



**Report and Financial Statements
for the year ended 31 July 2020**

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as the College Leadership Team and were represented by the following in 2019/20:

Laurel Penrose – Principal & CEO, and Accounting Officer

Jayne Davis – Deputy Principal & CEO

Barbara Owen – Director of Human Resources & Organisational Development

Margaret Playle – Director of Finance and Corporate Services (14 November 2019 – 3 April 2020)

Board of Governors

A full list of Governors is given on pages 14 and 15 of these financial statements.

Anne Roberts, Head of Governance, acted as Clerk throughout the period.

Professional advisers

Financial statement auditors and reporting accountants:

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Internal auditors:

Icca Education, Training and Skills Limited
11th Floor
The McLaren Building
456 Priory Queensway
Birmingham
B4 7LR

Bankers:

Barclays Bank Plc
Corporate Banking
Bridgewater House
Counterslip
Finzels Reach
Bristol
BS1 6BX

Solicitors:

Shakespeare Martineau LLP
1 Colmore Square
Birmingham
B4 6AA

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Report of the Governing Body

OBJECTIVES AND STRATEGY

The Governing Body presents its Report and the audited Financial Statements for the year ended 31st July 2020.

1. Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting City of Bath College. The College is an exempt charity for the purposes of Schedule 3 to the Charities Act 2011.

The Corporation was incorporated as City of Bath College. On 4th June 2015, the Secretary of State granted consent to the Corporation to change the College's name to Bath College.

2. Mission

The Corporation's mission is:

To provide innovative training to develop skills, inspire individuals, enrich the wider community and encourage all to achieve and progress.

3. Public Benefit

Bath College is an exempt charity under Schedule 3 to the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal & CEO Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are given on page 14 and 15 of this document.

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

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment and positive progression record for students
- Strong student support and welfare systems
- Links with employers, industry and commerce
- Effective partnership and community focus

The delivery of public benefit is covered throughout the Governing Body's report.

4. Implementation of Strategic Plan

The College refreshed the Strategic plan (2020-2025) being implemented from August 2020 and identifies ambitions for the future in an environment that remains challenging and uncertain.

As a key part of the Bath and North East Somerset and West of England Combined Authority (WECA), the College knows that its major focus has to be on the provision of excellent professional and technical skills to support business growth and economic development locally and within the region. This focus has been reinforced, as the negative impact of Covid-19 on those whose employment status is vulnerable or lost and the need to provide accessible and flexible learning opportunities to upskill and reskill.

The College progress on quality and performance over the last four years has resulted in exciting opportunities for the future. The significant step forward by achieving a high Ofsted rating in January 2018, was a positive achievement. In addition, this accomplishment has secured further opportunities. For example, the College, in partnership, has successfully attained the status of an Institute of Technology (opened in 2020) and the opportunity to pilot three Technical qualifications starting in September 2021. Both place the College at the forefront of technical and higher education.

Bath College recognises and welcomes its role as part of the local community and values the partnerships developed and the support gained within our locality. It looks forward to further developing links to enhance and

Report of the Governing Body (continued)

grow additional partnerships, in order that it can benefit the social and environmental fabric of the community. Exciting opportunities have begun with collaboration between several local charities and agencies enabling the College to offer support and assistance to those in need and the disengaged. The College is proud to be able to offer our facilities and time to support social community events, like the Bath Family run. The College is stronger as an active member of our community and will continue to enhance its commitment to civic responsibilities.

The College remains resolute in the provision of an exceptional and motivational experience of learning that widens horizons to future careers and opportunities. Students are at the very heart of the College, they are its future and deserve the best.

In order to achieve these ambitious targets, the building of new partnerships and reinforcement of old affiliations, as well as engage employers to a greater extent, is required. This has been done in part and has resulted in a dynamic learning atmosphere that is of value to both the students and employers.

A primary aim of the College is enabling students to realise careers, not just to gain qualifications and not just to settle for jobs.

A new mission statement, drafted from College wide input, states;

“At Bath College we provide innovative training to develop skills, inspire individuals, enrich the wider community and encourage all to achieve and progress.”

In order to fulfil our commitments, the College has identified 6 strategic priorities;

Financial Stability.

The funding from central government for Further Education has declined in real terms over the last ten years. This has resulted in the sector generally being in poor financial health. This combined with the change of legislation (Technical and Further Education Act 2017), which introduced an insolvency regime, has resulted in financial stability remaining a significant focus. The priority in the last strategic plan was to secure a more stable financial platform for the College. Although there remains a constant need to review our financial position and demands continue to pressurise the budgets and income, the College is in a better financial place than before. But further work is required to ensure consistency in the stability and security of finances and enhance our cash reserves.

Excellent Quality

The College will work to ensure that all aspects of our provision will be of the highest quality and provide an aspirational and motivational learning environment enabling our students to thrive. The College aim is to continually improve and embed high expectations and be ambitious for our students and staff.

Growth

The College does not aspire to be the largest College within the sector or the region, but it aspires to be the best. However, there is an optimum size that facilitates sufficient income that secures stability, sustainability, facilitates investment and security. Research has shown this to be circa £25m income. Currently the College is below this income level, our aim is to grow, through both funded delivery and alternative income streams, to secure this position.

Effective and Flexible Curriculum

Students are at the heart of everything we do. Centred on the West of England Skills and Knowledge needs, the curriculum reflects local, regional, as well as national demand. The aim is to provide a flexible, relevant and enabling curriculum. A curriculum that provides the technical, professional and vocational qualifications enabling students to succeed, the softer skills to ensure resilience and career enhancement and the support and security to become high performing and confident individuals will be embedded and an innovative approach to deliver will be encouraged.

Collaboration and Partnerships

The recent working environment, combined with national initiatives demonstrate the need for colleges to work collaboratively. These combined with the still fragile F.E. funding environment requires the development of more partnerships and collaborative behaviours that are underpinned by clear strategic planning. The aim is to add value to delivery while removing wasteful competition and unhelpful duplication, whilst recognising we are in a transitional period.

Report of the Governing Body (continued)

The College needs to be more than just responsive to the needs of its local environment but help define and shape that need. The College will actively engage in the local vision and help develop its civic destiny and thriving community, where people want to live work and study, having a vibrant college at the heart.

Inclusive Learning Culture For All

The aim is to provide a dynamic and positive learning environment for students, with clear expectations and a positive and respectful culture. It is recognised by the College the hard work and dedication of the staff, without which the students would not prosper and succeed. It is now time to focus on the mental wellbeing of staff, their development, enhancing their skills (including digital), knowledge and currency. The aim is to enhance and facilitate a learning culture for our colleagues, through the provision of a differentiated learning framework and enable a College of Learning, not just for students but for all.

5. Financial Objectives

The College's strategic financial aims are that:

- The College will achieve its ambitions and meet the needs of its learners through sound financial management.
- The College will grow and develop through innovation, specialisation, investment and partnerships.

6. Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

Key Performance Indicator	Measure / Target	Actual
Ofsted Grading	Good	Good
Education Specific EBITDA	£1,094	£749k
% of Education Specific EBITDA	5.9%	3.9%
Cash Days	63	47
Current Ratio	1.22 : 1	0.63 : 1
Net Cash Reserves	£2,969k	£2,521k
Staff Costs as % of Income (Excluding FRS102)	63%	61%
Bank Loan Covenants	Compliance	Partial Compliance
ESFA Financial Health Grade	Good	Requires improvement

7. Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment of suppliers within 30 days is 95 per cent. The College's payment policy complies with this requirement.

FINANCIAL POSITION

8. Financial results

The College generated a deficit before other gains and losses in the year of £962k (2019/20: £883k), with Total Comprehensive Deficit of £5,224k (2018/19: £5,854k). Total Comprehensive Deficit in 2019/20 is stated after accounting for an actuarial loss relating to the Local Government Pension Scheme of £4,005k (2018/19 £5,086k). The College has accumulated reserves of £3,048 k deficit. The College had a cash balance of £2,521k at 31 July 2020 (2018/19: £2,902k).

Non-current asset additions during the year amounted to £2,198k. This was split between tangible assets acquired of land and buildings of £2,147k and equipment of £51k.

The element of loans repayable within one year makes up the loans and overdraft due within one year.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 education funding bodies provided 78.8% of the College's total income

Report of the Governing Body (continued)

9. Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum agreed with the Education and Skills Funding Agency.

10. Cash flows and liquidity

The net cash outflow from operating activities of £327k (2018/19: £1,398k inflow) reflects the operating loss experienced by the College in 2019/20. The College currently has a £2.65m term loan (balance: £1,785k) relating to the construction of the Roper Building and a £2.0m term loan (balance: £1,525k) relating to the Norton Radstock College merger. All facilities are with Barclays PLC. These combined arrangements ensure that the College has the liquidity it requires for its day-to-day business.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the cost of servicing debt and operating cash flow.

11. Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure Account Reserve stands in deficit at £ 7,239k (2019: £2,110k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

12. Students

The College enrolled 6595 students in 2019/20 comprising 2303 16-to-18-year-old students, 553 apprentices, 252 higher education students, 152 international students and 4272 adult learners. There was a noticeable reduction in the 19+ adult student recruitment, as a result of the Covid-19 pandemic and the associated lockdown. Students continue to perform well at the College. In 2019/20, overall achievement rate for Further Education was 83.80 %, compared to 82.30% in 18/19. For apprentices the overall achievement rate was 66.8% compared to 64.40% in 18/19, with timely achievement remaining around 53%. These are positive results particularly in the context of the pandemic situation and resulting lockdown environment experienced towards the end of the academic year. There are no national benchmarks being issued for 19/20 due to the pandemic.

13. Curriculum developments

The College seeks to ensure the curriculum offer is well matched to local economic needs and particularly with the priorities of the West of England Combined Authority. The curriculum is organised around the core economic areas of construction and engineering, creative and digital industries, health and care, professional services, rural and land-based economies, leisure, hospitality and tourism. Modest growth is targeted across the next 5 years for the 16-18 cohort. For 2019/20 the Medium-Term Business Plan remains a key strategy document for the College and highlights priorities including growing apprenticeship, Higher Education, Special Educational Needs and Disabilities (SEND) and the full time 16-18 provision.

Covid-19 pandemic impact.

The majority of the College closed on 20th March 2020 in line with government policy. The process was well planned with a number of activities taking place to accommodate the closure and facilitate continual delivery on line within the two weeks prior to closure. These included:

- the distribution of over 120 laptops and digital connectivity devices circulated to identified students and staff
- the extension of and increased allocated payments of the Free School Meals to students, enabling security of food access
- training for staff on online delivery and support

Report of the Governing Body (continued)

- the establishment of a “Safe Space”, at both campuses, for access for vulnerable students. (This remained open throughout the lockdown period and proved popular with over 18 students regularly attending).
- A schedule of updates and outline of contents to staff and students was devised, ensuring effective communication was ongoing.

Contact with students throughout this period was prioritised with work, tutorials and support mechanisms being put into place. In addition, care for the well-being of staff remained the highest consideration, again resulting in a variety of support structures being implemented. Staffing identified as at risk, vulnerable or had contracted the virus were provided with additional and personalised supported though out.

From a financial perspective, actions were undertaken to secure the national and regional funding, with the most significant being the ability to access the Job Retention Scheme, which secured 80% of staff costs for the employees who were furloughed. The College paid the additional 20% pay costs to those staff members, guaranteeing a full income to those concerned. Monitoring and securing uptake of courses, was also implemented to ensure that realisation of ESFA and WECA funding allocations was secured.

Online delivery to students remained active throughout the lockdown period, as did the communication to learners, parents/guardians, and staff members. In addition, guidance on student assessments and grading was completed in line with awarding body requirements, being judicious and timely.

The College partially reopened on the 1st July 2020, again in consideration with government guidelines and with the support of the Governing Body. This enabled assessments, unable to be processed online, to be undertaken by students. Although attendance was restricted to a small number, those who attended were able to complete their final assessments for their studied qualifications.

Online enrolment for the new academic year 20/21, for the new and returning students, was implemented successfully, resulting in over 95% of students being processed without requiring attendance at College. A more personalised approach was required for our Special Education Needs students when an individualised methodology was implemented.

Detailed planning and careful implementation for the reopening of the College in September was refined throughout the lockdown period. Deep cleaning and extensive purchase of cleaning supplies utilised, 2m social distancing and classroom/workshop layouts were implemented, clear operating guidelines circulated and PPE equipment purchased for staff and students for their return. Reporting mechanism, medical processes and a staff handbook was devised and circulated. Covid-19 rooming risk assessments were undertaken. Blended learning and rotational attendance of students is being implemented for the 20/21 academic year.

Throughout this period contact with the Chair of Governors was maintained and frequent. A smaller Corporation Governance Group was established in order to maintain monitoring and oversight between full Corporation meetings; make recommendations to the Corporation through written resolutions or reports; and take necessary decisions on delegable items, including any necessary emergency measures.

The actions taken throughout this period centred on students and staff and were in line with the ethos and values demonstrated by the College in their strategic objectives and priorities. Finances have been well managed and resulted in minimum negative impact.

Going concern

At the meeting of the Corporation on 19th November 2020, members confirmed that the adoption of the going concern assumption is appropriate for the following reasons:

- The College continues to improve results for its learners and its reputation in the area, including having a stronger than expected enrolment in 16-18, High Needs, HE, and International cohorts in September 2020.
- £2,521k cash balance at the end of the year anticipated to be £3,147k at year end 2021 and £3,555k at year end 2022.
- Bank loans of £3,310k (only 17% of revenue) being repaid at a rate of £206k pa and good relationships with its bankers.
- Whilst the College had a technical timing breach of one of its banking covenants, it is working with the bank to develop new loan facilities which will be applied in 2020-21. The bank has confirmed it is not seeking repayment of the loan despite it being redesignated as a current liability as a result of the year end breach.

Report of the Governing Body (continued)

- Education and Skills Funding Agency Financial Health score of “Requires Improvement”, rising to “Good” for FY21 and FY22
- Robust and detailed financial plans and a financial forecast showing base assumptions and demonstrating sufficient funds even allowing for uncertainties such as Covid-19.
- A suite of KPIs to facilitate monitoring of key outcomes.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months after the financial statements are approved. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

14. Financial

The College’s tangible resources include the two main campuses, one located in the heart of Bath and the other at Radstock.

The College has £3.0 million of net liabilities (including a £20.1 million pension liability) and long-term debt of £nil.

15. People

The College employed 451 people at 31 July 2020 of whom 229 were teaching staff.

16. Reputation

Maintaining a quality brand is essential for the College’s success at attracting students and external relationships. The College has a good reputation locally and continues to build its reputation by focussing on the quality of the service it provides and by working in partnership with employers and other local organisations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Senior Management Team regularly undertakes reviews of the risks to which the College is exposed. A strategic risk register is maintained at the College level, including a covid-19 risk assessment which is reviewed regularly by the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College management team.

The subsequent year’s appraisal will review the effectiveness of, and progress made against the risk mitigation actions. In addition to the risks identified in the regular reviews, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College and new situations that impact the effectiveness of the College and its ability to deliver curriculum and support students and staff.

An aspect of work that had prominence in 2019/20 and which demonstrated an increasing risk for the College is the impact of the Covid-19 pandemic. In particular, a reduction in allocated funding through the clawback of the funding allocations because of the inability to achieve full use of the funds with the impact of Covid-19. The AEB and ACL funding streams, governed by the West of England Combined Authority (WECA) and the ESFA, and apprenticeship funding allocation and levy were particularly vulnerable to this negative impact of the pandemic. Although the College, experienced a reduced uptake in this area, this was minimalised through conversion to online learning for adult learners (although it needs to be recognised that this did not fully address the shortfall in student numbers), and effective management of apprenticeships which significantly reduced the potential loss of apprentices through redundancy and the Job Retention Scheme. Additional costs linked with the purchase of PPE and cleaning materials and equipment has been significant. Planning for 20/21 academic year, the uncertainty of student numbers, the ability to continue to deliver and the impact on retention of a blended learning approach has yet to be felt but is recognised as an ongoing concern and is subject to detailed monitoring.

Report of the Governing Body (continued)

In respect to the risks identified last year for the academic year 19/20; the College has received a valuation for the land at Somer Valley campus. The intent to review land in line with the local residential demands is not being pursued. The West of England Combined Authority has released the funding allocation for their AEB budget and confirmed the allocation is in line with the previous year.

Outlined below is a description of the other principal risks that may affect the College. Not all of these risks are within the College's control. Other risks besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector's funding bodies and through the Office for Students (OfS). In 2019/20, 78.8 % of the College's revenue was ultimately public funded. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

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

2. Human resource capacity

As a result of non-competitive pay rates for lecturers in specialist 'hard to recruit' areas. Also for certain service staff roles, the College may not have the capability to deliver and support the curriculum offer in specialist areas such as Construction/Building Services; or to fill niche service roles which result in complaints, loss of reputation and increased risk of failing to comply with statutory requirements.

This risk is mitigated in a number of ways:

- Review of business / project requirements and prioritisation including reviewing skill sets required.
- Specialists such as project managers appointed as required
- Secondment process for development opportunities (initially for managers) created
- Regular meetings with managers and/or staff in areas of peak activity to monitor progress, review priorities and identify if support is needed
- Introduction of an improved internal staff development programme, focused on skills and higher-level qualifications
- Specialist uplifts offered for identified areas.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Pension Government Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Parents
- Funding bodies
- Staff
- Local employers
- Local Authorities
- The local community²

Report of the Governing Body (continued)

- West of England Combined Authority
- Other FE institutions
- Schools
- Universities
- Trade unions and,
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College intranet site, online media and by meetings and events.

17. Equality and Diversity

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, gender reassignment, sexual orientation, disability, religion/belief, pregnancy/maternity, marriage/civil partnerships and age. We aim to create and maintain an inclusive organisation where all can work, learn and reach their full potential. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and sets Equality Objectives in line with our duties under the Equality Act 2010. The College assesses the impact of proposed changes to practices and policies to ensure consideration is given to actions to help to avoid or mitigate any negative impacts on particular protected groups that might arise as a result of the proposed changes.

The College provides a mandatory Equality & Diversity training programme for all staff. Refresher training and training for new starters is carried out on an on-going basis.

The College is a 'Disability Confident Committed' employer and has committed to the principles and objectives of the Disability Confident standard. The College considers all employment applications from disabled persons, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide role based training for all staff, and, wherever possible, to offer all staff the opportunity for career development and promotion.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- There is a range of assistive technology, including reading pens speech to text software, and equipment such as radio aids available to Learners in College
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The Inclusion Team offers support for Learners, both in class and out. 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.
- 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.

In addition, the college actively focuses on individual student needs, successfully providing a curriculum that prepares learners with special needs for the transition to adulthood. It currently has over 240 learners with high needs from 7 different local authorities providing access to learning.

18. Trade Union Facility Time

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

Report of the Governing Body (continued)

Numbers of employees who were relevant trade union officials during the relevant period	FTE employee number
10	9.21

Percentage of time	Number of employees
0%	0
1-50%	10
51-99%	0
100%	0
Total cost of facility time	£13,179.18
Total pay bill	£11,871,590
Percentage of total bill spent on facility time	0.11%
Time spent on paid trade union activities as a percentage of total paid facility time	0.00%

19. Events after the Reporting Period

None.

20. Disclosure of Information to Auditors

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

Approved by order of the members of the Governing Body on 27th January 2021 and signed on its behalf by:



Carole Stott
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the Code of Good Governance for English Colleges and as amended by the Senior Post Holder Remuneration Code (adopted May 2016 and November 2018)
- having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code of Good Governance for English Colleges. Whilst the Corporation has not adopted the UK Corporate Governance Code, the Corporation has due regard to its principles and guidance. The College's Corporate Governance arrangements draw upon best practice available, including those aspects of the UK Corporate Governance Code considered to be relevant to the further education sector and best practice. An internal audit on Corporate Governance undertaken in 2019 provided further assurance in this regard.

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31st July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges dated March 2015 (amended May 2019).

The College is an exempt charity within the meaning of Schedule 3 to 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.

Based on the advice of the Audit Committee and the Principal & CEO, 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"

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

Name	Appointment date	Term of office	Resignation date	Appointment status	Committees served	Attendance for 2019-20 *
Laurel Penrose	October 2016	Ex-officio		Principal & CEO	Governance & Search, Finance & Estates, Curriculum & Quality CGG	86%
Carole Stott	September 2012 and re-appointed Summer 2016 and March 2020 for a 4 month extension	4.4 years (2 nd term)		External	Chair of the Corporation, Governance & Search SSPRC CGG	100%
Andy Furse	October 2013 and re-appointed Summer 2017	4 years (2 nd term)		External	Vice-Chair of Corporation, SSPRC, Audit, Governance & Search CGG	71%
Julian Young	December 2013 and re-appointed Summer 2017	4 years (2 nd term)		External	Audit CGG	86%
Gary Waylen	June 2014 and re-appointed June 2018	4 years (2 nd term)		External	Finance and Estates CGG	100%
Erica Draisey	February 2016 and re-appointed January 2020	4 years (2 nd term)		External	SSPRC, Governance & Search, Curriculum & Quality CGG	100%
Neil Wilson	February 2016 and re-appointed January 2020	4 years (2 nd term)		External	Finance & Estates (to Oct 19) Audit (from Dec 19)	71%
Victor da Cunha	October 2016	4 years	March 2020	External	Finance & Estates	25%
Mike Oram	June 2018	4 years		External		86%
Jenny Williams	June 2018	4 years		External	Curriculum & Quality	86%
Andy Parker	June 2018	4 years	February 2020	External	Audit (to Nov 19) Finance & Estates (from Nov 19)	33%
Ian Tavener	February 2020	4 years		External	Finance & Estates	75%
Paul Blenkinsopp	January 2018	4 years		Staff	Curriculum & Quality	86%

Dan Ball	July 2019 and re-appointed July 2020	1 year (2 nd term)		Student		86%
Appointments made after year end but before Financial Statements signature						
Lisa Ford	October 2020	4 years		External	Finance & Estates	n/a
Victoria Downing-Burn	November 2020	4 years		External		n/a

* Percentage attendance is given for Corporation Board meetings only.

Anne Roberts, Head of Governance was Clerk to the Corporation for the duration of the period.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met seven times during the year ending 31 July 2020. Due to the Covid-19 situation, the Corporation established a Corporation Governance Group (CGG) comprising the Chair, Principal & CEO and the Chairs of all the committees and working groups to manage the non-delegable business of the Board should the need arise between scheduled Board meetings. The CGG met once during the period 2019-20. No Board meetings were cancelled during the period.

The Corporation conducts its business through a number of committees and working groups. The following committees and working groups were established during the year ending 31 July 2020: Audit Committee, Senior Staff Performance & Remuneration Committee, Governance & Search Committee, Curriculum & Quality working group, Finance & Estates working group and Corporation Governance Group. These committees and groups have terms of reference, which have been approved by the Corporation. The Committees and groups met virtually for its meetings from March – July 2020 due to the Covid-19 situation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Governance at:

Bath College
Avon Street
Bath
BA1 1UP

The Head of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation's Governance and Search Committee is responsible for the selection and nomination of any new

Statement of Corporate Governance and Internal Control (continued)

external member for the Board's consideration, and for succession planning. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. Members are not normally considered for a third term unless there is a particular skills shortage or other agreed exceptional circumstances. Due to the exceptional Covid-19 situation, the Corporation approved the extension of the Chair's second term of office to the end of March 2021.

Corporate Performance

During the year, the Corporation undertook an in-depth self-evaluation of its performance against the Code of Good Governance for English Colleges. It also undertook an individual skills audit of its governors with the aim of identifying any skills gap in its membership and to ensure that relevant training and development was put in place. An analysis of performance and plans for further development was discussed at the annual Corporation Strategy day in 2019 and by the Governance & Search Committee. Link roles for lead governors were agreed for Teaching & Learning and Digital Skills, in addition to the Safeguarding and Health & Safety Lead Governors. The Chair of the Corporation also has regular meetings with individual governors to discuss and review performance.

Senior Staff Performance & Remuneration Committee

The Senior Staff Performance & Remuneration Committee comprises three external members of the Corporation and is chaired by the Vice Chair of the Corporation. The Principal & CEO attends meetings but is not a member of the Committee. The Committee met three times during 2019-20. The Corporation has adopted the Association of Colleges Governors Council's Senior Staff Remuneration Code and has due regard to the HE Senior Staff Remuneration Code. One of the committee's responsibilities is to make recommendations to the Board on the remuneration and benefits of the Principal & CEO and senior post-holders who include the Deputy Principal & CEO, Director of Finance & Corporate Services and the Head of Governance.

Details of remuneration for the year ended 31st July 2020 are set out in note 7 to the financial statements and in the annual Remuneration Report.

Governance & Search Committee

The Governance & Search Committee comprises four members of the Corporation, including the Principal & CEO and is chaired by the Chair of the Corporation. The Committee's responsibilities include review of governance practices and policies and recommendations to the Corporation on the recruitment of governors. The Committee met four times during 2019-20.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Chair and Principal & CEO as Accounting Officer) and includes appropriately skilled individuals. It is chaired by an external member. The Committee operates in accordance with written terms of reference approved by the Corporation and in line with the ESFA's Post-16 Audit Code of Practice. The Audit Committee met three times during the year and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee advises the Corporation on the adequacy and effectiveness of the Corporation's assurance framework and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

Internal control

Scope of responsibility

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation has delegated the day-to-day responsibility to the Principal & CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Bath College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

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

During 2019-20, the College introduced a covid-19 risk assessment process to put in place control measures to manage Covid-19 and to provide assurance to the Corporation in how the risks were being managed and monitored. The Corporation regularly reviewed and monitored these risks.

Bath College engages an internal auditor service, which operates in accordance with the requirements of the ESFA's *Post-16 Audit Code of Practice*. The work of the internal auditors is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Internal Auditors provide the governing body with a report on internal audit activity in the College. The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal & CEO has responsibility for reviewing the effectiveness of the system of internal control. Her 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 in their management letter and other reports.

The Principal & CEO has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place. During 2019-20, the impact of Covid-19 resulted in the delay to some of the planned internal audit

Statement of Corporate Governance and Internal Control (continued)

work. The strategy and schedule of internal audit work for 2020-21 reflects this and was reviewed in June 2020 by the Audit Committee.

The Principal & CEO and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal & CEO and senior management team and the Audit Committee also receive regular reports from the internal auditors and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation'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. At its January 2021 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2020 by considering documentation from the senior management team and the internal auditors, and taking account of events since 31st July 2020.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 27th January 2021 and signed on its behalf by:



Carole Stott
Chair



Laurel Penrose
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA and any other relevant funding bodies, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Corporation and surplus/deficit of income over expenditure for that period.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 27th January 2021 and signed on its behalf by:



Carole Stott
Chair

Statement of regularity, propriety and compliance

The Corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreements and contracts with the ESFA.

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

We confirm that no instances of material irregularity, impropriety or funding 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.



Laurel Penrose
Accounting officer

27th January 2021



Carole Stott
Chair of governors

27th January 2021

Independent auditor's report to the members of Bath College

Opinion

We have audited the financial statements of Bath College (the 'College') for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page page 19 the College are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

**90 Victoria Street
Bristol
BS1 6DP**

Date 28 January 2021

To: The College of Bath College and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”)

In accordance with the terms of our engagement letter dated 5 October 2020 and further to the requirements and conditions of funding in ESFA’s 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, in all material respects, the expenditure disbursed and income received by Bath College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice (“the Code”) 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 data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Bath 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 Bath 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 Bath College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Bath College and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Code 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 to our conclusion includes:

- Reviewed the statement on the College’s regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College’s completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/ funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year

- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed: *Mazars LLP*

Mazars LLP

Date: 28 January 2021

Bath College - Statement of Comprehensive Income

	Notes	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	15,640	16,083
Tuition fees and education contracts	3	2,378	2,328
Other grants and contracts	4	218	-
Other income	5	1,594	1,420
Endowment and investment income	6	14	20
		<hr/>	<hr/>
Total income		19,844	19,850
EXPENDITURE			
Staff costs	7	12,552	12,576
Fundamental restructuring costs	7	140	9
Other operating expenses	8	6,389	6,400
Depreciation	11	1,198	1,252
Amortisation	12	38	45
Interest and other finance costs	9	489	450
		<hr/>	<hr/>
Total expenditure		20,806	20,733
		<hr/>	<hr/>
(Deficit) before other gains and losses		(962)	(883)
Profit on disposal of assets	11	-	-
		<hr/>	<hr/>
(Deficit) before tax		(962)	(883)
Taxation	10	-	-
		<hr/>	<hr/>
(Deficit) for the year		(962)	(883)
Actuarial (loss) in respect of pension schemes		(4,005)	(5,086)
Actuarial (loss)/gain in respect of enhanced pension scheme		(257)	114
		<hr/>	<hr/>
Total Comprehensive Income for the year		(5,224)	(5,854)
		<hr/> <hr/>	<hr/> <hr/>

Bath College - Statement of Change in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 31st July 2018	3,651	4,378	8,029
(Deficit) from the Income and Expenditure Account	(883)	-	(883)
Other comprehensive expenditure	(4,972)	-	(4,972)
Transfer between Revaluation and Income and Expenditure Reserves	94	(94)	-
Total comprehensive income for the year	(5,761)	(94)	(5,854)
Balance at 31st July 2019	(2,110)	4,286	2,176
(Deficit) from the Income and Expenditure Account	(962)	-	(962)
Other comprehensive expenditure	(4,262)	-	(4,262)
Transfer between Revaluation and Income and Expenditure Reserves	95	(95)	-
Total comprehensive income for the year	(5,129)	(95)	(5,225)
Balance at 31st July 2020	(7,239)	4,191	(3,048)

Bath College - Balance Sheet as at 31 July 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	11	31,194	30,194
Intangible assets	12	22	60
		<u>31,216</u>	<u>30,254</u>
Current assets			
Stocks		91	69
Trade and other receivables	13	1,415	1,177
Cash and cash equivalents	18	2,521	2,902
		4,027	4,149
Less: Creditors – amounts falling due within one year	14	(6,369)	(3,887)
		<u>(2,342)</u>	<u>262</u>
Net current assets			
Total assets less current liabilities		28,874	30,517
Less: Creditors – amounts falling due after more than one year	15	(9,646)	(11,196)
Provisions			
Defined benefit pension obligations	17	(20,058)	(15,104)
Other provisions	17	(2,218)	(2,041)
		<u>(3,048)</u>	<u>2,176</u>
Total net (liabilities)/assets			
Unrestricted reserves			
Income and expenditure account		(7,239)	(2,110)
Revaluation reserve		4,191	4,286
		<u>(3,048)</u>	<u>2,176</u>
Total unrestricted reserves			

The financial statements on pages 25 to 51 were approved and authorised for issue by the Corporation on 27th January 2021 and were signed on its behalf on that date by:



Carole Stott
Chair



Laurel Penrose
Principal

Bath College - Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit) for the year		(962)	(883)
Adjustment for non-cash items			
Depreciation		1,198	1,252
Amortisation		38	45
Release of government capital grants		(629)	(442)
FRS102 (28) charge		625	542
(Increase)/decrease in stocks		(22)	(1)
(Increase)/decrease in debtors		(238)	(217)
Increase/(decrease) in creditors due within one year		(687)	876
Increase/(decrease) in provisions		(125)	(205)
Adjustment for investing or financing activities			
Investment income		(14)	(20)
Interest payable		489	450
Net cash flow from operating activities		<u>(327)</u>	<u>1,398</u>
Cash flows from investing activities			
Investment income		14	20
Government capital grants received		2,459	167
Payments made to acquire fixed assets		(2,198)	(671)
		<u>275</u>	<u>(484)</u>
Cash flows from financing activities			
Interest paid		(121)	(130)
Interest element of finance lease rental payments		-	(1)
Movement on bursary scheme		(2)	(4)
Repayments of amounts borrowed		(206)	(206)
		<u>(329)</u>	<u>(341)</u>
Increase / (decrease) in cash and cash equivalents in year		<u>(381)</u>	<u>573</u>
Cash and cash equivalents at beginning of the year		2,902	2,329
Cash and cash equivalents at end of the year		2,521	2,902

Bath College – Notes to the accounts

1. Statement of accounting policies and estimation techniques

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bath College. The College is an exempt charity for the purposes of Schedule 3 of the Charities Act 2011. The Corporation was established in England and the registered office is Bath College, Avon Street, Bath, BA1 1UP.

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

In accordance with FRS 102, the financial statements do not include the income and expenditure of the Students' Union activities as the College does not exert control or dominant influence over policy decisions. However, the financial statements do include the salary costs of the Students' Union president which represents the College's support to the Union.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The College currently has £3.31m of loans outstanding with its bank on terms as disclosed in note 14. One bank covenant was not met at 31 July 2020 and this was identified after the year end. Consequently, all loans covered by that covenant, which are all loans that the College has with the Bank, become immediately repayable on demand and are thus all shown as due for repayment within 1 year. As soon as the covenant breach was noted, the College entered into discussions with the Bank. The Bank have been supportive of the College, noting that it was a technical covenant breach and new loan agreements and covenants were agreed on 22 January 2021. The College's forecasts and financial projections indicate that it will be able to operate within these new facilities and new covenants for the foreseeable future.

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

Recognition of income

Revenue grant funding

Government revenue grants, which include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depends on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Bath College – Notes to the accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

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

Capital grant funding

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

Fee income

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

Investment income

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

Agency arrangements

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

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

Bath College – Notes to the accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not really obtainable. Freehold buildings are depreciated on a straight-line basis over the expected useful economic life to the College of 50 years. Freehold land is not depreciated. The College depreciates major adaptations to buildings over the building's remaining useful economic life.

Where land and buildings are acquired with the aid of government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Bath College – Notes to the accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

Equipment

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

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

- motor vehicles and general equipment: 5 years
- computer equipment: 4 years
- fixtures and fittings: 5-15 years

Where equipment is acquired with the aid of government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Non-current assets - Intangible assets

Computer software licences

Acquired computer software licences are initially capitalised at cost, which includes the purchase price and other directly attributable costs of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the Statement of Comprehensive Income using the straight-line method over their estimated useful lives of four years.

The amortisation period and amortisation method of computer software licences are reviewed at least at each balance sheet date. The effects of any revision are recognised in the Statement of Comprehensive Income when changes arise.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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.

Bath College – Notes to the accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Stocks

Stocks of raw materials and consumables are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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 three 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.

All loans, investments and short-term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated 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 period with all resulting exchange differences being taken to the Statement of Comprehensive Income in the period in which they arise.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Bath College – Notes to the accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

Provisions and contingent liabilities

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. 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 liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Bath College - Notes to the Accounts (continued)

2. Funding council grants

	2020	2019
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – adult education budget	2,985	3,229
Education and Skills Funding Agency – 16 -18	9,426	9,960
Education and Skills Funding Agency - apprenticeships	1,402	1,558
Higher Education Funding Council	202	255
Other recurrent grant	996	639
Specific Grants		
Releases of government capital grants	629	442
	<u>15,640</u>	<u>16,083</u>
Total	<u>15,640</u>	<u>16,083</u>

3. Tuition fees and education contracts

	2020	2019
	£'000	£'000
Adult Education fees	1,174	968
Apprenticeship fees and contracts	34	18
Fees for FE loan supported courses	356	372
Fees for HE loan supported courses	409	515
International students' fees	377	397
	<u>2,350</u>	<u>2,270</u>
Total tuition fees	<u>2,350</u>	<u>2,270</u>
Education contracts	28	57
	<u>2,378</u>	<u>2,328</u>
Total	<u>2,378</u>	<u>2,328</u>

4. Other grants and contracts

	2020	2019
	£'000	£'000
Coronavirus Job Retention Scheme grant	218	-

The corporation furloughed non-teaching staff under the government's Coronavirus Job Retention Scheme. The funding received of £218 k relates to staff costs which are included within the staff costs note below as appropriate.

Bath College - Notes to the Accounts (continued)

5. Other Income

	2020	2019
	£'000	£'000
Catering and residences	135	282
Miscellaneous income	1,459	1,138
Total	<u>1,594</u>	<u>1,420</u>

6. Investment income

	2020	2019
	£'000	£'000
Other interest receivable	14	20
	<u>14</u>	<u>20</u>

7. Staff costs

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

	2020	2019
	No.	No.
Teaching staff	172	190
Non-teaching staff	155	162
	<u>327</u>	<u>352</u>

Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	8,998	9,284
Social security costs	754	776
Direct pension costs	1,659	1,349
Other pension costs	173	161
FRS 102 (28) charge	625	542
	<u>12,209</u>	<u>12,133</u>
Payroll sub total	12,209	12,133
Contracted out staffing services	343	443
	<u>12,552</u>	<u>12,576</u>
Fundamental restructuring costs - Contractual	140	9
	<u>12,692</u>	<u>12,585</u>

Bath College - Notes to the Accounts (continued)

7. Staff costs (continued)

Restructuring costs are approved in accordance with College policy and are recognised at the point at which an 'obligating event' has occurred.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, the Deputy Principal and two Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	4	6

The number of employees earning an annual salary in excess of sixty thousand pounds, split between key management personal and other staff, who received emoluments, excluding pension contributions in the following ranges was:

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£20,001 to £25,000	0	1	0	0
£30,001 to £35,000	1	1	0	0
£55,001 to £60,000	1	1	0	0
£85,001 to £90,000	1	1	0	0
£90,001 to £95,000	0	1	0	0
£130,001 to £135,000	1	1	0	0
	4	6	0	0

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	307	337
Benefits in kind	0	0
	<u>307</u>	<u>337</u>
Pension contributions	64	54
	<u>64</u>	<u>54</u>
Total emoluments	<u>371</u>	<u>391</u>

Bath College - Notes to the Accounts (continued)

7 Staff costs (continued)

The above emoluments include severance payments of nil (2019: nil).

The above emoluments include amounts payable to the Principal and Chief Executive, who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2019 £'000	2019 £'000
Basic salary	131	131
Benefits in kind	<u>0</u>	<u>0</u>
Pension contributions	<u>131</u> <u>30</u>	<u>131</u> <u>22</u>
Total emoluments	<u>161</u>	<u>153</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme, and are paid at the same rate as for other employees.

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

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles. 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 the Corporation, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2020	2019
Principal's basic salary as a multiple of the median of all staff	5.2	5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	5.2	5.1

Bath College - Notes to the Accounts (continued)

7. Staff costs (continued)

Access & Participation

	2020
	£'000s
Staff costs	
Disability Support	1,319
Total	<u>1,319</u>

8. Other operating expenses

	2020	2019
	£'000	£'000
Teaching costs	1,477	867
Non-teaching costs	3,547	3,936
Premises costs	1,365	1,597
	<hr/>	<hr/>
Total	<u>6,389</u>	<u>6,400</u>

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	25	24
Other services provided by the financial statements' auditor		
Grant claim audit	2	-
Subcontracting audit	3	-
Internal audit	13	19
Depreciation and amortisation	1,236	1,297
Hire of asset under operating leases	28	45
	<hr/>	<hr/>

Access & Participation

Other operating costs

	2020
	£000's
Financial Support	139
Disability Support	<u>260</u>
Total	<u>399</u>

£399,000 of these costs are already included in the overall costs figures included in the financial statements.

Full details of the Access & Participation plan for Bath College is published on the website and can be found at: <https://www.bathcollege.ac.uk/wp-content/uploads/2019/11/Access-And-Participation-Plan-2019-20.pdf>

Bath College - Notes to the Accounts (continued)

9. Interest payable

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	121	130
	121	130
On finance leases	0	1
Interest costs on enhanced pension provision	45	62
Pension finance costs (note 22)	323	258
Total	489	450

10. Taxation

The members do not believe that the college was liable for any corporation tax arising out of its activities for the current or prior period.

11. Tangible fixed assets

	Land and buildings		Assets in the	Equipment	Total
	Freehold	Long leasehold	Course of Construction		
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	37,507	687	152	9,480	47,826
Additions	-	-	2,147	51	2,198
At 31 July 2020	37,507	687	2,299	9,531	50,024
Depreciation					
At 1 August 2019	8,799	521	-	8,312	17,632
Charge for the year	761	16	-	421	1,198
Transfer	(32)	32	-	-	-
At 31 July 2020	9,528	569	-	8,733	18,830
Net book value at 31 July 2020	27,979	118	2,299	798	31,194
Net book value at 31 July 2019	28,709	165	152	1,168	30,194

Bath College - Notes to the Accounts (continued)

Tangible Fixed Assets continued

The College carries inherited assets at a value of £4,190,800 (2019: £4,284,380). These assets were valued on incorporation and the historic cost of these assets is £nil. Should these assets be sold, then the proceeds would be used within the guidelines set down by the Education and Skills Funding Agency, or surrendered to them.

Land and buildings with a net book value of £7,342,444 (2019: £7,670,975) have been funded by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Skills Funding Agency, to surrender the proceeds.

The net book value for equipment includes an amount of £nil (2019: £13,095) in respect of assets held under finance leases. The depreciation charge on these assets is £13,095 (2019: £19,642).

12. Intangible assets

	Computer Software Costs
	£'000
Cost or valuation	
At 1 August 2019	269
Additions	-
Disposals	-
At 31 July 2020	269
Amortisation	
At 1 August 2019	209
Charge for the year	38
At 31 July 2020	247
Net book value at 31 July 2020	22
Net book value at 31 July 2019	60

13. Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	899	320
Prepayments and accrued income	317	352
Amounts owed by Funding Bodies	199	505
Total	1,415	1,177

Bath College - Notes to the Accounts (continued)

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans and overdrafts	3,310	206
Trade payables	328	724
Payments received in advance	141	434
Other taxation and social security	178	191
Accruals and deferred income	921	987
Amounts owed to the Education & Skills Funding Agency	136	-
Other creditors	834	848
Apprenticeship Incentive Control Account	51	92
Deferred income - government capital grants	470	405
	<u>6,369</u>	<u>3,887</u>
Total	<u>6,369</u>	<u>3,887</u>

15. Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Bank loans	-	3,310
Bursary scheme	113	115
Deferred income - government capital grants	9,533	7,770
	<u>9,646</u>	<u>11,196</u>
Total	<u>9,646</u>	<u>11,196</u>

The Bursary scheme is a donated fund made available to assist eligible full time students with course fees, travel and course related items.

16. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

		2020	2019
		£'000	£'000
In one year or less	- overdraft	-	-
	- bank loans	3,310	206
Between one and two years	- bank loans	-	3,310
		<u>3,310</u>	<u>3,516</u>
Total		<u>3,310</u>	<u>3,516</u>

Bath College - Notes to the Accounts (continued)

The College's bankers are Barclays Bank Plc. As part of the loan agreements with the Bank the College agreed several covenants, compliance with which is measured by the Bank at each year end. One covenant was not met at 31 July 2020 and this was identified after the year end. Consequently, all loans covered by that covenant, which are all loans that the College has with the Bank, become immediately repayable on demand and are thus all shown as due for repayment within 1 year.

The bank borrowings consist of:

- A loan of £2,650,000 repayable over 25 years from September 2012, with a 5 year fixed rate of interest of 2.555%, originally until August 2021, now due on demand.
- A loan of £2,000,000 repayable over 5 years from October 2015, with a fixed rate of interest of 3.990%, originally until August 2021, now due on demand.

All facilities are secured against the William Herschel building, Bath. Barclays also holds a general mortgage over the freehold property at South Hill Park, Radstock.

As soon as the covenant breach was noted, the College entered into discussions with the Bank. The Bank have been supportive of the College, noting that it was a technical covenant breach and, on 22 January 2021, the College signed legally binding loan agreements with the Bank for the following loan facilities which will be enacted in April 2021, when the Colleges existing fixed rate periods expire.

The terms of the new loans and covenants entered into on 22 January 2021 were as follows;

A loan of £3,249,000 repayable over 5 years from 22 April 2021 with a fixed rate of interest that will be based on the Bank of England base rate on 22 April 2021 plus a margin of 2.75%.

17. Provisions

	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	15,104	2,021	20	17,145
Expenditure in the period	(669)	(125)	-	(794)
Additions in the period	5,623	-	-	5,623
Interest cost	-	45	-	45
Actuarial loss on Enhanced Pension	-	257	-	257
At 31 July 2020	<u>20,058</u>	<u>2,198</u>	<u>20</u>	<u>22,276</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.20%
Discount rate	1.3%	2.20%

18. Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash at bank	2,902	(381)	-	2,521
Total	<u>2,902</u>	<u>(381)</u>	<u>-</u>	<u>2,521</u>

Bath College - Notes to the Accounts (continued)

19. Capital commitments

	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	<u>569</u>	<u>2,344</u>

20. Lease Obligations

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

	2020	2019
	£'000	£'000
Future minimum annual lease payments due		
Land and buildings		
Not later than one year	84	84
Later than one year and not later than five years	304	350
Later than five years	<u>152</u>	<u>234</u>
	<u>540</u>	<u>668</u>
Other		
Not later than one year	28	26
Later than one year and not later than five years	<u>55</u>	<u>52</u>
	<u>83</u>	<u>78</u>

21. Events after the reporting period

There were no events after the balance sheet date to report.

22. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bath & North East Somerset Council. Both are multi-employer defined-benefit plans.

	2020	2019
	£'000	£'000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	1,033	760
Local Government Pension Scheme:		
Contributions paid	501	466
FRS 102 (28) charge	<u>625</u>	<u>542</u>
	1,126	1,008
Charge to the Statement of Comprehensive Income		
Enhanced pension charge to Statement of Comprehensive Income	<u>125</u>	<u>123</u>
Total Pension Cost for Year	<u>2,284</u>	<u>1,891</u>

Bath College - Notes to the Accounts (continued)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The latest valuation report was published by the Department for Education 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 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 and 2020-21 academic years.

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

The pension costs paid to TPS in the year amounted to £1,157,862 (2019: £,883,142)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2020 was £1,499k, of which employer's contributions totalled £501k, employees' contributions totalled £200k and deficit contributions totalled £798k. The agreed contribution rates for future years increased from 14.6% to 17.3 % for employers on 1st April 2020 and range from 5.5% to 12.5% cent for employees, depending on salary according to a national scale.

Bath College - Notes to the Accounts (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by Mercer Limited, a qualified independent actuary.

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

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

	At 31 July 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	23.2	23.7
Females	25.3	26.2
<i>Retiring in 20 years</i>		
Males	24.7	26.3
Females	27.3	29.0

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	11,650	13,045
Government Bonds	1,898	-
Other Bonds	712	3,038
Property	2,320	1,533
Cash	791	334
Other	8,989	9,922
Total market value of assets	<u>26,360</u>	<u>27,872</u>
Actual return on plan assets	<u>1,174</u>	<u>2,051</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	26,360	27,872
Present value of plan liabilities	(46,418)	(42,976)
Net pensions liability (Note 17)	<u>(20,058)</u>	<u>(15,104)</u>

Bath College - Notes to the Accounts (continued)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	(1,206)	(934)
Employer contributions	669	615
Past Service Cost	(54)	(207)
Effect of curtailments	(14)	-
Administration expenses	<u>(20)</u>	<u>(16)</u>
Total costs	<u>(625)</u>	<u>(542)</u>
Amounts included in investment income		
Expected return on pension scheme assets	614	756
Interest on pension liabilities	<u>(938)</u>	<u>(1,014)</u>
Net interest (cost)/income	<u>(324)</u>	<u>(258)</u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(2,144)	1,070
Changes in assumptions underlying the present value of plan liabilities	<u>(1,861)</u>	<u>(6,156)</u>
Amount recognised in Other Comprehensive Income	<u>(4,005)</u>	<u>(5,086)</u>
Movement in College's share of the Scheme deficit		
	2020 £'000	2019 £'000
Net defined benefit liability at 1 August 2019	(15,104)	(9,218)
Movement in year:		
Current service cost	(1,206)	(934)
Employer contributions	669	615
Curtailment	(14)	-
Past Service Cost	(54)	(207)
Admin charge	(20)	(16)
Net interest on the defined (liability)/asset	(324)	(258)
Actuarial gain or loss	<u>(4,005)</u>	<u>(5,086)</u>
Net defined benefit liability at 31 July 2020	<u>(20,058)</u>	<u>(15,104)</u>

Bath College - Notes to the Accounts (continued)

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Reconciliation of defined benefit obligations		
Defined benefit obligations at 1 August 2019	42,976	35,317
Current Service cost	1,206	934
Interest cost	938	1014
Contributions by Scheme participants	197	180
Changes in financial assumptions	1,861	6,156
Estimated benefits paid	(828)	(832)
Past Service cost	54	207
Curtailments and settlements	14	-
Defined benefit obligations at 31 July 2020	<u>46,418</u>	<u>42,976</u>

	2020 £'000	2019 £'000
Reconciliation of fair value of plan assets		
Fair value of plan assets at 1 August 2019	27,872	26,099
Interest on plan assets	614	756
Return on plan assets	(2,144)	1,070
Admin expenses	(20)	(16)
Employer contributions	669	615
Contributions by Scheme participants	197	180
Estimated benefits paid	(828)	(832)
Fair value of plan assets at 31 July 2020	<u>26,360</u>	<u>27,872</u>

23. Financial Instruments

	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at amortised cost	<u>3,649</u>	<u>3,727</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,738</u>	<u>5,419</u>

Financial assets that are debt instruments measured at amortised cost comprise debtors excluding prepayments and cash and cash equivalents.

Bath College - Notes to the Accounts (continued)

24. 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

A summary of such transactions is as follows:

Organisation	Governor	Capacity	2019/20		2018/19		Nature of transaction
			Total	Out-standing	Total	Out-standing	
			£000	£000	£000	£000	
Income							
Curo Ltd	Victor da Cunha	Director	1	-	4	-	Course Income
Rotork Plc	Gary Waylen	Director	8	-	16	-	Course Income
Wessex Water Services Ltd	Mr Neil Wilson	Director	6	-	5	-	Course Income
Bath and North East Somerset Council	Andrew Furse Lisa Ford	Councillor Employee	46	-	-	-	Sundry income
Expenditure							
Association of Colleges	Carole Stott & Laurel Penrose	Director	-	-	2	-	Training/ exhibition
			21	-	25	-	College membership
Curo Ltd	Victor da Cunha	Director	10	-	7	-	Rent
Wessex Water Services Ltd	Neil Wilson	Director	-	-	24	-	Utilities
Asdan Ltd	Jenny Williams	Employee	1	-	1	-	Annual Centre Fee / Extended Project
Bath and North East Somerset Council	Andrew Furse & Lisa Ford	Councillor Employee	64	56	65	-	Rates/Waste Disposal/Various
Royal United Hospitals	Victoria Downing Burn	Employee	13	2	N/A	N/A	Occupational Health Services

Transactions with the Funding Bodies and HEFCE are detailed in notes 2, 13 and 14.

Bath College - Notes to the Accounts (continued)

25. Amounts disbursed as agent

Learner support funds

	2020	2019
	£'000	£'000
Balance brought forward	-	-
Funding body grants – discretionary learner support	248	264
	<hr/>	<hr/>
	248	264
Disbursed to students	(248)	(264)
	<hr/>	<hr/>
	-	-
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>-</u>

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