000 (2020 – £447,000) and employees' contributions totalled £164,000 (2019 – £159,000. The agreed contribution rate for future years are 19.9% for employersand range from 5.5% to 12.5% for employees, depending on salary.

20.3.1. Principal actuarial assumptions

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation. These changes have resulted in a loss of £1,407,000 on the defined benefit obligation; comprising a gain of £1,681,000 from the change in assumed IRP and a loss of £3,088,000 from the change in the assumed gap between RPI and CPI inflation.
The following information is based on a full actuarial valuation of the fund as at 31st March 2019 updated to 31st July 2021 by a qualified independent actuary.

	2021	2020
Inflation assumption (CPI)	**2.80**	2.25
Rate of increase in salaries	**3.80**	3.05
Rate of increase in pensions	**2.80**	2.25
Discount rate for scheme liabilities	**1.60**	1.35
Commutation of pensions to lump sums	**50%**	50%

These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate

future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%

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 2021	At 31 July 2020
Retiring today		
Males	**23.1**	23.3
Females	**24.6**	24.8
Retiring in 20 years		
Males	**24.4**	24.7
Females	**26.1**	26.2

20.3.2. LGPS assets and liabilities

The assets and liabilities in the pension scheme were:

	2021 £'000	**2020 £'000**
Equities	15,444	12,512
Debt instruments	1,203	1,085
Property	2,211	1,857
Cash	1,523	1,447
Gilts	848	947
Total market value of assets	**21,229**	**17,848**

The expected rates of return were:

	2021	2021
Expected rate of return	**17.31%**	2.10%

The amount included in the balance sheet in respect of the pension scheme is as follows:

	2021 £'000	2020 £'000
Fair value of pension scheme assets	**21,229**	17,848
Present value of pension scheme liabilities	**(35,743)**	(32,948)
Net pension scheme (liability)	**(14,514)**	(15,100)

20.3.3. Amounts included in staff costs

Amounts recognised in the statement of comprehensive income in respect of the pension scheme are as follows:

	2021 £'000	2020 £'000
Fair value of plan assets	21,229	17,848
Present value of plan liabilities	(35,743)	(32,948)
[Present value of unfunded liabilities]	-	-
Net pensions scheme (liability)	(14,514)	(15,100)

20.3.4. Amounts included in interest and other finance costs

	2021 **£'000**	2020 £'000
Interest cost on pension scheme net liabilities	**(200)**	(189)

20.3.5. Amounts recognised in other comprehensive income

	2021 £'000	2020 £'000
Return on pension plan assets	2,871	(26)
Other actuarial gains/(losses) on assets	-	117
Experience losses arising on defined benefit obligations	636	(905)
	(2,236)	(4,263)
Changes in assumptions underlying the present value of plan liabilities		
Changes in demographic assumptions	409	(51)
Amount recognised in Other Comprehensive Income	1,680	(5,128)

20.3.6. Movement in net pension scheme liability during the year

	2021 £'000	2020 £'000
Surplus/(deficit) in scheme at 1 August	(15,100)	(9,247)
Movement in year:		
Current service cost	(1,506)	(1,040)
Employer contributions	627	517
Net interest on the defined (liability)/asset	(200)	(189)
Administration expenses	(15)	(13)
Actuarial gain or loss	1,680	(5,128)
Net defined benefit (liability)/asset at 31 July	(14,514)	(15,100)

20.3.7. Asset and liability reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	32,948	26,488
Current Service cost	1,398	1,039
Interest cost	443	553
Contributions by Scheme participants	163	159
Experience gains and losses on defined benefit obligations	(636)	905
Changes in financial assumptions	2,236	4,263
Past Service cost	108	1
Changes in demographic assumptions	(409)	51
Estimated benefits paid	(508)	(511)
Defined benefit obligations at end of period	**35,743**	**32,948**

Reconciliation of Assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	17,848	17,241
Interest on plan assets	243	364
Return on plan assets	2,871	(26)
Other actuarial gains/(losses)	-	117
Employer contributions	627	517
Contributions by Scheme participants	163	159
Estimated benefits paid	(508)	(511)
Administration expenses	(15)	(13)
Fair value of plan assets at end of period	**21,229**	**17,848**

20.3.8. Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions. Contributions started at £76,000 per annum in 2017. 2021 contributions were £59,000. This is in addition to regular contributions. At the next full valuation, the deficit contributions will be reviewed again.

20.3.9. Guaranteed minimum pension benefits

On 26 October 2017, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, (GMP).

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuaries do not believe any adjustment is needed to the value placed on the liabilities as a result of the above outcome.

21. Related party transactions

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

No expenses were claimed by or paid to or on behalf of the Governors during the year (2019 - £nil).

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

22. Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Funding body grants – bursary support	286	285
Disbursed to students	(112)	(172)
Administration costs	(11)	(12)
Balance unspent as at 31 July, included in creditors falling due within one year	163	101

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. The grants and related disbursements have therefore been excluded from the statement of comprehensive income.

23. Access and Participation

	2021 £'000	2020 £'000
Access investment	12	14
Financial support	27	12
Disability support	9	8
Research and Evaluation	13	15
	61	49