



South Gloucestershire and Stroud College Annual Report and Financial Statements Year ended 31 July 2020



South Gloucestershire and Stroud College

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South Gloucestershire and Stroud College

Reference and Administrative Details

Board of Governors

A full list of Governors is given on pages 15-17.

Mrs S Glover acted as Clerk to the Corporation throughout the period.

Clerk to the Corporation

Mrs S Glover

Senior management team

Kevin Hamblin, Group CEO & Executive Principal; Accounting Officer

Sara-Jane Watkins, College Principal

Judith Saunderson, Group Chief Financial Officer

Andy Slaney, Chief Operating Officer (resigned 18/3/20)

Gavin Murray, Vice Principal Performance, Standards and Effectiveness (appointed 1/2/20)

Moira Foster-Fitzgerald, Chief Group Services Officer

Principal and Registered Office

Stratford Road, Stroud, Gloucestershire, GL5 4AH

Professional advisors

External auditors: KPMG LLP, Birmingham

Internal auditors: RSM, Birmingham

Solicitors: Irwin Mitchell, London
FootAnstey LLP, Bristol

Bankers: Lloyds Bank plc, Bristol
Clydesdale Bank, Glasgow

South Gloucestershire and Stroud College

Strategic Report

OBJECTIVES AND STRATEGY

The Corporation present their annual report together with the financial statements and auditor's report for South Gloucestershire and Stroud College for the year ended 31 July 2020.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting South Gloucestershire and Stroud College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Group includes the College and its subsidiary undertakings, South Gloucestershire and Stroud College Commercial Services Limited (company number 9241494) and SGS Group Services Limited (a dormant company, company number 9791671). An application has been made to Companies House to dissolve SGS Group Services and strike off this company from the register.

South Gloucestershire and Stroud College Commercial Services Limited was formed on 30 September 2014 and SGS Group Services Limited was formed on 23 September 2015, both as private companies limited by shares under the Companies Act 2006.

The College is the registered holder of one fully paid ordinary share in each company. These shares comprise the only issued share capital of the companies.

The Directors of the companies are disclosed on pages 20-21.

Mission and Strategy

The Corporation has adopted the following mission statement:

"We positively change people's lives and add value to the social and economic wellbeing of our communities. We do this by providing high quality, innovative, accessible education and training in a friendly culture of mutual respect and support."

The College has adopted the following strategic priorities:

- To be recognised as an outstanding College.
- To be visionary and innovative in providing educational opportunities by anticipating and meeting demand.
- To enhance the quality of the experience we provide for our learners and our staff.
- To develop responsive partnerships with all our learners, employers, and all our stakeholders.
- To ensure we have the necessary resources to support our Plan.
- To provide an educational and training environment which is equipped for the delivery of high-quality learning.

COVID-19:

Following the closure of the College in March 2020 in light of the COVID-19 pandemic, the Group Chief Executive Officer and Executive Principal and the College Principal began meeting fortnightly with the Chair, Vice-Chair and Clerk of the Corporation to present a summary document which outlines current issues, the risks and how the College is mitigating these. In addition, these risks were also included on a separate COVID-19 risk register. This has since been incorporated into the main College risk register as risks are addressed and new processes embedded.

All staff moved to working off site with significant support from our IT teams, both in delivering remote teaching to learners and in running all of the back-office provision remotely. This continued until learners were allowed back on to campus in September 2020. We were in a fortunate position having been users of Microsoft TEAMS with learners for 12 months prior to lockdown with all delivery staff fully conversant in the use of this system.

To support our continued use of TEAMS throughout the pandemic, we have invested heavily in our online learning platform and have recruited a dedicated online delivery manager.

In order to secure our 19/20 adult funding targets, extensive marketing plans were in place pre-lockdown and during this period which assisted us enrol 2000 new adult learners. We have developed an extensive adult portfolio of provision that can be found at <https://www.sgscol.ac.uk/study/online>

We have continued to innovate with our online programmes, moving from taking our existing delivery and moving to remote delivery, through to brand new programmes including hairdressing, art on prescription, construction, yoga and gardening.

We also invested in a team of staff who provided a dedicated support line to our online learners, and would provide regular calls via the phone or TEAMS, to provide guidance and support as well as discussing progression opportunities.

Following advice from our HR specialists and consultation with Governors, the College took the decision not to furlough the very small potential cohort of staff who would be eligible under this scheme. The College worked closely with suppliers providing support with relevant guidance on furloughing staff, various tax deferment schemes and business interruption loans to ensure that the maximum cost savings could be achieved. This was particularly relevant for our cleaning and catering contracts.

The planned £1m capital investment at our Filton campus was paused whilst we re-forecast and considered the key risks and uncertainties in our forecast position. The Prime Minister subsequently announced in June that an initial £200m of the £1.5 billion in capital funding made available to support the upgrading of the further education (FE) estate would be brought forward to financial year 2020 to 2021. This will support FE colleges to undertake immediate remedial work in this financial year to upgrade the condition of their estate and provide a boost as the country and its education system emerges from lockdown. The College has been allocated £1,134k and has developed plans to focus this spend on key areas previously identified requiring capital investment.

Resources

The Group operated from four main campuses at Stroud, Filton Avenue, Berkeley and WISE, with specialist satellite campuses for the School of Art and Design at the Royal West of England Art Academy at Queen's Road in Clifton and the Bristol School of Animal Management and Conservation at Bristol Zoological Gardens, also in Clifton.

During 2019/20 the Group employed on average 882 people, of whom 426 are teaching staff.

The Group has £26.4m (2019: £26.1m) of net assets, excluding a £39.0m (2019: £26.7m) pension liability, including long-term debt of £8.4m (2019: £9.2m). The pension liability is calculated as at 31 July each year based on assumptions made by the actuary, some of which are stipulated by FRS102. This does not reflect the true liability which is calculated every three years. There are, as a result, significant fluctuations year on year. The triennial valuation informs the contribution rate and lump sum deficit payments to reduce the liability over the period agreed with the scheme administrators. The liability is not included in the financial health calculations as it is not expected to crystallise, and has been discounted when considering the net asset position of the College.

Stakeholders

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

- Learners - its current, future and past students
- Parents
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers
- Our partners including Schools, other training providers
- Local and Combined Local Authorities
- Local Enterprise Partnerships (LEPs)
- Our Communities
- Our supply chain
- Other FE and HE institutions
- Trade Unions
- Professional bodies
- Private Training Partners
- University Technical Colleges
- Academy Trusts, in particular South Gloucestershire and Stroud Academy Trust
- Regulators, including the Education and Skills Funding Agency (ESFA), the West of England Combined Authority (WECA) and the Office for Students (OfS)

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

In particular the College considers good communication with its staff to be very important and to this end publishes regular newsletters and bulletins. The College also encourages participation in the staff forum. Staff and student involvement in committees is encouraged with places reserved on the Corporation for staff and student members.

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15-17.

In setting and reviewing the College's Strategic priorities the Corporation 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 returns are for the public benefit.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to over 4000 16-18 year olds, 3000 adults, 450 HE learners, 2000 leisure learners and 2000 apprentices. The College also has over 300 16-24 learners with Educational Health Care Plans. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial Results

The Group generated a deficit before other gains and losses of £1,851k (2018/19: deficit of £1,088k) and total comprehensive income of £-12,056k (2018/19: -£10,002k). These financial results include adjustments to the valuation of the Local Government Pension Scheme as detailed in note 25 to the accounts. These are based on the full valuation as at 31 March 2019 rolled forward using assumptions as required by FRS102.

Excluding FRS102 LGPS adjustments and the adjustment for the revaluation of assets, the Group generated a surplus of £335k (2018/19: £999k).

	2019/20	2018/19
	£'000	£'000
Surplus before FRS102 and other gains and losses	335	999
FRS102 LGPS adjustments to I&E	<u>(2,186)</u>	<u>(2,087)</u>
Deficit before other gains and losses	(1,851)	(1,088)
FRS102 LGPS actuarial loss	(10,151)	(9,083)
Unrealised (loss)/surplus on revaluation of assets	<u>(54)</u>	<u>169</u>
Total comprehensive income	<u>(12,056)</u>	<u>(10,002)</u>

This result has retained the Group's Good Financial Health score; the FRS102 pension adjustment and actuarial loss is discounted from the Financial Health calculation.

The College has two subsidiary companies, South Gloucestershire and Stroud College Commercial Services Limited and SGS Group Services Limited. The principal activity of South Gloucestershire and Stroud College Commercial Services Limited is the management and development of property, whilst SGS Group Services Limited is dormant. Any surpluses generated by South Gloucestershire and Stroud College Commercial Services Limited are transferred to the College under deed of covenant.

Financial Results - COVID-19:

The College received certainty relatively early on that it would be paid for 16-18 ESFA, High Needs elements 2 and 3 and HE funding as per our allocations. The risks from a funding perspective remained with Adult Funding, Apprenticeships, Commercial Income Streams and Tuition fees.

Whilst the College received clarity that both the ESFA and WECA would pay its Adult Education Budget in full, as long as it could evidence it had offered online solutions, the ESFA subsequently published new plans to reconcile 2019-20 Adult Education Budget (AEB) claims for colleges who achieved less than 68% of allocation. The College was quick to respond to the COVID-19 crisis and launched a suite of online courses using the campaign 'Don't Kill, Upskill'. This provision, in its first week, received 1500 new adult enrolments. The College continued to deliver remotely wherever possible and has out-turned significantly in excess of the tolerance level to secure the full funding.

Apprenticeship funding ceases once a learner/apprentice is not in work/learning for 4 weeks, including the Diploma in Sporting Excellence DiSE). Apprentices can however be furloughed and may continue to be trained but employers must continue to pay them while they are training. The College under-achieved its original budget for apprenticeships as a result of fewer starts from lockdown onwards. This under delivery was fully provided for and compensated with an improved performance on DiSE.

The College's commercial income was impacted with loss of sponsorship, parking receipts, theatre income and requests for deferred payments and reductions in service charge income at SGSCSL. The College worked collaboratively with all its customers to ensure a continued relationship going forwards and to ensure any short-term loss has been mitigated as far as possible.

Cash flows and liquidity

The Group had a net cash inflow from operating activities of £1,569k (2018/19: £2,946k). The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

During the year the Group had a total cash inflow of £134k (2018/19 inflow of £1,305k).

Cash flows and liquidity - COVID-19:

The College had originally forecast cash balances of £6.0m at 31 July 2020. Difference in timing of receipts from WECA for the Brunel Building, a new build at the WISE campus, and a large payment due to the contractor meant that cash balances ended on £5.5m. As detailed previously, the College worked with key suppliers to ensure that risk areas were fully mitigated against and with key commercial customers to identify early on any potential risks to cashflow. With the deferral of the £1m capital spend at Filton and subsequent receipt from the ESFA for capital investment, the College is confident that it will achieve its forecast cashflow position which shows a low point in March 2021 of £3.3m and in March 2022 of £4.2m.

Developments

The campus at Berkeley Green has provided increased capacity and the College will seek to increase student numbers over the next three years. The subsidiary company, South Gloucestershire and Stroud College Commercial Services Limited, will continue to develop the Gloucestershire Science & Technology Park, attracting new investment to the site.

The College has an ambitious Property Strategy. Its immediate focus over the next 12 months is the completion of the £7m West of England Combined Authority (WECA)-funded Brunel Building due to open September 2021.

Reserves

The Group has cash and short-term investment balances of £5,598k (2018/19: £5,464k). The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

The Group recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the Group's core activities. As at the balance sheet date the Income and Expenditure reserve (excluding the pension reserve) stands at £23,948 (2018/19: £23,612k). The pension reserve relates to the deficit on the Local Government Pension Scheme. There are no restricted reserves.

It is Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

The Group has the following reserves as at 31 July 2020:

Reserve	2019/20	2018/19
	£'000	£'000
I&E reserve (excluding pension reserve)	23,947	23,612
Pension reserve	<u>(39,046)</u>	<u>(26,709)</u>
I&E reserve (including pension reserve)	(15,099)	(3,097)
Revaluation reserve	<u>2,465</u>	<u>2,519</u>
Total accumulated reserves	<u>(12,634)</u>	<u>(578)</u>

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the Education Skills & Funding Agency (ESFA) provided 75% of the Group's total income (2018/19: 74%).

Financial plan

The Corporation approved a financial plan in July 2020 which sets objectives for the period to July 2022.

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. The Group has a separate treasury management policy in place. All loans and other forms of borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. As at 31 July 2020, the Group had borrowing with Lloyds TSB Bank of £8.4m, detailed in note 18.

Key performance indicators

The College reviews performance against targets set in its own financial plan, against ESFA financial health measures, against key bank covenant measures and on educational and other measures set by the governing body, for example recruitment or satisfaction indicators. Performance against financial targets are detailed below:

Key performance indicator	2019/20 Target	2019/20 Actual
Pay to total income (excl. restructuring)	< 65.0%	65.8%*
Adjusted current ratio	> 1.4:1	1.55:1
Operating surplus/EBITDA as % of income	> 4.0%	6.2%
Financial Health Grade	Good	Good
Bank Covenants:		
Total borrowing costs as a percentage of total consolidated income	< 7%	2.7%
Income & Expenditure Reserves Before Pension Deficit	> £10m	£23.9m
Income & Expenditure Reserves as a percentage of total consolidated income	>30%	68.7%
Historic Cost Surplus achieved in previous three financial years	Yes	Yes

* Pay to income costs were always going to be challenging in 2019/20, with the continuing increases in pay costs through NI, pension and cost of living awards against static funding rates. The final outturn reflects both a reduction in income due to the impact of Covid-19, but also a greater proportion of direct delivery than that budgeted for with an increase in direct pay costs and reduction in non-pay delivery costs.

Payment performance

The Public Contracts Regulations 2015, in the absence of agreement to the contrary, requires payments to suppliers to be made no later than the end of a period of 30 days from the date on which the relevant invoice is regarded as valid and undisputed. During the accounting period 1 August 2019 to 31 July 2020, the College paid 72.6% of its invoices within 30 days (2018/19: 85.5%). This decline is due to the changes in working environment both with suppliers continuing to post physical invoices to the College campuses whilst in lockdown and also staff moving to working remotely. The College incurred no interest charges in respect of late payment for this period.

Risk management

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The Corporation has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the College and subsidiary levels which are reviewed by the Audit Committee at every meeting and termly 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.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control; other factors besides those listed below may also adversely affect the College.

- Poor student attendance on site or engagement with remote off-site learning. As a result of COVID-19, learners can no longer always attend and therefore the focus is on engagement through a digital experience.

- Unplanned, adverse impact on 2020/21 financial outturn as a result of COVID-19. The 2020/21 curriculum plan and budget has been reworked with further provision against apprenticeship income which is high risk due to the inability to undertake recruitment and sign-ups
- Staff or students contract COVID-19 following phased return to campuses with the virus spreading through College infecting those at higher risk. The College has implemented a zones approach allowing the ability to lock down small areas of College without risking the whole campus. Zones and staggered start-times and breaks are all in place and there are regular updates to staff and parents.
- Failure to improve Maths and English in line with government requirement and OFSTED agenda. The College is endeavouring to get as much face to face English / Maths delivery as possible, although this remains challenging due to high levels of staff anxiety.

Going Concern

The Association Of Colleges (AoC) believes that the current situation will lead to more 16-25 year olds wanting to improve their qualification in the light of the likelihood of increasing unemployment, a large cohort needing to catch-up with missed studies, a shortage of apprenticeship opportunities, large number of adults requiring re-training support and the need for colleges to maintain social distancing measures and build on distance learning capacity and capability.

The College has recruited significantly more 16-19 year olds in 2020/21 than allocation which supports the view of the AOC. The College submitted its two-year financial plan to the ESFA in July which factors in assumptions including:

- Rebuild post Pandemic
- Reducing income (Prudent forecasting due to social distancing)
- Stable operating surplus, albeit very small, close to break even
- Improving Commercial Services trading position
- Stability of staffing costs and retaining staff
- Impact of capital investment/depreciation recognised
- Growth in teaching budget to recognise inefficiency with social distancing

The Chief Financial Officer and College Principal meet regularly to consider the impact of any known operational changes and more formally with the Head of Finance and Finance Business Partners on a bi-monthly basis to reforecast and ensure that any key risk areas are considered and fully provided against. The latest forecast takes account of the additional 16-19 tuition fund for the 2020-21 academic year which is ring-fenced to support small group tuition in English, maths and other courses where learning has been disrupted. The College is currently forecasting to outturn at least a break-even position for the current year and on this basis expects to retain its good financial health.

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

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

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

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

The College currently has £8.4m of loans outstanding with bankers. The loans are secured by a fixed charge over College assets. The terms of the existing loan agreements vary between 3 and 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Student achievements

There were over 3000 webinars and meetings in the first two weeks after lockdown and 60% of students said they had been taught in a live webinar when surveyed after six weeks. The College increased during the lockdown from 5200 active users in Teams at the start to over 7500 by the end of term. During the unprecedented lockdown period, the College averaged 30,000 chat and channel messages per day, which was a 6-fold increase on its normal TEAMS traffic pre Covid-19. The College has really empowered our students and leveraged their relationships with mobile technology with over 85% of learners continuing to engage in education remotely as a result of the Covid-19 pandemic.

Before the College went into lockdown performance was, once again, forecast to improve and we are confident that, had we have finished the year as planned, the College would have been in the top 10% or higher of colleges nationally. Results from the 19/20 academic year will not be used or published but all staff gave their all to support every learner to achieve and to recognise accurately what they were capable of achieving through centre assessed grades and working with over 45 separate awarding bodies to ensure no learner was disadvantaged.

One set of data that the College did receive was the results of the National Student Survey for Higher Education. The College achieved an outstanding 93.94% overall student satisfaction rate, significantly higher than the UK (83%) sector average, as well as outperforming in eight categories cementing the College's position in 2nd place for overall student satisfaction in the South West of England. The College also saw exceptional course-specific results with BA (Hons) Specialist Make-up Design, scoring 100% overall student satisfaction for the third consecutive year. In addition to this, the accelerated BSc Sports Coaching programme scored 95.2% in overall student satisfaction.

The College's ambition remains achieving outstanding during our next full Ofsted inspection. With their new Education Inspection Framework, a greater emphasis will be placed on the wrap around skills and support that learners are provided with including enrichment, skills acquisition and tutorial. Less focus will be placed on outcomes and a greater need to prove long-term destinations. In addition, and as a

result of the pandemic, a greater focus will also now be placed on remote and digital delivery and how the College engages learners offsite whilst ensuring that our rigorous approach to safeguarding is maintained.

EQUALITY AND DIVERSITY

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We have an active Inclusion Committee that inputs to and helps shape our policies and practices. This group meets regularly and provides a broad perspective, inputs, and oversight to our inclusion agenda. We respect and value positive differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This College's Single Equality policy is resourced, implemented and monitored on a planned basis. This Policy is also published on the College's internet site.

The College publishes an annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. We have also invested in 'Togetherall' which provides our staff and students with access to 24/7 support and resources provided anonymously via clinically managed online forums. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

- a) All main campuses are considered fully compliant based on individual campus' access audits
- b) 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.
- c) The College makes a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support workers who provide a variety of support for learning, details of which are provided in the College's provision map, which is published on the College website. 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.

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.

	Number of employees	Full time equivalent
Trade union officials in 2019/20	4	3.5

Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Total cost of facility time	£19,743
Total pay bill	£24,765k
Percentage of total bill spent on facility time	0.08%
Time spent on paid trade union activities as a percentage of total paid facility time	9.91%

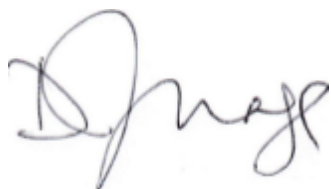
EVENTS AFTER THE REPORTING PERIOD

There have been no reportable events since the Balance Sheet date – 31 July 2020.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 3 December 2020 and signed on its behalf by:



David Hagg
Chair of the Corporation

South Gloucestershire and Stroud College

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 Group endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”)
3. in full accordance with Association of Colleges’ Senior Post Holder Remuneration Code.

In the opinion of the Corporation, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Corporation 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 issued by the Association of Colleges in March 2015, which it formally adopted on 17 September 2015 and The Colleges’ Senior Post Holder Remuneration Code, which it formally adopted on 28 March 2019.

The College maintains Financial Regulations and Financial Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money, in the context of the achievement of the College's strategic plan and business objectives. Compliance with the Financial Regulations is compulsory for all staff connected with the College. The College is required to adhere to key funder rules, in addition to the requirements of its own Financial Regulations and Financial Procedures, and operates various controls to do this.

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.

Member's Name	Status of appointment	Date of appointment	Term of office	Date of resignation	Committees served	Meeting attendance in 2019/20
Kevin Hamblin	Group CEO & Executive Principal	Jan 12	Coterminous with his employment as Group CEO & Executive Principal		Search Strategic Property Group	84%
Martin Jones	External Member	Jan 12	4 years		Strategic Property Group	95%

Member's Name	Status of appointment	Date of appointment	Term of office	Date of resignation	Committees served	Meeting attendance in 2019/20
(Vice Chair of the Corporation until 31 Jul 20)		Jan 16 Jan 20	4 years Until 31 July 2020		Remuneration (Chair) Search (Vice Chair)	
Moyra Pascoe (Chair of the Corporation from 1 Aug 19- to 1 Aug 20)	External Member	Jan 12 Jan 16 Jan 20	4 years 4 years 2 years	13 October 2020	Search Strategic Property Group (Vice-Chair & Chair) Remuneration	77%
Roger Ellis	Staff Member	Mar 12 Aug 13 Aug 17	Until 31 Jul 13 4 years 4 years			63%
Phil Eames	External Member	Oct 15 Oct 19	4 years 4 years		Audit (Vice Chair)	92%
Richard O'Doherty	External Member	May 16	4 years		Remuneration (Vice Chair)	78%
Joe Lamonby	External Member	Oct 16	4 years	31 July 2020	Audit (until Oct 19) Search (until Oct 19)	60%
Mike Croker	External Member	May 17	4 years		Audit (Chair)	92%
David Benson	External Member	Jan 18	4 years	26 February 2020	Strategic Property Group (Chair)	67%
Dave Merrett	External Member	Jan 18	4 years		Audit Remuneration	87%
Sophie Chester-Glyn	External Member	Mar 18	4 years		Search	83%
David Hagg	External Member	Oct 18	4 years		Remuneration Search	91%

Member's Name	Status of appointment	Date of appointment	Term of office	Date of resignation	Committees served	Meeting attendance in 2019/20
(Chair of the Corporation w.e.f. 1 Aug 20)						
Ben Short	External Member	Dec 18	4 years		Audit	82%
Sophie Green (Vice-Chair of the Corporation w.e.f. 1 Aug 20)	External Member	Feb 19	4 years		Search Remuneration	100%
Carly Dyson	External Member	May 19	4 years		Strategic Property Group (Chair)	85%
Charlotte Argust	Student Member	Aug 19	Until 31 Jul 20			0%
Juno Sharrock	Student Member	Aug 19	Until 31 Jul 20			0%
Matt Davis	Staff Member	Oct 19	4 years			86%
Lynne Craig	External Member	Apr 20	1 st year term of office		Remuneration Strategic Property Group	100%
Nicole Clark	Student Member	Aug 20	Until 31 July 2021			N/A
Alicia Chappell	Student Member	Aug 20	Until 31 July 2021			N/A
Louise Bright	External Member	Nov 20	1 st year term of office			N/A
Rick Sturge	External Member	Nov 20	1 st year term of office			N/A

Mrs Laura Boutle, external Co-Opted Member, was Chair of the Search Committee.

Mr John Huggett, external Co-Opted Member, was a member of the Strategic Property Group until his resignation on 30 September 2020.

Mrs Sally Flett, external Co-Opted Member, is a member of the Audit Committee.

Mrs Sharon Glover acted as Clerk to the Corporation and Company Secretary to the College's subsidiary companies.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.

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 eight times during the 2019/20 financial year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Search, Remuneration and the Strategic Property Group. The Audit Committee meets four times per year, the Search Committee is convened as necessary but meets at least once per year, the Remuneration Committee meets at least twice a year and the Strategic Property Group is convened as necessary.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at the College's registered address.

The Clerk to the Corporation maintains a register of financial and personal interests of Members and external Co-Opted Members of the Corporation. The register is available for inspection at the College's registered address and is available on the College website.

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

Formal agendas, papers and reports are supplied to Corporation Members in a timely manner, prior to Corporation meetings. Briefings are also provided on a regular 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 of the Corporation and Group CEO & Executive Principal (Accounting Officer) are separate.

COVID-19:

During the pandemic the Corporation has continued to uphold its duties. The Corporation swiftly adapted to the challenging situation faced and meetings of the Corporation and its Committees were conducted remotely, using Microsoft Teams.

A bi-weekly COVID-19 meeting was also established between the Group CEO & Executive Principal, College Principal, Chair and Vice-Chair of the Corporation and the Clerk to the Corporation. These meetings provided the Corporation with regular oversight of how the College was dealing with the challenges faced by the pandemic and to ensure the wellbeing of its staff and learners and provide ongoing monitoring of the financial position of the College.

Appointments to the Corporation

External Members of the Corporation/external Co-Opted Members are initially appointed for a one-year term of office with a view to completing the full four-year term of office following recommendation from the Search Committee. An External member should not normally serve for more than two terms (or maximum of 8 years). However, the Corporation may reappoint an External member for further terms if there are special reasons. Staff Members are appointed following staff elections and Student Members are appointed following student elections.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole.

The Corporation is also responsible for ensuring that appropriate training is provided to members of the Corporation as required. In this respect arrangements are made to ensure that each new Corporation/Co-Opted Member is afforded the opportunity to attend induction training. High quality training and development arrangements are also available both for individual members and for the Corporation as a whole so that collectively the Corporation has the necessary skills and understanding to fulfil its responsibilities under the Instrument and Articles of Government and to enable members to make an effective contribution to the work of the Corporation.

Corporation performance

The Corporation conducts a rigorous annual self-assessment of its own performance, taking into account feedback from Corporation Members, Executive Team, Chair of the Corporation review and Committee Self-Assessments, and this forms the basis of the Governance Self-Assessment Report and governance action plan. The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as “Outstanding” on the Ofsted scale.

Search Committee

The Search Committee comprises an external Co-Opted Member as Chair and five members of the Corporation (Chair of the Corporation, Group CEO & Executive Principal and three other Corporation Members). The Committee is responsible for the selection and nomination of any new external member for the Corporation’s consideration in accordance with the Procedure for the appointment, reappointment, induction and training of Corporation Members. The Committee is also responsible for monitoring the diversity balance of the Corporation and recommending appointments to remedy any under-representation when appropriate. The Committee also has due regard to the College’s obligations under all aspects of discrimination legislation.

Remuneration Committee

The Remuneration Committee consists of five members of the Corporation. Throughout the year ending 31 July 2020 the remuneration and benefits of Senior Post holders (including the Accounting Officer), other posts within the SGS Group specifically named by the Corporation and the Clerk to the Corporation were the subject of recommendations to the Corporation by the Remuneration Committee appointed by the Corporation for that purpose.

At its 28 March 2019 meeting the Corporation approved to adopt The Colleges’ Senior Post Holder Remuneration Code. A requirement of this Code is the production of an annual report from the Remuneration Committee to the Corporation. The report for period 2019/20 is appended to this Annual Report and Financial Statements as Appendix 1.

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee consists of at least three and up to five external members of the Corporation and also includes the option to appoint one external Co-opted member. The Group CEO & Executive Principal, who is the Accounting Officer, and the Chair of the Corporation are not members of the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets four times a 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 also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit Committee. The College's internal audit function provides assurance to management and the Audit Committee. Internal audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

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, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers, including internal auditors as well as reporting annually to the Corporation.

Strategic Property Group (SPG)

The SPG comprises of the Group CEO & Executive Principal, a minimum of three Corporation Members, one external Co-Opted Member and the Group Chief Financial Officer. The Group operates in accordance with written terms of reference approved by the Corporation.

The SPG is a working group of the Corporation, its role is to oversee the initiation, development and implementation of capital estates projects and associated business cases and the Property Strategy in accordance with Corporation requirements.

South Gloucestershire and Stroud College Commercial Services Limited

The Directors of the company are:

Name	Position	Date of appointment
Kevin Hamblin	Managing Director	30 September 2014
Andy Slaney	Deputy Managing Director	30 September 2014 Resigned: 18 March 2020
Martin Jones	Director & Chair until 31 July 2020	30 September 2014
Stephen Marston	Director	13 November 2014
John Huggett	Director	1 August 2018

		Resigned: 30 September 2020
David Hagg	Director	6 December 2018 Resigned: 31 July 2020
Carly Dyson	Director & took over as Chair from Martin Jones with effect from 1 August 2020	1 August 2020
Dave Merrett	Director	1 August 2020

SGS Group Services Limited

The Directors of the company are:

Name	Position	Date of appointment
Kevin Hamblin	Managing Director	23 September 2015
Sara-Jane Watkins	Director	23 September 2015
Martin Jones	Director & Chair	23 September 2015

SGS Group Services Limited became a dormant company during 2016. An application has been made to Companies House to dissolve this company and strike it off from the register.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Group CEO & Executive Principal, 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between South Gloucestershire and Stroud College and the funding bodies. He 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 ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to

manage them efficiently, effectively and economically. The system of internal control has been in place in South Gloucestershire and Stroud College for the year ended 31 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, 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 Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

South Gloucestershire and Stroud College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are approved by the Corporation on the recommendation of the Audit Committee.

The Head of Internal Audit (HIA) provides the Corporation with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

COVID-19:

At the start of the pandemic the College produced a separate COVID-19 risk register which was considered at the bi-weekly COVID-19 meetings held between the Group CEO & Executive Principal, College Principal, Chair and Vice-Chair of the Corporation and Clerk to the Corporation. As time went on the risks on this risk register were integrated into the main College risk register.

Risks faced by the corporation

Risk management, and its outcomes is an embedded activity across the Group and provides an established and well-understood means through which the Corporation, Executive and extended leadership of the Group receive assurance that the key risks in the Group's wider and immediate operating environment are identified, mitigated and, where judged appropriate, tolerated.

The risk registers have been developed as a business tool to ensure management are implementing effective risk management and assurance arrangements and these are the basis for the opinion given by the Audit Committee.

The Risk Register identifies the key risks, impact and existing controls for each risk, existing score for impact and likelihood, and actions being taken to reduce and mitigate the risks with revised timescales and revised scores. The Risk Register links each risk to the organisation's Strategic Objectives.

Responsibilities under funding agreements

The College's system of internal controls and governance structures ensure regularity and propriety in the use of funds, including all public funds, via the following.

Processes:

- a) The Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.
- b) The College maintains a set of Financial Regulations and Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money.
- c) The College is required to adhere to key funder rules, in addition to the requirements of its own Financial Regulations and Procedures, and operates various controls to do this.
- d) The College's Internal Audit function provides assurance to management and the Audit Committee. Internal Audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements are included within the annual report from the Audit Committee.

During the year some of the planned internal audit visits were delayed due to the impact of Covid-19. These were, however, rearranged and completed remotely. The Audit Committee does not consider that this delay had any impact on its ability to form an opinion on effectiveness of internal controls.

The College's External Audit and Internal Audit providers both make recommendations for improvement in key management and internal control processes. Internal audit reviews include periodic reviews of the College's approach to delivering value for money. In addition to the annual assurance report received from Internal Audit, the Audit Committee and Governors receive benchmarking and sector specific reports from both Internal and External Auditors to assist them in discharging their responsibility to monitor the College's performance in delivering value for money.

Review of effectiveness

As Accounting Officer, the Group CEO & Executive Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

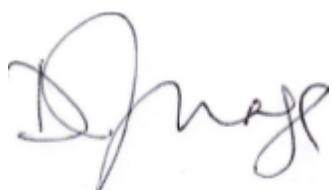
The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee.

At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the Accounting Officer, 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*".

Approved by order of the members of the Corporation on 3 December 2020 and signed on its behalf by:



David Hagg
Chair of the Corporation



Kevin Hamblin
Accounting Officer

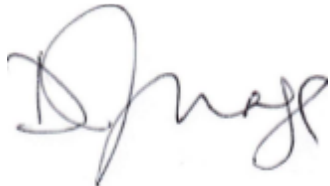
South Gloucestershire and Stroud College

Statement of Regularity, Propriety and Compliance

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



David Hagg
Chair of the Corporation
3 December 2020



Kevin Hamblin
Accounting Officer
3 December 2020

South Gloucestershire and Stroud College

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation is required to present audited financial statements for each financial year.

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

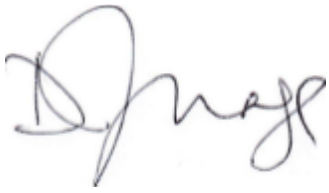
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the 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 is 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 are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. 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 economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 3 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D. Hagg', written in a cursive style.

David Hagg
Chair of the Corporation

South Gloucestershire and Stroud College

Independent Auditor's Report to The Corporation of South Gloucestershire And Stroud College Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of South Gloucestershire and Stroud College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent Auditor's Report to The Corporation of South Gloucestershire And Stroud College Report on The Audit of The Financial Statements (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body, the Statement of Corporate Governance and Internal Control, the Statement of Regularity, Property and Compliance and Statement of Responsibilities of the Members of the Corporation. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 26, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent Auditor's Report to The Corporation of South Gloucestershire And Stroud College Report on The Audit of The Financial Statements (continued)

Report on other legal and regulatory requirements

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the College's expenditure on access and participation activities for the financial year disclosed in note 9a has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the Corporation, in accordance with Article 16 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Anthony Felthouse
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

18 December 2020

Reporting accountant’s assurance report on regularity to the Corporation of South Gloucestershire and Stroud College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 6 November 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, that in all material respects, the expenditure disbursed and income received by South Gloucestershire and Stroud 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 and in any relevant conditions of funding adult education notified by a relevant funder. 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 or devolved authority has other assurance arrangements in place.

This report is made solely to the Corporation of South Gloucestershire and Stroud College and ESFA in accordance with our terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of South Gloucestershire and Stroud 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 South Gloucestershire and Stroud College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Gloucestershire and Stroud College and the reporting accountant

The Corporation of South Gloucestershire and Stroud 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.

Reporting accountant's assurance report on regularity to the Corporation of South Gloucestershire and Stroud College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA) (continued)

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

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

Conclusion

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



Anthony Felthouse
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

18 December 2020

South Gloucestershire and Stroud College

Consolidated and College Statements of Comprehensive Income and Expenditure For the year ended 31 July 2020

	Notes	Year ended 31 July		Year ended 31 July	
		2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
INCOME					
Funding body grants	2	28,931	28,931	28,990	28,990
Tuition fees and education contracts	3	3,929	3,929	3,670	3,670
Other grants and contracts	4	243	243	1,306	1,306
Other income	5	2,733	2,329	2,783	2,175
Investment income	6	25	86	30	95
Donations and Endowments	7	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total income		35,861	35,518	36,779	36,236
EXPENDITURE					
Staff costs	8	24,766	24,766	24,899	24,899
Other operating expenses	9	10,308	9,966	10,472	9,982
Depreciation	12	1,791	1,791	1,774	1,774
Interest and other finance costs	10	847	847	722	722
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		37,712	37,370	37,867	37,377
		<hr/>	<hr/>	<hr/>	<hr/>
Deficit before other gains and losses		(1,851)	(1,852)	(1,088)	(1,141)
Loss on disposal of assets		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Deficit before tax		(1,851)	(1,852)	(1,088)	(1,141)
Taxation	11	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Deficit for the year		(1,851)	(1,852)	(1,088)	(1,141)
Unrealised surplus on revaluation of assets		(54)	-	169	231
Actuarial loss in respect of pensions schemes	25	(10,151)	(10,151)	(9,083)	(9,083)
		<hr/>	<hr/>	<hr/>	<hr/>
Total Comprehensive Income for the year		(12,056)	(12,003)	(10,002)	(9,993)
		<hr/>	<hr/>	<hr/>	<hr/>

All items of income and expenditure relate to continuing activities.

South Gloucestershire and Stroud College

Consolidated and College Statements of Changes in Reserves For the year ended 31 July 2020


	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1 August 2018	7,074	2,350	9,424
Deficit from the income and expenditure account	(1,088)	-	(1,088)
Other comprehensive income	(9,083)	-	(9,083)
Unrealised surplus on revaluation of assets	-	169	169
	(10,171)	169	(10,002)
Balance at 31 July 2019	(3,097)	2,519	(578)
Deficit from the income and expenditure account	(1,851)	-	(1,851)
Other comprehensive income	(10,151)	-	(10,151)
Unrealised deficit on revaluation of assets		(54)	(54)
Total comprehensive income for the year	(12,002)	(54)	(12,056)
Balance at 31 July 2020	(15,099)	2,465	(12,634)
College			
Balance at 1 August 2018	7,418	2,072	9,490
Deficit from the income and expenditure account	(1,141)	-	(1,141)
Other comprehensive income	(9,083)	-	(9,083)
Unrealised deficit on revaluation of assets	-	-	-
Total comprehensive income for the year	(10,224)	231	(9,993)
Balance at 31 July 2019	(2,806)	2,303	(503)
Deficit from the income and expenditure account	(1,852)	-	(1,852)
Other comprehensive income	(10,151)	-	(10,151)
Unrealised deficit on revaluation of assets	-	-	-
Total comprehensive income for the year	(12,003)	-	(12,003)
Balance at 31 July 2020	(14,810)	2,303	(12,507)

South Gloucestershire and Stroud College

Balance Sheets as at 31 July 2020

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
Non current assets					
Tangible fixed assets	12	52,750	52,750	51,112	51,112
Investment Properties	13	3,403	690	3,457	690
Non current Investments	13	-	-	2	2
		<u>56,153</u>	<u>53,440</u>	<u>54,571</u>	<u>51,804</u>
Long Term Debtors					
Debtor falling due after more than one year	15	-	2,222	-	2,222
Current assets					
Stocks		45	45	30	30
Trade and other receivables	14	2,914	3,103	1,495	1,610
Investments	15	-	-	-	-
Cash and cash equivalents	20	5,598	5,513	5,464	5,445
		<u>8,557</u>	<u>8,661</u>	<u>6,989</u>	<u>7,085</u>
Creditors – amounts falling due within one year	16	(6,715)	(6,365)	(5,437)	(5,083)
Net current assets		<u>1,842</u>	<u>2,296</u>	<u>1,552</u>	<u>2,002</u>
Total assets less current liabilities		<u>57,995</u>	<u>57,958</u>	<u>56,123</u>	<u>56,028</u>
Creditors – amounts falling due after more than a year	17	(31,396)	(31,233)	(29,815)	(29,645)
Provisions					
Defined benefit obligations	19	(39,046)	(39,046)	(26,709)	(26,709)
Other provisions	19	(187)	(187)	(177)	(177)
Total net liabilities		<u>(12,634)</u>	<u>(12,508)</u>	<u>(579)</u>	<u>(503)</u>
Unrestricted reserves					
Income and expenditure account		(15,099)	(14,810)	(3,097)	(2,806)
Revaluation reserve		2,465	2,303	2,519	2,303
Total unrestricted reserves		<u>(12,634)</u>	<u>(12,507)</u>	<u>(578)</u>	<u>(503)</u>
Total reserves		<u>(12,634)</u>	<u>(12,507)</u>	<u>(578)</u>	<u>(503)</u>

The financial statements on pages 33 to 61 were approved and authorised for issue by the Corporation on 3 December



David Hagg
Chair



Kevin Hamblin
Accounting Officer

South Gloucestershire and Stroud College

South Gloucestershire and Stroud College Consolidated Statement of Cash Flows For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Deficit for the year		(1,851)	(1,088)
Adjustment for non cash items			
Depreciation		1,791	1,774
(Increase)/Decrease in stocks		(15)	10
(Increase)/Decrease in debtors		(1,095)	401
Increase in creditors due within one year		917	128
Increase in creditors due after one year		8	218
Increase/(Decrease) in provisions		10	(45)
Pensions costs less contributions payable		1,566	1,612
Adjustment for investing or financing activities			
Deferred capital grants released to income		(585)	(587)
Gain on revaluation of non current investments		-	(169)
Investment income		(25)	(30)
Interest payable		847	722
		1,568	2,946
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		25	30
Capital Grant income received		2,912	768
Payments made to acquire fixed assets		(3,393)	(1,438)
		(456)	(640)
Cash flows from financing activities			
Interest paid		(225)	(247)
Repayments of amounts borrowed		(753)	(754)
		(978)	(1,001)
		134	1,305
Increase in cash and cash equivalents in the year			
Cash and cash equivalents at beginning of the year	20	5,464	4,159
Cash and cash equivalents at end of the year	20	5,598	5,464

South Gloucestershire and Stroud College

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. Statement of Accounting Policies

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

Basis of preparation

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

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention (modified by the use revaluation of certain fixed assets).

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, South Gloucestershire and Stroud Commercial Services Limited and SGS Group Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The results of SGS Academy Trust are not consolidated. All financial statements are made up to 31 July 2020.

Going concern

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

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including a potential downturn in recruitment for apprenticeships and adult learners resulting from COVID 19 and additional costs associated with the pandemic such as cleaning, hygiene supplies and PPE, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The College currently has £8.4m of loans outstanding with bankers. The loans are secured by a fixed charge over College assets. The terms of the existing loan agreements vary between 3 and 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Government revenue grants are released to the Statement of Comprehensive Income in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any audits. 16-18 learner- responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Revenue Grant Funding

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

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

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 model as permitted by FRS 102. Other non-governmental 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 income and expenditure account 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. 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.

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.

Non-recurrent grants from the Education and Skills Funding Agency or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer 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 income statement in the periods during which services are rendered by employees.

Avon Pension Fund Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. 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 actuarial gains and losses.

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 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.

Tangible fixed assets

Tangible fixed assets are stated at 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.

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at 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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Investment Properties

Assets held for investment purposes are revalued on an annual basis and capitalised at revalued amount. Any gains or losses on revaluation are transferred to the revaluation reserve.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful economic life to the College of up to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to 50 years.

On adoption of FRS102, the College followed the transitional provision to revalue its land at 1 August 2014 but not to adopt a policy of revaluation of this land 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 2020. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Equipment

Equipment costing less than £1,000 per individual item or less than £1,000 as part of a group of assets is written off to the income and expenditure account 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:

- Computer equipment – 3-5 years
- All other equipment – 5 years.

A review for impairment for a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Stocks

Stocks are valued at the lower of their cost and net realisable value, being selling prices less costs to sell. Cost is based on a first in first out basis and net realisable value is based on estimated sales price. 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 3 months or less *from* the date of acquisition.

Financial liabilities and equity

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

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with 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.

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 2% 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.

The college's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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 a 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, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Investment Property* - Investment property is held at valuation. Valuation is carried out by suitably qualified professionals but by its nature valuation of property includes a variety of assumptions that affect the valuation arrived at. Further details are provided at note 13.
- *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 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency (ESFA) - adult	1,548	1,548	3,967	3,967
Education and Skills Funding Agency (ESFA) - 16 -18	17,866	17,866	19,160	19,160
Education and Skills Funding Agency (ESFA) - apprenticeships	4,509	4,509	4,183	4,183
West of England Combined Authority (WECA) - adult	2,251	2,251	-	-
Office for Students (OfS)	184	184	129	129
Specific Grants				
Teachers Pension Scheme contribution grant	664	664	-	-
Releases of government capital grants	585	585	587	587
Local Education Authority (LEA) High Needs ALS	1,324	1,324	964	964
Total	28,931	28,931	28,990	28,990

Grant and fee income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	184	184	129	129
Grant income from other bodies	28,747	28,747	28,861	28,861
Fee income for taught awards (exclusive of VAT)	2,541	2,541	2,308	2,308
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	1,216	1,216	1,201	1,201
Total grant and fee income	32,688	32,687	32,499	32,499

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	687	687	743	743
Fees for FE loan supported courses	529	529	458	458
Fees for HE loan supported courses	2,541	2,541	2,308	2,308
Total tuition fees	3,757	3,757	3,509	3,509
Education contracts	172	172	161	161
Total	3,929	3,929	3,670	3,670

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	50	50	834	834
Other Grant income	193	193	472	472
Total	243	243	1,306	1,306

5 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	1,701	1,277	1,733	1,115
Miscellaneous income	1,032	1,052	1,050	1,060
Total	2,733	2,329	2,783	2,175

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	25	86	30	95
	25	86	30	95

7 Donations - College only

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	College	College	College	College
	£'000	£'000	£'000	£'000
Unrestricted donations	-	-	-	-
Total	-	-	-	-

8 Staff costs - Group and College

The average number of persons including key management personnel employed by the College during the year, calculated on a monthly basis and on a 'Headcount' basis, was:

	Group	College	Group	College
	2020	2020	2019	2019
	No.	No.	No.	No.
Teaching staff	426	426	456	456
Non teaching staff	456	453	473	470
Total	882	879	929	926

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Wages and salaries	18,173	18,173	18,562	18,562
Social security costs	1,497	1,497	1,571	1,571
Other pension costs	5,067	5,067	4,514	4,514
Payroll sub total	24,737	24,737	24,647	24,647
Contracted out staffing services	-	-	-	-
Fundamental restructuring costs - contractual	29	29	252	252
non contractual	-	-	-	-
Total staff costs	24,766	24,766	24,899	24,899

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 Group Executive Team which comprises the Group CEO and Executive Principal, College Principal and Deputy CEO, Group Chief Financial Officer, Chief Group Services Officer and Vice Principal Performance, Standards and Effectiveness. There was a change to the Executive Team membership during the year, with the Chief Operations Officer - Commercial and Estates leaving the College in March 2020 and not directly replaced, and the appointment of the Vice Principal Performance, Standards and Effectiveness joining the Executive Team from February 2020.

The Corporation adopted the AoC's Senior Staff Remuneration Code in March 2019 and developed a Senior Post Holder Remuneration Policy. Pay for Senior Post Holders are assessed in line with the Codes principles and in accordance with the Senior Post Holder Remuneration Policy and with reference to sector benchmarking data. The Group CEO & Executive Principal, College Principal and other members of the Executive Team are paid fair and appropriate remuneration and reflect their level of responsibility, skills and experience.

The Chair and Vice Chair of the Corporation conducts an annual review of the performance and contribution of the Group CEO & Executive Principal and the review is conducted against the expectations set out in personal objectives that align with the College's Strategy and annual priorities. The Chair and Vice Chair of the Corporation also meet with the Group CEO & Executive Principal in the summer term to review progress and set objectives for the following year. The annual objectives for the Group CEO & Executive Principal and College Principal are considered by the Remuneration Committee and recommended to Corporation for approval. The outcome of the annual review is reported to the Remuneration Committee, who also review the performance of the College Principal and other members of the Executive Team. The Remuneration Committee then report through to Corporation.

The Group CEO & Executive Principal, College Principal and the Executive Team have performed extremely well during 2019/20, with increased challenges posed by the COVID-19 pandemic, meeting the College's objectives and ensuring good financial health and management, as well as, maintaining quality teaching and learning provision, excellent support for learners and ensuring positive positioning of the College locally, regionally and nationally.

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

	Group and College	
	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

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

	Group and College Key management personnel		Group and College Other staff	
	2020	2019	2020	2019
	No.	No.	No.	No.
£60,001 to £65,000	1	-	1	2
£65,001 to £70,000	-	-	1	-
£80,001 to £85,000	2	1	-	-
£85,001 to £90,000	-	1	-	-
£100,001 to £105,000	-	1	-	-
£145,001 to £150,000	1	1	-	-
£170,001 to £175,000	-	1	-	-
£175,001 to £180,000	1	-	-	-
	<u>5</u> *	<u>5</u>	<u>2</u>	<u>2</u>

* One member of key management personnel left in Mar 2020 and a new member joined the Executive Team in Feb 2020; the leaver is excluded from the table above; both had annualised emoluments of over £60k.

Key management personnel compensation is made up as follows:

	Group and College	
	2020	2019
	£'000	£'000
Salaries	599	571
Employers National Insurance	76	73
Benefits in kind	5	24
	<u>680</u>	<u>668</u>
Pension contributions	103	83
Total emoluments	<u>783</u>	<u>751</u>

There were no amounts due to key management personnel that were waived in the year, there were deductions of £1,212 under salary sacrifice arrangements for one key management personnel member.

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

	Group and College	
	2020	2019
	£'000	£'000
Salaries	176	173
Benefits in kind	-	-
	<u>176</u>	<u>173</u>
Pension contributions	41	27
Total	<u>217</u>	<u>200</u>

	Group and College	
	2020	2019
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple Median Basic Salary (£k per annum)	6.7	6.6
	26	26
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple Median Total Salary (£k per annum)	7.3	7.0
	30	28

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

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,993	3,992	3,718	3,718
Non teaching costs	3,230	3,206	3,333	3,290
Premises costs	3,085	2,768	3,421	2,974
Total	<u>10,308</u>	<u>9,966</u>	<u>10,472</u>	<u>9,982</u>

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	40	35
Internal audit**	27	26
Other services provided by the financial statements auditors***	6	6
Hire of assets under operating leases	<u>289</u>	<u>288</u>

* includes £34k in respect of the College (2018/19 £29k)

** includes £27k in respect of the College (2018/19 £26k)

*** includes £1k in respect of the College (2018/19 £1k)

9A Access and participation expenditure

	2020	Of which
	College	staff costs
	£'000	£'000
Access investment	97	81
Financial support provided to students	100	n/a
Support for disabled students	90	78
Research and evaluation of access and participation activities	47	47
Total	334	206

Assumptions for preparation

To calculate staff costs, a % of FTE has been identified for work carried out by specific members of staff. These % have been applied to total 19-20 pay costs for the specific staff members. These staff costs are already included in the overall staff costs included in the financial statements and note 8. The College's access and participation plan can be accessed at the following link:

https://www.sgscsl.ac.uk/repository/documents/policies_and_procedures/approve_version_of_plan_13_01_2020.pdf

10 Interest & other finance costs - Group and College

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	225	247
	<u>225</u>	<u>247</u>
Enhanced Pension Interest payment	2	5
Net interest on defined pension liability (note 25)	620	470
Total	847	722

11 Taxation - Group only

	2020	2019
	£'000	£'000
United Kingdom corporation tax at 19 percent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	-	-

A deferred tax liability of £65,619, at 31 July 2020, is associated with the increase in the investment property valuation within SGSCSL. On the basis that the company does not intend to dispose of the property, and as the company is forecasting taxable profits, which could enable the utilisation of a deferred tax asset of at least this amount, the deferred tax liability has not been recognised in the financial statements.

Factors affecting the tax charge for the current year

The current tax charge for the year is £nil (2019: £nil) and the standard rate of corporation tax in the UK is 19% (2019: 19%). The difference between the standard rate of corporation tax on the company's loss and the actual charge are explained below.

	2020	2019
	£	£
Gain on ordinary activities in subsidiary before tax	1,378	55,433
Gain on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	<u>262</u>	<u>10,532</u>
Effects of		
Fixed asset differences	226	-
Expenses not deductible for tax purposes	(1,476)	(1,476)
Chargeable gains	(10,169)	(4,356)
Remeasurement of deferred tax for changes in tax rates	7,776	-
Deferred tax not recognised	<u>3,381</u>	<u>(4,700)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	44,198	20,027	6,302	485	71,012
Additions	-	-	18	3,411	3,429
Transfer	-	-	375	(375)	-
Disposals	-	-	(36)	-	(36)
At 31 July 2020	44,198	20,027	6,659	3,521	74,405
Depreciation					
At 1 August 2019	10,479	4,583	4,838	-	19,900
Charge for the year	835	388	568	-	1,791
Elimination in respect of disposals	-	-	(36)	-	(36)
At 31 July 2020	11,314	4,971	5,370	-	21,655
Net book value at 31 July 2020	32,884	15,056	1,289	3,521	52,750
Net book value at 31 July 2019	33,719	15,444	1,464	485	51,112

Tangible fixed assets (College only)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	44,198	20,027	6,302	485	71,012
Additions	-	-	18	3,411	3,429
Transfer	-	-	375	(375)	-
Disposals	-	-	(36)	-	(36)
At 31 July 2020	44,198	20,027	6,659	3,521	74,405
Depreciation					
At 1 August 2019	10,479	4,583	4,838	-	19,900
Charge for the year	835	388	568	-	1,791
Elimination in respect of disposals	-	-	(36)	-	(36)
At 31 July 2020	11,314	4,971	5,370	-	21,655
Net book value at 31 July 2020	32,884	15,056	1,289	3,521	52,750
Net book value at 31 July 2019	33,719	15,444	1,464	485	51,112

The Filton Avenue campus was valued for the purpose of the financial statements at depreciated replacement cost by King Sturge, a firm of independent chartered surveyors as at February 1993, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. All other land and buildings were valued at market value for existing use except for additions post 1 April 1993 (including which are included at cost. Other tangible fixed assets Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land with net book values totalling £440,000 (2019: £440,000) have been funded from local education authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the Education and Skills Funding Agency or use them in accordance with the Financial Memorandum with the Education and Skills Funding Agency.

Land and buildings with a net book values totalling £20,878,972 (2019: £21,423,222) have been partly financed through the receipt of capital grants from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

The transitional rules set out in FRS 15 Tangible Fixed Assets were applied on implementing FRS 15. Accordingly the book values at implementation were retained.

Land is not depreciated.

On adoption of FRS 102 the College has followed the transitional provision to revalue its land at 1 August 2014 but not to adopt a policy of revaluation of this land in the future.

13 Non-current investments

Investment property	Group £'000	College £'000
At valuation		
At 1 August 2019	3,457	690
Loss on revaluation	(54)	-
At 31 July 2020	<u>3,403</u>	<u>690</u>

The investment property fair value is based on a valuation by Montagu Evans, Chartered Surveyors, at the balance sheet date 31 July 2020. The valuer included a 'Material Valuation Uncertainty' clause in the 31 July 2020 valuation in line with the valuation practice notice issued by the Royal Institute of Chartered Surveyors (RICS) in March 2020. This does not indicate that the valuation cannot be relied on, but reflects the fact that, in the current extraordinary circumstances caused by the Coronavirus Global Pandemic, less weight can be attached to previous market evidence to inform opinions of value. As such, less certainty and a higher degree of caution can be attached to the valuation than would otherwise be the case.

Other investments

	College 2020 £	College 2019 £
Investments in subsidiary companies	<u>2</u>	<u>2</u>
Total	<u>2</u>	<u>2</u>

The College owns 100 per cent of the issued ordinary £1 shares of South Gloucestershire and Stroud Commercial Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of South Gloucestershire and Stroud College Group Services Limited, a company incorporated in England and Wales. The principal business activity of South Gloucestershire and Stroud Commercial Services Limited is property development and leasing. The principal activity of South Gloucestershire and Stroud College Group Services Limited is the provision of back office services.

14 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	1,142	994	300	147
Amounts owed by group undertakings:				
Subsidiary undertakings	-	327	-	268
Prepayments and accrued income	1,772	1,782	887	887
Amounts owed by the ESFA	-	-	308	308
Total	2,914	3,103	1,495	1,610

15 Debtors falling due after more than one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts owed by group undertakings:				
Subsidiary undertakings	-	2,222	-	2,222

The College has loaned its subsidiary South Gloucestershire and Stroud Commercial Services Limited £2.5m under a facility agreement. The loan is repayable in instalments over 20 years commencing in November 2017. Interest is charged at 1.75% above LIBOR.

16 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	753	753	753	753
Trade payables	877	818	291	263
Amounts owed to group undertakings:				
Subsidiary undertakings	-	3	-	41
Other taxation and social security	402	401	540	540
Accruals and deferred income	3,167	2,874	2,663	2,296
Deferred income - government capital grants	590	590	590	590
Deferred income - government revenue grants	926	926	600	600
Total	6,715	6,365	5,437	5,083

17 Creditors: amounts falling due after one year

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans	7,652	7,652	8,405	8,405
Deferred income - government capital grants	23,519	23,520	21,193	21,193
Other long term creditors	225	61	217	47
Total	<u>31,396</u>	<u>31,233</u>	<u>29,815</u>	<u>29,645</u>

18 Maturity of debt - Group and College**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July	
	2020	2019
	£'000	£'000
In one year or less	753	753
Between one and two years	753	753
Between two and five years	4,536	4,752
In five years or more	2,363	2,900
Total	<u>8,405</u>	<u>9,158</u>

Included within loans are three facilities with Lloyds Bank plc. The first bank loan of £8.3 million is for a period of 20 years and is repayable by instalments falling due between October 2013 and 31 July 2029. The second loan of £1 million is for a period of 25 years and is repayable by instalments falling due between October 2013 and June 2034. The 3rd loan of £4 million is for a period of 6 years repayable by instalments falling due between November 2017 and 31st July 2023. The first and second loans are secured by a negative pledge.

(b) Finance leases

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

	Year ended 31 July	
	2020	2019
	£'000	£'000
In one year or less	-	-
Between two and five years	-	-
Total	<u>-</u>	<u>-</u>

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

19 Defined obligations & other provisions (Group and College)

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2019	26,709	177	-	26,886
Expenditure in the period	2,186	4	6	2,196
Transferred from income and expenditure account	10,151	-	-	10,151
At 31 July 2020	39,046	181	6	39,233

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

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

The principal assumptions for these calculations are:

	Defined Benefit Obligation - LGPS	2020	2019
Price inflation		2.30%	2.20%
Discount rate		1.60%	2.20%
	Enhanced Pensions Provision - TPS		
Price inflation		2.20%	2.20%
Interest rate		1.30%	2.00%

20 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	5,464	134	-	5,598
Total	5,464	134	-	5,598

21 Capital commitments

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	3,578	-

The capital commitment at 31st July 2020 relates to the construction of the Brunel Building at the WISE campus, due for completion March 2021, which is funded by a WECA capital grant.

22 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	133	121
Later than one year and not later than five years	208	340
	<u>341</u>	<u>461</u>
Other		
Not later than one year	89	74
Later than one year and not later than five years	170	173
	<u>259</u>	<u>247</u>
Total lease payments due	<u>600</u>	<u>708</u>

23 Contingent liabilities

There are no contingent liabilities at 31st July 2020 (2019: £nil)

24 Events after the reporting period

There are no events after the reporting period.

25 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 Avon Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bath and North East Somerset Council. Both are multi-employer defined-benefit plans.

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.

Total pension cost for the year	2020	2019
	£'000	£'000
Teachers Pension Scheme: contributions paid	1,818	1,375
Local Government Pension Scheme:		
Contributions paid	1,654	1,637
FRS 102 (28) charge	<u>1,566</u>	<u>1,612</u>
Charge to the Statement of Comprehensive Income	3,220	3,249
Enhanced pension charge to Statement of Comprehensive Income	<u>29</u>	<u>(110)</u>
Total Pension Cost for Year	<u>5,067</u>	<u>4,514</u>

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. In August 2019 employers paid the rate of 16.48%.

A copy of the latest valuation report can be found by following this link to the [Teachers' Pension Scheme website](#).

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Department for Education

Bishopsgate House, DARLINGTON DL1 5QE TPS financial note – August 2019

The pension costs paid to TPS in the year amounted to £2,415,296 (2019: £1,982,774).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2020 was £2,177,000, of which employer's contributions totalled £1,654,000 and employees' contributions totalled £523,000. The agreed contribution rates from April 2020 is 15.20% for employers (including an administration levy of 0.08%) and range from 5.5% to 9.9% cent for employees, depending on salary and inclusion in the 50/50 section of the scheme.

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 a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.80%	3.70%
Future pensions increases	2.40%	2.30%
Discount rate for scheme liabilities	1.60%	2.20%
Inflation assumption (CPI)	2.30%	2.20%

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	23.20	23.70
Females	25.30	26.20
Mortality assumption – 1 year increase		
Mortality assumption – 1 year decrease		
CPI rate +0.1%		
CPI rate -0.1%		

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	44.2%	19,455	46.8%	21,044
Government bonds	7.2%	3,169	0.0%	-
Other bonds	2.7%	1,188	10.9%	4,901
Property	8.8%	3,873	5.5%	2,473
Cash	3.0%	1,320	1.2%	540
Other	34.1%	15,009	35.6%	16,008
Total market value of assets		<u>44,014</u>		<u>44,966</u>
Actual return on plan assets		<u>(1,919)</u>		<u>2,916</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	44,014	44,966
Present value of plan liabilities	<u>(83,060)</u>	<u>(71,675)</u>
Net pensions liability (Note 19)	<u>(39,046)</u>	<u>(26,709)</u>

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	3,179	2,514
Past service cost	41	735
Total	<u>3,220</u>	<u>3,249</u>

Amounts included in interest payable

Net interest payable	<u>620</u>	<u>470</u>
	<u>620</u>	<u>470</u>

Amounts recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Return on pension plan assets	3,161	(1,708)
Experience losses arising on defined benefit obligations	675	
Changes in assumptions underlying the present value of plan	6,315	10,791
Amount recognised in Other Comprehensive Income	<u>10,151</u>	<u>9,083</u>

Movement in net defined benefit liability during the year	2020	2019
	£'000	£'000
Deficit in scheme at 1 August	(26,709)	(15,544)
Movement in year:		
Current service cost	(3,179)	(2,514)
Employer contributions	1,654	1,637
Past service cost	(41)	(735)
Net interest on the defined liability	(620)	(470)
Actuarial gain or loss	(10,151)	(9,083)
Net defined benefit liability at 31 July	<u>(39,046)</u>	<u>(26,709)</u>

Asset and Liability Reconciliation	2020	2019
	£'000	£'000

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	71,675	56,747
Current Service cost	3,179	2,514
Interest cost	1,572	1,635
Contributions by Scheme participants	523	536
Experience gains and losses on defined benefit obligations	675	-
Changes in financial assumptions	6,315	10,791
Estimated benefits paid	(920)	(1,283)
Past Service cost	41	735
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>83,060</u>	<u>71,675</u>

Reconciliation of Assets

Fair value of plan assets at start of period	44,966	41,203
Interest on plan assets	1,003	1,208
Remeasurements (assets)	(3,161)	1,708
Employer contributions	1,654	1,637
Contributions by Scheme participants	523	536
Estimated benefits paid	(920)	(1,283)
Administration expenses	(51)	(43)
Fair value of plan assets at end of period	<u>44,014</u>	<u>44,966</u>

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

26 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.

The total expenses paid to or on behalf of the Governors during the year was £1,071; 4 governors (2019: £1,561; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

During the year the College received income of £0 (2019 - £0) for salary recharges to the Academy Trust and £171,441 (2019 - £163,442) for amounts charged under the Service Level Agreements.

27 Amounts disbursed as agent

Learner support funds	2020 £'000	2019 £'000
Funding body grants – ESFA hardship support	504	552
Other Funding body grants	320	190
Interest earned	-	-
	<u>824</u>	<u>742</u>
Disbursed to students	(531)	(528)
Administration costs	(23)	(28)
	<u>270</u>	<u>186</u>
Balance unspent as at 31 July, included in creditors		

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.

Appendix 1

Remuneration Annual Report to the Corporation 2019/20

Introduction

Senior Post Holders are appointed by and directly accountable to the Corporation. During 2019/20 the following posts have been designated as Senior Posts by the Corporation:

- Group CEO & Executive Principal
- College Principal
- Clerk to the Corporation

1. Terms of Reference

The Remuneration Committee operates in accordance with its Terms of Reference approved by the Corporation. The Remuneration Committee undertakes an annual self-assessment against its terms of reference and this provides assurance to the Corporation that the Committee has effectively discharged its responsibilities.

[Remuneration Committee Terms of Reference](#)

2. Remuneration Committee membership

Members of the Remuneration Committee are appointed directly by the Corporation. The following Corporation Members served on the Remuneration Committee during 2019/20.

- Martin Jones (Chair) Attendance 3 out of 3 meetings 100%
- Dave Merrett Attendance 3 out of 3 meetings 100%
- Richard O'Doherty Attendance 2 out of 3 meetings 67%
- Moyra Pascoe Attendance 3 out of 3 meetings 100%
- David Hagg Attendance 3 out of 3 meetings 100%

3. Remuneration Committee meetings

The Remuneration Committee met on three occasions:

Attendance at these meetings confirmed above

- 3 September 2019
- 25 October 2019
- 13 January 2020

4. College's key strategic objectives

- 1 To be recognised as an outstanding College.
- 2 To be visionary and innovative in providing educational opportunities by anticipating and meeting demand.
- 3 To enhance the quality of the experience we provide for our learners and our staff.
- 4 To develop responsive partnerships with all our learners, employers, and all our stakeholders.
- 5 To ensure we have the necessary resources to support our Plan.
- 6 To provide an educational and training environment which is equipped for the delivery of high quality learning.

Approach to Remuneration

5. Competitive Environment

Within a national environment of high employment, during 19/20 the College was competing for staff at all levels from private industry and at the Bristol campuses from a busy urban centre of employment.

6. Statement of Remuneration Principles

The College takes very seriously the need to set pay levels for all staff that are proportionate, that reflect the level of responsibility of the role, and enable the College to attract and retain staff of the highest calibre. The College is also conscious of the balance to be struck between recruiting, retaining and rewarding the best staff possible, in order to deliver the best outcomes for students, stakeholders, society and the economy, while demonstrating effective use of resources and value for money for students in the use of the College's overall resources.

Within these principles, the Corporation has agreed a specific policy for Senior Post Holder remuneration.

7. Determination of Senior Post Holder Remuneration

The Remuneration Committee looked primarily to the annual AoC Senior Staff Survey to compare senior staff pay and the following guidelines were also taken into account by the Remuneration Committee when determining Senior Post Holder remuneration:

- Market competitiveness – align with the Upper Quartile of the AoC salary survey for experienced staff based on current College performance;
- The maturity of the individuals within the roles;
- Value and contribution of individuals, beyond their personal objectives;
- Affordability and the level of pay increases in relation to those for the rest of the College.

Upon the recommendation of the Remuneration Committee the Corporation resolved to approve the payment of the same award made to staff for the Group CEO & Executive Principal, the College Principal and Clerk to the Corporation. The Corporation also agreed to increase the contract of employment for the Clerk to the Corporation from 0.80 to 0.90 FTE with effect from 1 August 2019.

The Group CEO & Executive Principal received remuneration from SGS Academy Trust for his separate contribution as the CEO and Accounting Officer of SGS Academy Trust this salary was uplifted by 2.75% in line with the elevated scales agreed by the Trust Board. This is consistent with the [External Interest Policy](#).

The Senior Post Holder Remuneration Policy has now been developed and documents the principles and procedures for considering and deciding Senior Post Holder pay.

8. Factors in considering reward proposals for Senior Post Holders

There is a robust and consistent process for setting objectives and assessing each Senior Post Holder's contribution to the performance of the College and the achievement of its strategic objectives. This is based on an Annual Staff Review and Development process in which objectives for the previous year are reviewed and set for the following year.

The factors used in considering reward proposals for Senior Post Holders are clearly documented in the [Senior Post Holder Remuneration Policy](#).

9. Supporting Data for reward indicators

Supporting data is drawn from the Association of College's Annual Senior Staff Pay Survey, which provides the Remuneration Committee with benchmark data with comparator institutions.

10. Broader organisation Data

Following agreement of the annual budget the Corporation determines the pay award and implementation timetable for all staff. The levels of non-teaching staff roles are determined using the Hay job evaluation scheme. Dependant on contract, all staff are automatically enrolled into either the Teacher's Pension Scheme or the Local Government Pension Scheme.

11. Pay multiple of the Group CEO & Executive Principal earnings against the median of all staff

Year	All Staff Pay Median*	Group CEO & Executive Principal Annual Pay*	Pay Multiple of Group CEO & Executive Principal*
2020	£26,313	£174,330	6.6252
2019	£26,052	£172,603	6.6253
2018	£25,794	**£172,603	6.6916
2017	£25,536	**£172,603	6.7592

* excluding non- consolidated pay award

**** including car allowance**

Institutional Performance

12. In year changes to key factors

No in year changes to key factors during 19/20

Emoluments of the Group CEO and Executive Principal	2019/2020	2018/2019	2017/2018
Salary	£174,330	£172,603	£164,337
Car Allowance			£ 8,266
Non-Consolidated Pay Award	£1,726		£ 1,726
Employers Pension Costs	£ 36,376	£ 27,083	£ 27,367
Performance Related pay/benefits			
Total for year	£212,432	£199,686	£201,696

13. Expenses Policy

Senior Post Holders' expenses incurred were paid as the terms of the College's single published scheme for the payment of expenses that applies to all staff. [Travel, Subsistence and Personal Expenses Policy and Procedure](#)

14. Confirmation of discharge of duties

The Remuneration Committee believes that it has effectively discharged its responsibilities in line with the Committee's Terms of Reference and requirements of this code and associated policies.

David Merrett
Chair of the Remuneration Committee
9 September 2020