



**BRIDGWATER
& TAUNTON
COLLEGE**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2021

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2020/21:

Andy Berry Principal and Accounting Officer
Louise Rowley Vice Principal
Marcus Holder Director of Finance and Estates
Mark Nettle Director of Student Services and Clerk to the Governors
Nikki Sendell Director of Staff & Quality Services
Matt Tudor Director of Business Development and Marketing
Jason Kilduff Assistant Principal of Construction, Automotive and Engineering
Jason Gunningham Assistant Principal of Land Based, Sport and Foundation Studies
Samuel Reilly Assistant Principal of A Levels, Arts & Professional Studies

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

Professional advisers

Financial statements auditors and reporting accountants:

PKF Francis Clark
Ground Floor, Blackbrook Gate 1
Blackbrook Business Park
Taunton
TA1 2PX

Internal auditors:

RSM Risk Assurance Services LLP
Hartwell House
55 - 61 Victoria Street
Bristol
BS1 6AD

Bankers:

Barclays Bank
3rd Floor
Windsor Court
3 Windsor Place
Cardiff
CF10 3BX

Solicitors:

Clarke Willmott
1 Georges Square
Bath Street
Bristol
BS1 6BA

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2021. Bridgwater & Taunton College is located in the heart of Somerset with centres in Bridgwater, Taunton and Cannington.

The College has an excellent reputation both regionally and nationally as a highly successful provider of education and training. It is an award winning College and, since merger, an OfSTED designated Good College, with 5 out of 8 standards being awarded Outstanding. It has received 13 National Beacon Awards in recent years, has achieved and been reaccruited with the Matrix Standard for information, advice and guidance services, won the TES FE 2019 Award for Apprenticeship Programme of the Year and was Provider of the year at 2021 National Apprenticeship Awards.

Bridgwater & Taunton College recruited 22,934 (2019/20: 23,253) full and part-time students. The student population in the year ended 31 July 2021 included 3,358 (2019/20: 3,245) 16-18 year olds and 614 (2019/20: 688) students following higher education programmes.

The College now employs c900 full time equivalent staff.

The College also works closely with local and regional employers and has an excellent track record in providing certificated and bespoke training solutions for the business community.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purposes of conducting Bridgwater & Taunton College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation is directed by the members of the Corporation known as the Board of Governors hereafter.

Mission

The College's principle objectives as approved by its members are summarised in its Mission Statement, which states:

"We will transform the lives of our students and inspire our customers and communities to achieve success by:

- *Delivering outstanding and aspirational teaching, learning and skills development*
- *Creating exciting partnerships with our students, staff, community and employers*
- *Providing a welcoming, safe, inclusive and supportive environment. "*

The Board of Governors reviewed and reiterated this as part of the Strategic Planning process.

These aims are translated into an annual operating plan, the delivery of which is monitored on a termly basis. The 2020/21 Operating Plan was effective in moving the College's aims and mission forward.

Public Benefit

Bridgwater & Taunton College is an exempt charity under the Part 3 of the Charities Act 2011 and following the machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with local Enterprise Partnerships (LEPs)

Implementation of strategic plan

Each year the College prepares a rolling three year Strategic Plan including Accommodation Strategy and Financial Plan. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic aims are to:

1. To inspire all of our students to achieve their full potential
2. To grow and deliver a highly responsive, innovative and dynamic curriculum
3. To attract, retain and invest in inspirational staff
4. To be highly efficient, financially resilient and well resourced

The College's specific financial objectives for 2020/21 and achievement of those objectives are addressed below.

Financial objectives

The College's financial objectives set for 2020/21 were achieved and detailed below:

- Financial health grade: At least Good
- Staff costs: No greater than 65% of income (after deducting FRS102 Pension costs)
- Cash days (operating payments): Greater than 15
- Underlying operating margin: Greater than 5%
- Underlying operating surplus (EBITDA): Greater than £2.3m

The financial targets set for 2021/22 include:

- Financial health grade: At least Good
- Staff costs as a % of income: No greater than 65% of income (after deducting FRS102 Pension costs)
- Cash days (operating payments): No less than 25
- Underlying operating margin: Greater than 5%
- Underlying operating surplus (EBITDA): Greater than £2.3m

The Financial Plan has been designed to underpin these aims whilst delivering robust financial health.

Performance indicators

The College is committed to continuous improvement and monitors its performance through a range of performance indicators including:

- Student achievement rates
- Customer feedback indicators:
 - Learner Satisfaction surveys (including the College's own surveys, OFSTED Learner View, National Student Surveys, FE Choices)
 - Employer Satisfaction surveys
 - College employee satisfaction surveys
- Learner Destinations
- Financial performance measured through the Education and Skills Funding Agency:
 - Annual Finance Record
 - The 3 year Financial Plan prepared annually

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the Education and Skills Funding Agency as having a "Outstanding" financial health grading for 2020/21.

At the most recent inspection of Bridgwater College & Taunton College by OfSTED (2019) the College was graded as "Good". A "no-notice" Care Standards visit occurred in May 2017 and was very positive with 'outstanding' grade awarded.

FINANCIAL POSITION

Financial results

This is the fifth full year of financial operation following the merger with Somerset College, Taunton in June 2016.

The College generated total income of £53,368k (2019/20: £51,603k), producing Earnings before Interest, Depreciation, Tax and Amortisation (EBITDA) of £4,159k (2019/20: £2,737k). Overall the College is reporting Total Comprehensive Income for the year of £(1,925k) (2019/20: £(24,666k)). The recurring FRS 102 pension charge for the year was £5,607k (2019/20: £4,001k). Excluding these FRS 102 pension scheme charges, the College produced an operating surplus of £1,992k (2019/20: £109k deficit).

Net Cash flow from Operating Activities was an inflow of £4,481k (2019/20: £3,764k inflow) due to an improvement in EBITDA. The Balance Sheet is showing a decline in position with net liability of (£33,257k) (2019/20: £31,374k net liability) due to the FRS 102 pension adjustment. The net current assets have improved to £3,445k (2019/20: £1,322k net current assets).

Capital Projects investment increased during the year with the additions totalling £3,671k and related grant income received totalling £3,353k, (2019/20: additions totalling £2,752k and related grant income received totalling £2,013k.)

Average pay costs continue to rise, due to the College making a pay award and other factors beyond the College's control such as apprenticeship levy and pension deficit contributions.

The College's LGPS Deficit continues to fluctuate and is driven largely by historically low interest rates and associated discount factors. The LGPS employer rate rose from 14.8% to 18% on 1 April 2020. The Deficit Recovery Payment was £330k per annum from 1 April 2020 (£330k in 2019/20).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 72% (2019/20: 71%) of the College's total income.

The ESFA and Office for Students honoured the non-apprenticeship education funding contracts that provided reassurance that the College could continue operations, despite the restraints of Covid-19. The College continued to adopt a remote learning approach to support students in continuing with their learning.

Covid-19, the resultant lockdown and consequent impact on students and staff, took effect in March 2020 nearing the end of the 2019/20 financial year. Various support measures taken by the Government helped to offset some aspects of College activity and continued into 2020/21. Nevertheless many of the College's commercial activities, catering outlets and residential accommodation were forced to close during 2020/21.

The College utilised the Government Job Retention Scheme to furlough staff that were unfunded by the ESFA, the income received from the scheme was £646k, (2019/20 £511k). The College continued to pay employees that were furloughed at their full rate. Non-Educational activities were greatly affected by the Government's national lockdown, fixed costs outside of payroll were still incurred and the College supported this by utilising contingencies that were built into the budget.

The College is a member of a company limited by guarantee called The Colleges Partnership Ltd which was acquired through the merger with Somerset College in 2016. The principal activity of that company is the provision of vocational training solutions, apprenticeship management solutions and professional learning and development opportunities through contracts with the MoD. In 2020/21 the College received c£1,500k as payment in recognition it makes to the educational direction of the Company. 50% of the surpluses generated by the Company are attributable to the College; in the current year, the total surplus amounted to £25k.

Treasury policies and objectives

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

The College's treasury policy is to maintain cash balances to meet the working capital needs of the College, its planned investment in fixed assets and repayment of loans, as they fall due. Any surplus funds are invested in Treasury Deposits, or deposited in a business premium account with the College bankers, Barclays Bank, paying interest at the prevailing rate.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2020/21 the College has delivered activity that produced £37,448k in funding body main allocation funding (2019/20: £35,353k). There were 17,849 funded and 5,085 non-funded students throughout 2020/21.

Student achievements

Overall the College achievement rate for classroom based provision and apprenticeships was as follows:

| | 2020/21 | 2019/20 |
|---------------------------|---------|---------|
| Study Programmes | 80.6% | 82.0% |
| Adult Learning Programmes | 92.7% | 93.0% |
| Apprenticeships | 60.3% | 69.0% |

The above results were impacted by a combination of Covid-19 related factors such as furlough of apprentices and delayed end point assessment. Therefore, direct comparison between years is distorted.

Curriculum developments

The College has a national reputation for engaging with employers and using this engagement to drive curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet the needs of the students, employers and community.

The College as a 2020 provider has successfully implemented the new T Level qualification in three routes- Digital, Education and Design and Surveying. In addition, we are piloting the new DfE Transition programmes. The College has benefitted from £2.95m capital investment related to T Levels. This has allowed us to refurbish current accommodation to meet the high industry standard requirements which are a key characteristic of this new technical qualification.

Covid-19 has had a terrible impact on the lives of millions of people. Our number one priority through the pandemic has been and remains the safety and wellbeing of staff and students. However, we have also seen the pandemic as a transformational opportunity. We have been determined to grasp this transformational opportunity to change the way in which we educate. Our digital transformation strategy has supported the launch of one to one device pilots and encourage the ongoing use of technology in learning and the development of our digital pedagogy. Covid-19 also impacted the way in which we assess our students and along with the rest of the sector we moved to a new teacher assessed grading system in June 2021. We were pleased in the way in which our students and staff engaged in the process and are confident in the grades that were allocated.

We have developed a range of new curriculum to support the Hinkley Point C project as it transitions into the Mechanical Electrical phase. New curriculum is delivered through the new Welding Centre of Excellence and at our Construction Skills and Innovation Centre in Cannington. This includes employer funded skills testing and reskilling programmes, through to full apprenticeship programmes.

An overall strategic focus on employer engagement is continuing to drive development of our apprenticeship programme; we remain one of the largest providers in the region. We were particularly proud to have been able to continue to support both our apprentices and their employers throughout the lockdown. Growth in our apprenticeship contract has continued.

Health and care continues to be another significant area of curriculum development with further development of our Nursing programmes. We opened a new Health Suite including nursing wards to support our curriculum ambitions. We were particularly pleased to gain NMC approval to become the first college in the country to be able to deliver nursing degrees through our University Centre for Somerset. New starts will enrol from September 2021. The College continues to develop the University Centre for Somerset brand across all three campuses, with the development of new curriculum and extension of existing provision.

Events after the end of the reporting period

There are no significant post balance sheet events up to the date of approval of these accounts.

Future prospects

The College continues to use its award winning approach to employer engagement to extend existing relationships and develop new ones.

The Health & Care sector is a strategic priority for the College and our University Centre Somerset with significant opportunities to working in partnership with the NHS to address the local and national skills shortage. We plan to build on the successful NMC approval to deliver nursing degrees and move into other health and care disciplines. HNS partners are actively working with us to support our ambition to help them close the skills gaps within their sector. We were therefore pleased to secure £2m from the Office for Students to support investment in our health and care facilities.

The Hinkley Point C (HPC) project is well underway with over 5,000 people on site. The College is actively engaged in training this civil engineering workforce. The next stage of the project is installation of the mechanical and electrical systems; and work is underway to develop the curriculum to support this phase.

The College is one of only 52 providers to join the 2020 T level pilot group. This status has provided access to capacity development funds and capital funding. The first three T Levels started in September 2020 and the £1.8m funding for Capital investment that was secured in the previous financial year to develop facilities in Taunton to support this is nearing completion.

The College was also successful in it's application for the second wave of T Level capital investment to support the development of Health and Early Years Education - £1.15m.

The College is looking to further invest in student technology in 2021/22 to deliver a blended learning approach to combat the potential restrictions imposed by the Government. We have launched phase one of iPad pilot with all A Level, T Level and International Baccalaureate students and their staff receiving an iPad to support learning and development of digital pedagogy. We secured funding (to be shared with Wiltshire College) to support digital transformation through the second round of College Collaboration Funding.

The Gravity Project is a new development on the old Royal Ordnance Factory site of a 625-acre location in Puriton. The ambition is to create over 1,000's employment opportunities in high tech, low carbon and energy sectors. The College has developed a strategic partnership with the Gravity Project and is looking forward to support this exciting project. This has the potential to be a transformational project for our community and the College.

Accommodation Developments

The College received a capital grant from the EFSA as part of the FE Capital Allocation. These funds were utilised to undertake a wide range of repairs and upgrades across the three campuses including such items as roof repairs, heating replacement, asbestos removal and replacement and window replacements.

Development of the Welding Centre of Excellence at the Bridgwater Campus and the extension to the Flow Loop for the National College for Nuclear have both been completed, that were part funded by the South West Institute of Technology.

The Digital and Construction centres for T levels phase one were completed at the Taunton Campus in year.

The Mechanical Centre of Excellence at the Cannington site began construction of which EDF NNB are fully supporting the project. This facility is to mock up MEH issues at HPC and to help them find solutions in a safe environment. This building will transfer to the College at the end of the agreement.

In February 2021 a major fire destroyed the Arts & Technology building at the Bridgwater campus. Work progressed in the year for the demolition of the fire damaged building and designs were approved for its replacement. The Construction Building that is attached to the A&T Building had many works completed to bring this back on line by Easter 2021 and work was also underway to provide temporary facilities for staff and plumbing in the AEC car park for the forthcoming academic year.

Design work is progressing for the total refurbishment of B Block at the Taunton Campus for T Levels Phase 2 (Health and Childcare).

Going Concern

The College has prepared an annual budget for 2021/22 based upon actual funding allocations for the year. Further forecasts have been prepared for the following two years which indicate the College will continue as a going concern for at least the ensuing twelve months.

The College has included contingencies within the 2021/22 budget to account for potential further impact from Covid 19. The cash flow continues to be monitored regularly with a worst case scenario being prepared to ensure there are sufficient funds available to continue operations.

Risk Management

The College has a comprehensive Risk Management Policy reviewed and approved by the Board of Governors. The Audit Committee monitors the risk register on a termly basis with the full Board of Governors carrying out an annual review. Key risks are linked to the Strategic Plan and include risks associated with:

- Political and economic changes
- Physical resources and external factors
- Student recruitment
- Financial: meeting targets and managing budgets
- Management and staffing
- Reputational

Risk management is fully embedded within the College, with staff at all levels trained and encouraged to consider risks and opportunities in their area of responsibility. Through regular review and monitoring, strategic and operational risks are constantly re-assessed, enabling early planning and re-alignment of operational plans, where appropriate, to effectively manage any emerging issues and mitigate the impact on the College.

The College prepared a College wide risk assessment and departmental risk assessments to ensure the safety of all students and staff are preserved from the risk of a Covid 19 outbreak in the College. The College has dedicated staff monitoring the Government guidance and continually supports staff in implementing new precautions. The College increased the Health & Safety budget to ensure a safe working and learning environment. The College adopted a hybrid approach in 2019/20 for both curriculum and support staff or being on site and learning from home and this continued into 2020/21.

RESOURCES

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

Tangible resources include the main College Campuses Bridgwater, Taunton and Cannington, the McMillan Theatre, Canonsgrove, and Rodway Farm.

Financial

At 31 July 2021 the College held cash of £8,156k (2019/20: £5,139k) plus current debtors of £5,555k (2019/20: £3,997k).

People

The College employs c900 full time equivalent staff, of whom 653 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and at least annually by the full Board. 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.

The principal risks and uncertainties for 2021/22 and beyond are likely to be sensitive to Covid-19 related matters. The budget set for 2021/22 reflects current anticipated impact in various income streams and increased costs relating to Covid-19.

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students. In 2020/21, 72% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Funding rates for 16-18 year olds
- Devolution of the adult education
- Capping of the ESFA allowance of Apprenticeship funding
- Funding arrangements to support the training for the nuclear new build at Hinkley Point
- The impact of Covid-19 reducing apprenticeship applications

This risk is mitigated in a number of ways:

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

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The College has been required to significantly raise the employer contribution rate and Deficit Recovery Payment for the latest triennial valuation based upon 31 March 2019 assumptions. It is hoped that this level of contribution will now prove sufficient, particularly if general interest rates should eventually rise.

The risk is being monitored by the College and external representations made to the Regulators and other influential organisations to seek an affordable sector wide solution.

Failure to maintain the financial viability of the College

The financial viability is dependent upon achievement of income targets and the management of costs. There is a risk that the College fails to recruit students to achieve its income targets and/or fails to control expenditure.

The College has robust procedures in place to monitor its financial performance enabling timely action to be taken to address any negative variances arising during the year and thereby maintaining financial viability.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- Schools, in particular in Bridgwater and Taunton
- Staff
- Local employers (with specific links)
- Local Authorities
- Local Enterprise Partnerships (LEPs)
- Government Offices
- The local community
- Other FE institutions
- Trade Unions
- Professional bodies
- Suppliers
- The College's Partnership
- Charitable bodies, most notably the Edge Foundation

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

Equal opportunities

As an Equal Opportunities employer, the College has made a commitment to support job applicants and staff who may have disabilities, to ensure they receive proper access to employment opportunities. The third year of the Disability Equality Duty was reported to the Disability Commission and has been incorporated into the Single Equality Scheme which covers both staff and students. The College is also recognised by the Employment Service as a "Positive about Disabled" employer. All teaching sections in the College developed and implemented curriculum plans linked to College policies on Equality & Diversity. Staff and student Equality & Diversity statistics were monitored and reviewed to ensure equality of opportunity and to share good working practices.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005.

Access

Almost all of the College campus is accessible for wheelchair users. At Bridgwater, Taunton and Cannington Campuses, automatic doors, ramps and lifts have been installed to allow easy access. There are disabled toilets in each part of the building.

Specialist equipment

Information about specialist equipment and software for students to use is widely available and listed in the information packs given to all students. The information can be made available on tapes, large print and in Braille.

Admission Policy

The College Charter describes the Admission Policy for all students. Appeals against a decision not to offer a place are dealt with through a Complaints Policy.

Specialist staffing

The College has appointed specialist staff to support students with learning and sensory disabilities. These include learning support assistants, note takers, hearing impaired facilitators and specialist tutors of those with Special Learning Difficulties. In addition, the College buys in the services of educational psychologists.

There is a total of more than 75 FTE learning support staff that provide a variety of support for learning encompassing personal care, physiotherapy, transport support, note taking and behaviour support. There is a continuing programme of staff development for these staff which includes a mandatory induction programme either with options to take part in NVQ units and Learning Support qualifications.

Specialist programmes

Specialist programmes are described in the College prospectus and information guides. Achievements and destinations are recorded and published in the standard College format.

Counselling and Welfare Services

Counselling and welfare services are available for all students and are described in the College Charter, Student Handbook and College website.

Response to climate crisis

Addressing environmental impact

Bridgwater & Taunton College continues to actively reduce its carbon usage and impact on the wider environment on its journey to net zero.

The following has been undertaken during 2020/21:

- Successful bid to Salix Finance for revenue grant to fund the creation of a heat decarbonisation plan for the College
- Electric Vehicle (EV) charging points were installed across the College, to encourage staff and students to adopt electric vehicles and allow for a transition to EV fleet vehicles
- Introduction of an EV salary sacrifice scheme
- Local energy company appointed to introduce an energy monitoring system to track energy usage and seek reductions in energy use across campuses
- 100 trees were planted across 2 years on the College campuses with further planned in the Queen's Jubilee Year Green Canopy project
- New corporate strategic theme was added on addressing the climate crisis
- Approval of a Climate Action plan which identified the College's net zero year (provisionally) as 2035
- The Farm is working with a local company to decarbonise farm activities and maximise carbon sequestration

Environmental Statement

The College seeks to continuously improve its environmental performance in the areas of infrastructure and operations, academic courses and communication. It has drawn up an Environmental Action Plan which aims to:

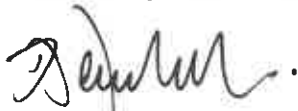
- Give all students the opportunity to raise their awareness of environmental issues through incorporation of material on environment and sustainable development into courses.

- Provide education, training and encouragement on environmental issues to College employees so that they can pursue their work in an environmentally responsible way.
- Reduce the volume of waste produced and recycle where appropriate.
- Assess the environmental impact of all purchases, as far as possible, in terms of their raw materials, manufacture, distribution, use and disposal.
- Encourage the use of environmentally-friendly transport by staff and students.
- Reduce energy consumption and incorporate long-term strategies for energy efficiency into planning and development.
- Reduce, where possible, harmful environmental impacts of College sites/buildings and future developments/alterations.
- Work with the local community and others to develop and pursue environmental initiatives.
- Set minimum target of BREEAM 'Very Good' for all new buildings and, where possible, 'Excellent'.

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 09 December 2021 and signed on its behalf by:



Mr D I Randall
Chair of Governors

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 2020 to 31st July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code with the exception of length of terms of office of Governors. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, it has reported on Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code considered to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code that it has committed to, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes partial account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 15 October 2015.

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

The Corporation

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

| Name | Date of Re/ Appointment | Term of Office | Date of end of term in office/Date of resignation | Status | Committees Served | Attendance |
|--------------------------------------|----------------------------|----------------------|--|------------------|--|------------|
| Mr D Randall (Chair of the Board) | July 2021 | 4 years | July 2025 | Full | Chair of FPGP; Search and Remuneration | 100% |
| Mr J Alvis (Vice Chair) | July 2018 | 4 years | July 2022 | Full | Chair of Audit | 100% |
| Mr A Berry | June 2017 | Ex officio | | Principal & CEO | Buildings, FPGP, Search, Standards | 100% |
| Mr L Brett | July 2018 | 4 years | March 2022 | Full | Chair of Buildings | 100% |
| Mr B Brown | July 2018 | 4 years | December 2020 | Full | FPGP, Standards, Search and Remuneration | 100% |
| Mrs R Coutts | July 2017 | 4 years | December 2021 | Full | Quality and Standards, E&D | 80% |
| Mr M Cox | June 2017 | 4 years | July 2021 | Staff Governor | Quality and Standards | 80% |
| Mr A Frullo | July 2018 | 4 years | July 2022 | Full | FPGP | 80% |
| Mr A Hunt | July 2018 | 4 years | July 2022 | Full | Chair of Standards | 60% |
| Ms S Katbi | June 2018 | 4 years | July 2022 | Full | Full board | 60% |
| Mrs C Pearce | October 2017 | 4 years | July 2021 | Full | Audit, Climate Action Committee | 60% |
| Mrs L Seymour | July 2017 | 4 years | July 2021 | Staff Governor | Quality and Standards, Buildings and Safeguarding | 100% |
| Mrs G Slattery | July 2017 | 4 years | April 2021 | Full | Audit | 100% |
| Mr K Stenning | July 2017 | 4 years | July 2021 | Full | Audit, Buildings | 100% |
| Mr D Taylor | June 2020 | 4 years | July 2024 | Full | Quality and Standards and Safeguarding | 100% |
| Mr N Skyrme | June 2018 | 4 years | July 2022 | Full | FPGP | 100% |
| Mr D Selway | July 2019 | 4 years | July 2023 | Full | Buildings | 75% |
| Mr L Fielder | September 2020 | 4 years | July 2024 | Staff Governor | Quality and Standards | 100% |
| Miss M Harris | September 2020 | 1 year | June 2021 | Student Governor | Standards | 60% |
| Miss K Harvey | September 2020 | 1 year | June 2021 | Student Governor | Standards | 60% |

M Nettle, acted as Clerk to the Board of Governors.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Personnel and General Purposes, Remuneration, Search, Audit and Building Projects Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.btc.ac.uk or from the Clerk to the Corporation at:

Bridgwater & Taunton College
College Way, Bath Road
Bridgwater
Somerset TA6 4PZ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings, and are also available in a secure online space for Governors. Briefings are provided on an ad hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Board of Governors conducts an annual self-assessment to review and consider its performance over the past year and set targets for the next year. The most recent assessment was carried out in October 2021 where it was determined that all major targets set for 2020/21 had been achieved.

Remuneration Committee

Throughout the year ending 31 July 2021 the College's Remuneration Committee comprised three members of the Board of Governors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Board of Governors (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants 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 of input and report their findings to management and the Audit Committee.

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

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

Internal control

Scope of responsibility

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

The Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control 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 Financial Memorandum between Bridgwater & Taunton College and the funding bodies. He is also responsible for reporting to the Board of Governors 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 Bridgwater & Taunton College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Governors has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. They are 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 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

The risk and control framework

Internal controls were continuously reviewed with the introduction of working from home, the remote log in allowed all existing Financial internal controls to remain unaffected. Reports to the governing body were approved by the board and submitted within the timeframe. The Senior Management Team were provided with timely information in order to be able to react to changing circumstances.

A number of planned Internal audits were conducted remotely whilst the College was under limited access.

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

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

Bridgwater & Taunton 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 endorsed by the Board of Governors on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a 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.

Review of effectiveness

As Accounting Officer, the 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 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management 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 Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Board of Governors considered reports on assurance by considering documentation from the senior management team, internal and external audit, and taking account of events since 31 July 2021.

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"*.

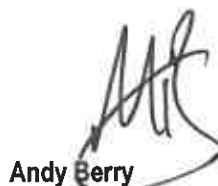
Going concern

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

Approved by order of the members of the Corporation on 09 December 2021 and signed on its behalf by:



Derek Randall
Chair of Governors



Andy Berry
Principal and Chief Executive

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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 financial memorandum. As part of its consideration it has had due regard to the requirements of the financial memorandum.

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 College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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.

Approved by order of the members of the Corporation on 09 December 2021 and signed on its behalf by:



Derek Randall
Chair of Governors



Andy Berry
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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 corporation.

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

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

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

Approved by order of the members of the Corporation on 09 December 2021 and signed on its behalf by:



Derek Randall
Chair of Governors

Independent Auditor's Report to the Corporation of Bridgwater & Taunton College

Opinion

We have audited the financial statements of Bridgwater & Taunton College for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2021 and of the College's deficit of income over expenditure for the year then ended; and
- Have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- Meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Report on other legal and regulatory requirements

We are required to report on the following matters by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency:

We have nothing to report in respect of the following matters where, in our opinion:

- Proper accounting records have not been kept; and
- The financial statement are not in agreement with the accounting records; and
- All information and explanations required for the audit were not received.

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students:

We have nothing to report in respect of the following matters in our opinion:

- The provider's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; and
- The provider's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Members of the Corporation of Bridgwater & Taunton College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the College's Corporation is responsible for the preparation of the financial statements which give a true and fair view and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our audit planning, we obtained an understanding of the legal and regulatory framework that is applicable to the College. We gained an understanding of the industry in which the Charity operates as part of this assessment to identify the key laws and regulations affecting the College. As part of this, we reviewed the College's website for indication of any regulations and certification in place and discussed these with the relevant individuals responsible for compliance. The key regulations we identified were the regulations of the Department for Education, the Education & Skills Funding Agency (ESFA), the Office for Students (OfS) and Ofsted, as well as health and safety regulations, employment law, the Coronavirus Job Retention Scheme (CRJS) legislation, and breaches of The General Data Protection Regulation (GDPR). We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the College Accounts Direction for 2020 to 2021 and the Post-16 Audit Code of Practice issued by the ESFA.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the College's ability to continue operating and the risk of material misstatement to the accounts. We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. Based on this

understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements.
- Review of the College's risk register and minutes of Board and Audit Committee meetings for any potential or actual instances of non-compliance.
- Review of the College's GDPR policy and enquiries of the College's compliance officer as to the occurrence and outcome of any reportable breaches.
- Review of Ofsted reports, and inquiries of management of points raised and action plans developed.
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance.
- Review of the scope, methodology and findings of the work of internal audit, in particular in respect of ESFA Funding Rules compliance, with further information and representations being obtained from management accordingly.

We assessed the susceptibility of the financial statements to material misstatement through management override or fraud and obtained an understanding of the controls in place to mitigate the risk of fraud. We also discussed with management whether there had been any instances of known or alleged fraud, of which there were none. Based upon our understanding we designed and conducted audit procedures including:


- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.
- Undertook specific testing in respect of CJRS claims made during the year.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Corporation as a body in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation as a body 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 Corporation, as a body, for our audit work, for this report, or the opinions we have formed.

 15/12/21
PKF Francis Clark
Registered Auditors
Ground Floor, Blackbrook Gate 1
Blackbrook Business Park
Taunton
TA1 2PX

Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2021

To: The Corporation of Bridgwater and Taunton College and Secretary of State for Education Acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 20 July 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Bridgwater & Taunton College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants, for which the ESFA has other assurance arrangements in place.

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

Respective responsibilities of Bridgwater and Taunton College and the reporting accountant

The Corporation of Bridgwater and Taunton 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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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


The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures, including the self-assessment questionnaire prepared by Bridgwater and Taunton College;
- Evaluation of the system of internal controls for authorisation and approval; and
- Performing substantive tests on relevant transactions.

- Review of the scope, methodology and findings of the work of internal audit, in particular in respect of ESFA Funding Rules compliance.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

PKF  15/12/21

PKF Francis Clark

Chartered Accountants and Registered Auditors
Ground Floor, Blackbrook Gate 1
Blackbrook Business Park
Taunton
TA1 2PX

Statement of Comprehensive Income

For the year ended 31 July 2021

| | Notes | Year ended 31 July 2021 | Year ended 31 July 2020 |
|---|-------|----------------------------|----------------------------|
| | | £'000 | £'000 |
| INCOME | | | |
| Funding body grants | 2 | 39,010 | 36,721 |
| Tuition fees and education contracts | 3 | 8,785 | 8,329 |
| Other grants and contracts | 4 | 898 | 1,202 |
| Other income | 5 | 4,671 | 5,333 |
| Investment income | 6 | 4 | 18 |
| Total income | | 53,368 | 51,603 |
| EXPENDITURE | | | |
| Staff costs | 7 | 37,949 | 35,799 |
| Other operating expenses | 8 | 14,285 | 15,058 |
| Depreciation | 11 | 3,291 | 3,322 |
| Interest and other finance costs | 9 | 1,458 | 1,534 |
| Total expenditure | | 56,983 | 55,713 |
| <i>Operating surplus (deficit) on continuing activities</i> | | | |
| | | 1,992 | (109) |
| <i>FRS 102 pension adjustments - recurring</i> | | | |
| | | (5,607) | (4,001) |
| | | (3,615) | (4,110) |
| (Deficit) before other gains and losses | 10 | (3,615) | (4,110) |
| Gain on revaluation of investment property | | - | 1,111 |
| Deficit for the year | | (3,615) | (2,999) |
| Gain on disposal of assets | | - | - |
| Actuarial gain/(loss) in respect of pensions schemes | 25 | 1,690 | (21,667) |
| Total Comprehensive Income for the year | | (1,925) | (24,666) |

All comprehensive income is unrestricted.

Statement of Changes in Reserves

For the year ended 31 July 2021

| | Income and expenditure account | Revaluation reserve | Total |
|--|--------------------------------------|------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Balance at 1 August 2019 | (12,340) | 5,617 | (6,723) |
| Deficit from the income and expenditure account | (2,999) | - | (2,999) |
| Other comprehensive income | (21,667) | - | (21,667) |
| Investment revaluation | - | 15 | 15 |
| Transfers between revaluation and income and expenditure reserves | 114 | (114) | - |
| Balance at 31 July 2020 | (36,892) | 5,518 | (31,374) |
| Balance at 1 August 2020 | (36,892) | 5,518 | (31,374) |
| Deficit from the income and expenditure account | (3,615) | - | (3,615) |
| Other comprehensive income | 1,690 | - | 1,690 |
| Investment revaluation | - | 42 | 42 |
| Transfers between revaluation and income and expenditure reserves | 114 | (114) | - |
| Balance at 31 July 2021 | (38,703) | 5,446 | (33,257) |

Balance sheet as at 31 July 2021

| | | Notes | | | |
|--|----|--------------|--|-----------------|-----------------|
| | | | | 2021 | 2020 |
| | | | | £'000 | £'000 |
| Non current assets | | | | | |
| Tangible Fixed assets | 11 | | | 85,653 | 85,506 |
| Investment Properties | 12 | | | 3,582 | 3,500 |
| Investments | 13 | | | 108 | 67 |
| | | | | 89,343 | 89,073 |
| Current assets | | | | | |
| Stocks | | | | 304 | 399 |
| Trade and other receivables | 15 | | | 5,555 | 3,997 |
| Cash and cash equivalents | 20 | | | 8,156 | 5,139 |
| | | | | 14,015 | 9,535 |
| Less: Creditors – amounts falling due within one year | 16 | | | (10,570) | (8,213) |
| Net current assets | | | | 3,445 | 1,322 |
| Total assets less current liabilities | | | | 92,788 | 90,395 |
| Creditors – amounts falling due after more than one year | 17 | | | (42,565) | (42,169) |
| Provisions | | | | | |
| Defined benefit obligations | 19 | | | (82,966) | (78,991) |
| Other provisions | 19 | | | (514) | (609) |
| Total net (liabilities) | | | | (33,257) | (31,374) |
| Unrestricted Reserves | | | | | |
| Income and expenditure account | | | | (38,703) | (36,892) |
| Revaluation reserve | | | | 5,446 | 5,518 |
| Total unrestricted reserves | | | | (33,257) | (31,374) |

The financial statements on pages 26 to 51 were approved and authorised for issue by the Corporation on 09 December 2021 and were signed on its behalf by:



Derek Randall
Chair of Governors



Andy Berry
Accounting Officer

Statement of Cash Flows

For the year ended 31 July 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|---------------|----------------|
| Cash flow from operating activities | | | |
| Deficit for the year | | (3,615) | (2,999) |
| Adjustments for non-cash items | | | |
| Depreciation | | 3,291 | 3,322 |
| Gain on revaluation of investment property | | - | (1,111) |
| Amortisation of deferred capital grant | | (1,860) | (1,343) |
| Decrease / (Increase) in stocks | | (12) | 116 |
| (Increase) in debtors | | (1,248) | (328) |
| Increase in creditors due within one year | | 2,030 | 1,972 |
| Pensions costs less contributions payable | | 5,504 | 3,963 |
| Adjustments for investing or financing activities | | | |
| Investment income | | (4) | (15) |
| Interest payable | | 161 | 229 |
| Loss / (Profit) on sale of fixed assets | | 234 | (42) |
| Net cash flow from operating activities | | <u>4,481</u> | <u>3,764</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 37 | 45 |
| Investment income | | 4 | 15 |
| Payments made to acquire fixed assets | | (3,727) | (3,162) |
| Capital grants received | | 3,106 | 1,859 |
| | | <u>(580)</u> | <u>(1,243)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (161) | (229) |
| Repayments of amounts borrowed | | (713) | (820) |
| Capital element of finance lease rental payments | | (10) | (10) |
| | | <u>(884)</u> | <u>(1,059)</u> |
| Increase in cash and cash equivalents in the year | | <u>3,017</u> | <u>1,462</u> |
| Cash and cash equivalents at beginning of the year | 20 | 5,139 | 3,677 |
| Cash and cash equivalents at end of the year | 20 | 8,156 | 5,139 |

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to 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 2020 to 2021 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.

Group financial statements have not been prepared, on the basis that the College's subsidiary, BTC Corporate Services Ltd, was dormant throughout 2020/21 and the exclusion of the subsidiary is not material for the purposes of giving a true and fair view. These financial statements present information about the College as an individual undertaking and not about its group.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance and including the exceptional impact of an unprecedented global coronavirus pandemic, are set out in the report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

Notwithstanding net current assets of £3,445k (2020: net current assets of £1,322k) and net liabilities of £33,257m (2020: net liabilities of £31,374m) the Governing Body continues to adopt the going concern basis of preparation in light of the ongoing success of the College and for the following reasons in respect of non-financial liabilities included within current liabilities and the ongoing availability of loan facilities:

- Included within creditors falling due within one year, and in accordance with FRS 102 and the SORP, is deferred income relating to government capital grants of £1.768m and other deferred income (included within accruals and deferred income) of £0.5m – neither of these liabilities represent future cash outflows and will be released to the Statement of Comprehensive Income in subsequent accounting periods.
- The College currently has £1.203m of fixed term (for 25 years to 2028) loans outstanding with bankers, £3.8m from BIS and £4.909m Sedgemoor District Council for a fixed term of 20 years to 2040 with interest being capitalised until November 2021. Bank borrowing is secured by a fixed and floating charge on certain College assets and is subject to a number of financial covenants. The Governing Body have, in assessing both the availability of the existing facilities and capacity to obtain new facilities if required, considered the results for the period to December 2021 and to the date of approval of these financial statements, the financial projections and its on-going relationship with (and most recent assurances received from) the bankers. Whilst accepting there can be no certainty, the Governing Body are satisfied that the College will continue to operate within, and meet the scheduled repayments of, its existing facilities for the foreseeable future.
- The 2021/22 budget has been written to include contingencies for the potential further impact of Covid-19, and sensitivity analysis has been undertaken around cashflow, financial health and loan covenants.

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

Recognition of income

Revenue Grant Funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult 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 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital Grant Funding

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

Accounting for post-employment benefits

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

Somerset 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 other recognised gains and losses.

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. In contrast to LGPS, the TPS is a multi-employer scheme and the College is unable to identify its share of the

underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income 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 valuation provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold buildings, including major adaptations, are depreciated over their expected useful economic life to the College of between 5 and 50 years.

Where land and buildings, including major adaptations, are acquired with the aid of specific grants, they are capitalised and depreciated as above. Freehold land is not depreciated as it is considered to have an infinite useful life. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £2,500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- | | |
|------------------------------------|----------------------------------|
| • technical equipment | 15% per year straight line |
| • motor vehicles | 15% - 40% per year straight line |
| • furniture, fixtures and fittings | 2% - 30% per year straight line |
| • computer equipment | 3% - 40% per year straight line |

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. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

Investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Joint Ventures

The College's investment in its joint venture operation is stated at cost. These financial statements do not consolidate the results and financial position of the joint venture although details of these are included in Note 14 to these financial statements.

Investment property

Certain of the College's properties are held for long-term investment. Investment properties are accounted for in accordance with FRS 102 as follows:

No depreciation is provided in respect of investment properties. Investment properties for which fair value can be measured reliably without cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

Stocks

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

Cash and cash equivalents

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

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

Financial liabilities 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 College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 0.91% 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.

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.

Agency arrangements

The College acts as an agent in the collection and payment of 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether the going concern basis of preparation remains appropriate, as described on page 30.
- 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- **Tangible fixed assets**

Tangible fixed assets, 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 properties are carried at fair value, which requires estimation as to the current market value of the properties. An independent chartered surveyor valuation has been obtained as at 31 July 2020, with a Governors valuation undertaken as of 31 July 2021, details of which are disclosed in Note 12.

- **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 2021 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

| | 2021 | 2020 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Recurrent grants | | |
| Education and Skills Funding Agency - adult | 5,499 | 5,455 |
| Education and Skills Funding Agency – 16-18 | 21,672 | 20,198 |
| Education and Skills Funding Agency - apprenticeships | 9,448 | 9,168 |
| Higher Education Funding Council | 499 | 533 |
| Specific grants | | |
| Releases of government capital grants | 1,860 | 1,343 |
| LSF Administration Fee | 32 | 24 |
| Total | 39,010 | 36,721 |
| Office for Students (OfS) | | |
| | 2021 | 2020 |
| | £'000 | £'000 |
| Grant income from OfS | 499 | 533 |
| Total | 499 | 533 |

The OfS regulates higher education in colleges. The information in the table above relates to courses at Level 4 and above. In order to meet the requirements of the OfS Accounts Direction a separate note showing the analysis of HE income is required in the accounts.

3 Tuition fees and education contracts

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Adult education fees | 3,146 | 2,469 |
| Apprenticeship fees and contracts | 916 | 1,148 |
| Fees for HE loan supported courses | 2,942 | 3,433 |
| LEA and Schools Activity | 70 | 203 |
| International students fees | - | 205 |
| Total tuition fees | 7,074 | 7,458 |
| Education contracts | 1,711 | 871 |
| Total | 8,785 | 8,329 |

4 Other grants and contracts

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Erasmus | 84 | 120 |
| Other grants and contracts | 168 | 571 |
| Coronavirus Job Retention Scheme grant | 646 | 511 |
| Total | 898 | 1,202 |

The College furloughed 218 (2019/20: 177) non funded staff under the government's Coronavirus Job Retention Scheme. The funding received of £646k (2019/20: £511k) relates to staff costs which are included within the staff costs note below.

5 Other income

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Catering and residences | 1,759 | 1,993 |
| Farming activities | 765 | 899 |
| Other income generating activities | 1,458 | 1,867 |
| Miscellaneous income | 689 | 574 |
| Total | 4,671 | 5,333 |

6 Investment income

| | 2021 | 2020 |
|---------------------------|----------|-----------|
| | £'000 | £'000 |
| Other interest receivable | 4 | 18 |
| Total | 4 | 18 |

7 Staff costs

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

| | 2021 | 2020 |
|--------------------|--------------|--------------|
| | No. | No. |
| Teaching staff | 846 | 901 |
| Non-teaching staff | 338 | 327 |
| | 1,184 | 1,228 |

Staff costs for the above persons

| | 2021 | 2020 |
|-----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 26,306 | 25,497 |
| Social security costs | 2,193 | 2,074 |
| Employer pension costs | 4,734 | 4,762 |
| FRS 102 recurring pension costs | 4,512 | 2,850 |
| Payroll sub total | 37,745 | 35,183 |
| Contracted out staffing services | 158 | 499 |
| | 37,903 | 35,682 |
| Restructuring costs - Contractual | 46 | 117 |
| Total Staff costs | 37,949 | 35,799 |

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 Senior Management Team which comprises the Principal and Chief Executive, Vice Principal, Assistant Principals and Directors.

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

| | 2021 | 2020 |
|--|-------------|-------------|
| | No. | No. |
| The number of key management personnel including the Accounting Officer was: | <u>9</u> | <u>9</u> |

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

| | Key management personnel | | Other staff | |
|---------------------------|---------------------------------|-------------|--------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | No. | No. | No. | No. |
| £50,001 to £55,000 p.a. | - | 1 | - | - |
| £55,001 to £60,000 p.a. | - | - | - | - |
| £60,001 to £65,000 p.a. | - | - | - | - |
| £65,001 to £70,000 p.a. | - | - | - | - |
| £70,001 to £75,000 p.a. | - | - | - | - |
| £75,001 to £80,000 p.a. | 1 | - | - | - |
| £80,001 to £85,000 p.a. | - | - | - | - |
| £85,001 to £90,000 p.a. | - | - | - | - |
| £90,001 to £95,000 p.a. | - | - | - | - |
| £95,001 to £100,000 p.a. | - | 6 | - | - |
| £100,001 to £105,000 p.a. | 6 | - | - | - |
| £105,001 to £110,000 p.a. | - | - | - | - |
| £110,001 to £115,000 p.a. | - | - | - | - |
| £115,001 to £120,000 p.a. | - | 1 | - | - |
| £120,001 to £125,000 p.a. | 1 | - | - | - |
| £125,001 to £130,000 p.a. | - | - | - | - |
| £130,001 to £135,000 p.a. | - | - | - | - |
| £135,001 to £140,000 p.a. | - | - | - | - |
| £140,001 to £145,000 p.a. | - | - | - | - |
| £145,001 to £150,000 p.a. | - | - | - | - |
| £150,001 to £155,000 p.a. | - | - | - | - |
| £155,001 to £160,000 p.a. | - | 1 | - | - |
| £160,001 to £165,000 p.a. | 1 | - | - | - |
| | <u>9</u> | <u>9</u> | <u>-</u> | <u>-</u> |

Key management personnel remuneration is made up as follows:

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Salaries – gross of salary sacrifice and waived enrolments | 978 | 934 |
| Employers National Insurance | 121 | 118 |
| | <u>1,099</u> | <u>1,052</u> |
| Pension contributions | 215 | 201 |
| Total key management personnel remuneration | <u>1,314</u> | <u>1,253</u> |

The above compensation includes amount paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

| | 2021 £'000 | 2020 £'000 |
|---------------------------------|---------------|---------------|
| Highest paid officer | | |
| Salary (excluding employers NI) | 162 | 160 |
| Pension contributions | 38 | 37 |
| | <u>200</u> | <u>197</u> |

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the Governing Body who use benchmarking information to provide objective guidance.

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

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

| | 2021 | 2020 |
|---|-------|-------|
| Principal's basic salary as a multiple of the median of all staff | 8.66 | 10.87 |
| Principal and CEO's total remuneration as a multiple of the median of all staff | 10.71 | 11.57 |

8 Other operating expenses

| | 2021 £'000 | 2020 £'000 |
|--------------------|----------------------|----------------------|
| Teaching costs | 7,612 | 6,967 |
| Non-teaching costs | 3,161 | 4,561 |
| Premises costs | 3,512 | 3,530 |
| Total | <u>14,285</u> | <u>15,058</u> |

Other operating expenses include:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Auditors' remuneration: | | |
| Financial statements audit | 36 | 38 |
| Other services provided by financial statements auditors | 4 | 4 |
| Internal audit | 55 | 24 |
| Subcontracting | 867 | 894 |
| Losses on disposal of non-current assets | 234 | 42 |
| Hire of assets under operating leases | 215 | 187 |

Higher Education and access and participation spending

| | 2021 £'000 | 2020 £'000 |
|---|-------------------|-------------------|
| Access investment | 75 | 163 |
| Financial support to students (Bursaries) | 30 | 30 |
| | <u>105</u> | <u>193</u> |

The College has an access and participation plan that has been approved by the OfS's director of fair access and participation.

9 Interest and other finance costs

| | 2021 £'000 | 2020 £'000 |
|---|---------------------|---------------------|
| On bank loans, overdrafts and other loans: | 363 | 383 |
| | <u>363</u> | <u>383</u> |
| Net interest on defined pension liability (note 25) | 1,087 | 1,139 |
| Net interest on enhanced pension liability | 8 | 12 |
| | <u>1,095</u> | <u>1,151</u> |
| Total | <u>1,458</u> | <u>1,534</u> |

10 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:-

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|-----------------------|
| Operating surplus / (deficit) on continuing activities before FRS 102 pension adjustments | 1,992 | (109) |
| FRS 102 Pension adjustments - Recurring | (5,607) | (4,001) |
| (Deficit) before other gains and losses | <u>(3,615)</u> | <u>(4,110)</u> |

11 Tangible fixed assets

| | Biological Assets | Land and buildings | | Equipment | Assets in the course of construction | Total |
|---------------------------------------|----------------------|--------------------|------------|--------------|--|----------------|
| | Dairy Herd | Freehold | Temporary | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| At 1 August 2020 | 347 | 104,401 | 833 | 7,396 | 1,520 | 114,497 |
| Additions | 107 | 425 | 21 | 1,093 | 2,025 | 3,671 |
| Transfers | - | 1,596 | - | 599 | (2,195) | - |
| Disposals | - | (191) | (98) | (260) | - | (549) |
| At 31 July 2021 | 454 | 106,231 | 756 | 8,828 | 1,350 | 117,619 |
| Depreciation | | | | | | |
| At 1 August 2020 | - | 23,826 | 175 | 4,990 | - | 28,991 |
| Charge for the year | - | 2,476 | 28 | 787 | - | 3,291 |
| Elimination in respect of disposals | - | (107) | (5) | (204) | - | (316) |
| At 31 July 2021 | - | 26,195 | 198 | 5,573 | - | 31,966 |
| Net book value at 31 July 2021 | 454 | 80,036 | 558 | 3,255 | 1,350 | 85,653 |
| Net book value at 31 July 2020 | 347 | 80,575 | 658 | 2,406 | 1,520 | 85,506 |

The net book value of equipment includes an amount of £80k (2020: £23k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £7k (2020: £7k).

12 Investment properties

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Valuation brought forward | 3,500 | - |
| Transfer from fixed assets at net book value | - | 2,389 |
| Additions | 82 | - |
| Revaluation to market value | - | 1,111 |
| Total | 3,582 | 3,500 |

Immediately prior to 31 July 2020 the use of one of the College's buildings changed such that it became an investment property. The historic cost of that property £2,458k (NBV £2,389k) was therefore transferred from freehold land and building to investment properties. The property was valued on a fair value basis at £3,500k by Alder King LLP, an independent chartered surveyor, as at 31 July 2020. A Governors' Valuation was undertaken on 31 July 2021, the property was valued on a fair value basis of £3,582k.

13 Non-current investments

| | 2021 | 2020 |
|-------------------------------------|------------|-----------|
| | £'000 | £'000 |
| Other non-current asset investments | 108 | 67 |
| Total | 108 | 67 |

The College owns 607 £1 shares of National Milk Records plc, a company incorporated in England and Wales, and 1,941 £1 shares of Genus plc, a company incorporated in England and Wales.

BTC Corporate Services Ltd is a new trading subsidiary, limited by Guarantee that was incorporated on 16 July 2021, it remained dormant to 31 July 2021.

14 Joint venture arrangements

Through the merger with Somerset College of Arts and Technology the College formally established a joint venture arrangement with Wiltshire College through The Colleges' Partnership Limited (formerly Wiltshire and Somerset Colleges' Partnership Limited) a Company limited by guarantee. The Company is recognised by HMRC as a charity for tax purposes.

The investment in the joint venture is shown in the balance sheet at cost of acquisition (ie zero).

There are no issued shares held by each member as the entity has been constituted as a company limited by guarantee.

The Company is involved in the delivery of education, training and assessment, with the majority of the current turnover relating to the delivery of apprenticeships to soldiers of the Royal Corps of Signals and the Royal Armoured Corps/Armoured Infantry.

The accounting period is coterminous with the College at 31 July 2021.

The balance sheet of the joint venture company at 31 July 2021 comprises the following:

| | 2021 | 2020 |
|-------------------------------|------------|------------|
| | £'000 | £'000 |
| Tangible fixed assets | 75 | 49 |
| Current assets | 4,943 | 2,694 |
| Creditors due within one year | (4,205) | (1,955) |
| Creditors due after one year | - | - |
| Total | 813 | 788 |
| 50% share | 407 | 394 |

The joint venture company reported the following performance for the year ended 31 July 2021

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Turnover | 6,746 | 5,378 |
| Cost of sales | (2,874) | (2,712) |
| Gross profit | 3,872 | 2,666 |
| Administrative expenses | (3,847) | (2,641) |
| Profit before and after tax | 25 | 25 |
| 50% share | 13 | 13 |

15 Trade and other receivables

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade receivables | 1,498 | 1,049 |
| Prepayments and accrued income | 2,809 | 1,579 |
| Amounts owed by the Education and Skills Funding Agency (ESFA) | 1,248 | 1,369 |
| Total | 5,555 | 3,997 |

16 Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Bank loans | 372 | 213 |
| ESFA loan | 800 | 500 |
| Obligations under finance leases | 19 | 10 |
| Trade payables | 1,684 | 725 |
| Other taxation and social security | 525 | 504 |
| Accruals and deferred income | 4,673 | 4,097 |
| Deferred income - government capital grants | 1,768 | 1,483 |
| Amounts owed to the Education and Skills Funding Agency | 729 | 681 |
| Total | 10,570 | 8,213 |

17 Creditors: amounts falling due after one year

| | 2021 | 2020 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Bank loans | 6,031 | 6,200 |
| ESFA loan | 3,000 | 3,800 |
| Obligations under finance leases | 55 | 5 |
| Accruals | 1,110 | 1,003 |
| Deferred income - government capital grants | 32,369 | 31,161 |
| Total | 42,565 | 42,169 |

Government Capital Grants have been accounted for as follows:-

| | SFA/BIS £'000 | Other £'000 | Total £'000 |
|---------------------------|--------------------------|------------------------|------------------------|
| Balance on 1 August 2020 | 23,908 | 8,736 | 32,644 |
| Cash received during year | 2,565 | 788 | 3,353 |
| Grant released to Income | (1,601) | (259) | (1,860) |
| Balance on 31 July 2021 | 24,872 | 9,265 | 34,137 |
| Being: | | | |
| - Under 12 months | 1,426 | 342 | 1,768 |
| - Over 12 months | 23,446 | 8,923 | 32,369 |
| Total | 24,872 | 9,265 | 34,137 |

18 Maturity of debt

(a) Loans

Loans are repayable as follows:

| | 2021 £'000 | 2020 £'000 |
|----------------------------|-----------------------|-----------------------|
| In one year or less | 1,172 | 713 |
| Between one and two years | 1,379 | 1,395 |
| Between two and five years | 3,182 | 4,784 |
| In five years or more | 4,470 | 3,821 |
| Total | 10,203 | 10,713 |

Bank loans totalling £1,494k (2020: £1,707k) are repayable by instalments falling due between 1 August 2021 and 31 May 2028. Interest is charged at 7.275% per annum and the loans are secured on a portion of the freehold land and buildings of the College.

An loan with the ESFA totalling £3,800k (2020: £4,300k) is repayable by instalments falling due between 1 August 2021 and 31 July 2025. Interest is charged at 1.038% per annum, and the loan is unsecured.

A loan with Sedgemoor District Council totalling £4,909k (2020: £4,706k) is repayable by instalments falling due between November 2022 and October 2040. Interest is charged at 4.50% per annum, and the loan is unsecured.

(b) Finance leases

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

| | 2021 £'000 | 2020 £'000 |
|----------------------------|-----------------------|-----------------------|
| In one year or less | 19 | 10 |
| Between two and five years | 55 | 5 |
| Total | 74 | 15 |

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

19 Provisions

| | Defined benefit obligations | Enhanced pensions | Total |
|---|-----------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 |
| At 1 August 2020 | 78,991 | 609 | 79,600 |
| Expenditure in the period | (2,617) | (28) | (2,645) |
| Transferred from income and expenditure account | 6,592 | (67) | 6,525 |
| At 31 July 2021 | 82,966 | 514 | 83,480 |

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 was transferred in upon the merger with Somerset College of Arts and Technology, and relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. The principal assumptions for this calculation are:

| | 2021 | 2020 |
|-----------------|-------|------|
| Price inflation | 2.85% | 2.2% |
| Discount rate | 1.6% | 1.4% |

20 Cash and cash equivalents

| | At 1 August 2020 | Cash flows | At 31 July 2021 |
|---------------------------|------------------|--------------|-----------------|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 5,139 | 3,017 | 8,156 |
| Total | 5,139 | 3,017 | 8,156 |

Analysis of cash and cash equivalents and net debt

| | At 1 August 2020 | Cash flow | Non-cash movements | At 31 July 2021 |
|---|------------------|--------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| <i>Net cash:</i> | | | | |
| Cash in hand and at bank | 5,139 | 3,017 | - | 8,156 |
| | 5,139 | 3,017 | - | 8,156 |
| <i>Debt:</i> | | | | |
| Debt due within 1 year | (713) | 713 | (1,172) | (1,172) |
| Debt due after 1 year | (10,000) | - | 969 | (9,031) |
| Finance lease obligations due within 1 year | (10) | 10 | (19) | (19) |
| Finance lease obligations due after 1 year | (5) | - | (50) | (55) |
| | (10,728) | 723 | (272) | (10,277) |
| Net debt | (5,589) | 3,740 | (272) | (2,121) |

21 Capital and other commitments

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Commitments contracted for at 31 July | <u>1,277</u> | <u>1,909</u> |

22 Lease obligations

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

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Future minimum lease payments due | | |
| Land and buildings | | |
| Not later than one year | - | - |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | <u>-</u> | <u>-</u> |
| Other | | |
| Not later than one year | 215 | 157 |
| Later than one year and not later than five years | 222 | 215 |
| Later than five years | 2 | - |
| | <u>439</u> | <u>372</u> |

23 Contingent liabilities

There are no contingent liabilities to report.

24 Events after the reporting period

There are no post balance sheet events to report.

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 Somerset Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Somerset County Council Pension Scheme. Both are multi-employer defined-benefit plans.

| Total pension cost for the year | 2021 | 2020 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Teachers' Pension Scheme: contributions paid | 2,452 | 2,288 |
| Local Government Pension Scheme: | | |
| Contributions paid | 2,281 | 1,981 |
| FRS 102 charge | <u>4,512</u> | <u>2,850</u> |
| Charge to the Statement of Comprehensive Income | 6,793 | 4,831 |
| Enhanced Pension Scheme charge to Statement of Comprehensive Income | 336 | 493 |
| Total Pension Cost for Year within staff costs | <u>9,581</u> | <u>7,612</u> |

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 2019 and of the LGPS 31 March 2019.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

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

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.

The pension costs paid to TPS in the year amounted to £2,452,000 (2020: £2,288,000)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Somerset County Council. The total contributions made for the year ended 31 July 2021 were £3,070,505 of which employer's contributions totalled £2,281,295 and employees' contributions totalled £789,210. The employer contribution rate increased in year from 14.8% to 18%. Employee's contributions range between 5.5% and 12.5%, depending upon salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2020 updated to 31 July 2021 by a qualified independent actuary.

| | At 31 July 2021 | At 31 July 2020 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 2.80% | 2.45% |
| Future pensions increases | 2.85% | 2.20% |
| Discount rate for scheme liabilities | 1.60% | 1.40% |
| Inflation assumption (CPI) | 2.85% | 2.20% |
| Commutation of pensions to lump sums | 50% | 50% |

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

| | At 31 July 2021 | At 31 July 2020 |
|-----------------------------|--------------------|--------------------|
| | Years | Years |
| <i>Retiring today</i> | | |
| Males | 23.1 | 23.3 |
| Females | 24.6 | 24.8 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.4 | 24.7 |
| Females | 26.1 | 26.2 |

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

| | Fair Value at 31 July 2021 | Fair Value at 31 July 2020 |
|---|-------------------------------------|----------------------------------|
| | £'000 | £'000 |
| Equity instruments | 67,751 | 54,861 |
| Debt instruments | 5,279 | 4,756 |
| Other bonds | 9,701 | 8,139 |
| Property | 6,684 | 6,343 |
| Cash | 3,720 | 4,151 |
| Total fair value of plan assets | 93,135 | 78,250 |
| Weighted average expected long term rate of return | 3.33% | 2.0% |
| Actual return on plan assets | 13,656 | 1,478 |

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

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Fair value of plan assets | 93,135 | 78,250 |
| Present value of plan liabilities | (176,030) | (157,167) |
| Present value of unfunded liabilities | (71) | (74) |
| Net pensions liability (Note 19) | (82,966) | (78,991) |

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

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts included in staff costs | | |
| Current service cost | 7,063 | 5,110 |
| Settlements | - | 151 |
| Past service cost | - | - |
| Total | 7,063 | 5,261 |
| Amounts included in investment income | | |
| Net interest income | 1,087 | 1,139 |
| Total | 1,087 | 1,139 |

Amounts recognised in Other Comprehensive Income

| | | |
|---|--------------|-----------------|
| Return on pension plan assets | 12,551 | (122) |
| Changes in assumptions underlying the present value of plan liabilities | (14,098) | (21,194) |
| Experience gains arising on defined benefit obligations | 3,171 | 1,787 |
| Total | 1,624 | (19,529) |

Movement in net defined benefit (liability)/asset during year

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Net defined benefit liability in scheme at 1 August | (78,991) | (53,390) |
| Movement in year: | | |
| Current service cost | (7,063) | (5,110) |
| Employer contributions | 2,617 | 2,466 |
| Past service cost | - | - |
| Administration expenses | (66) | (55) |
| Net interest on the defined liability | (1,087) | (1,139) |
| Settlements | - | (151) |
| Actuarial gain/(loss) | 1,624 | (21,612) |
| Net defined benefit liability at 31 July | (82,966) | (78,991) |

Asset and Liability Reconciliation

| | 2021 | 2020 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 157,241 | 127,138 |
| Current service cost | 7,063 | 5,110 |
| Interest cost | 2,192 | 2,739 |
| Contributions by Scheme participants | 873 | 771 |
| Experience gains and losses on defined benefit obligations | (3,171) | 1,787 |
| Changes in financial assumptions | 15,994 | 21,458 |
| Change in demographic assumptions | (1,896) | (264) |
| Estimated benefits paid | (5) | (5) |
| Past Service cost | - | - |
| Liabilities assumed / (extinguished) on settlement | - | 404 |
| Curtailments and settlements | (2,190) | (1,897) |
| Defined benefit obligations at end of period | 176,101 | 157,241 |

Changes in fair value of plan assets

| | 2021 | 2020 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fair value of plan assets at start of period | 78,250 | 73,748 |
| Interest on plan assets | 1,105 | 1,600 |
| Return on plan assets | 12,551 | (122) |
| Employer contributions | 2,617 | 2,466 |
| Contributions by Scheme participants | 873 | 771 |
| Estimated benefits paid | (2,195) | (1,902) |
| Administration expenses | (66) | (55) |
| Actuarial gain/(loss) | - | 1,491 |
| Settlement prices received / (paid) | - | 253 |
| Fair value of plan assets at end of period | 93,135 | 78,250 |

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

26 Related party transactions

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are 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 £nil; 0 governors (2020: £1,507; 5 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 during the year (2020: None).

Senior Management Team*Bridgwater College Trust*

Sales transactions in the year amounted to £nil (2020 – £71k). There was no outstanding amount to the College at the year-end (2020 – £nil)

Robert Blake Science School

Sales transactions in the year amounted to £39k (2020 – £61k). There was no outstanding amount to the College at the year-end (2020 – £nil)

Brymore Academy

Sales transactions in the year amounted to £nil (2020 – £1k). There was no outstanding amount to the College at the year-end (2020 – £nil)

The Colleges' Partnership Limited

The Company previously paid an educational support fee to the College, in conjunction with its joint venture partner Wiltshire College.

During the period 1 August 2020 to 31 July 2021 no invoices were raised by the College. The outstanding amount owed to the College was £1,050k (2020 - £269k)

Association of Colleges

Purchase transactions in the year amounted to £49k (2020 - £51k) The outstanding amount owed by the College was £0k (2020 - £nil)

South West Institute of Technology

Purchase transactions in the year amounted to £0k (2020 - £nil) Capital grants were received from South West Institute of Technology as part of a College collaboration totalling £504k (2020 - £654k)

Landex

Purchase transactions in the year amounted to £8k (2020 - £7k) The outstanding amount owed by the College was £nil (2020 - £nil)

Governors

One of the College's Governors sits on the board of the Royal Bath & West of England Society and Farm Link Education Ltd. Transactions for Royal Bath & West of England Society amounted to £nil (2020: £0.6k) There was an outstanding amount of £0k (2020: £nil) owed to by College at the year-end. Transactions for Farm Link Education amounted to £10k (2020: £8k) There was an outstanding amount of £nil (2019: £nil) owed to by College at the year-end.

One of the College's Governors is a Director of by Alvis Contracting LLP, which provided varying services amounting to £83k (2020: £111k). An outstanding amount of £20k (2020: £6.5k) was owed at the year-end. Due to the value spent with Alvis Contracting LLP a tender exercise was undertaken to ensure the College was compliant with the Financial Regulations.

One of the Governors is on the board of Exeter University. Purchase transactions in the year amounted to £3k (2020 - £3k) The outstanding amount owed by the College was £nil (2020 - £nil)

27 Amounts disbursed as agent - Learner support funds

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Funding body grants – bursary support | 38 | 54 |
| Funding body grants – discretionary learner support | 806 | 537 |
| Funding body grants – residential bursaries | 97 | 97 |
| | <u>941</u> | <u>688</u> |
| Disbursed to students | (487) | (428) |
| Administration costs | (32) | (24) |
| | <u>422</u> | <u>236</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.

