

# Members' Report and Financial Statements

For the Year Ended  
31 July 2020



**COVENTRY**  
COLLEGE

## INTRODUCTION

Welcome to our Members' report and financial statements for the period 1st August 2019 to 31st July 2020.

## KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

### Key Management Personnel

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2019-20:

Carol Thomas	Principal; Accounting Officer (from 03/08/2020)
Gill Banks	CEO; Accounting Officer (left 03/08/2020)
Debi Donnarumma	Principal, Deputy CEO & Vice Principal (until 03/08/2020 then VP)
Mark Payne	Vice Principal (left 31/05/2020)
Gemma Knott	Assistant Principal
Debra Wright	Assistant Principal (left 30/09/2020)
Michael Wood	Head of Governance (from 01/01/2020)
Faye Grundy	Head of Governance (left 31/12/2019)

### Board of Governors

A full list of Governors is provided on pages 15-16 of these financial statements.

### Principal and Registered Office

Swanswell St., Coventry

### Professional Advisers

Financial statements auditors and reporting accountants

RSM UK Audit LLP  
Chartered Accountants  
St Philips Point  
Temple Row  
BIRMINGHAM  
82 SAF

Internal Auditor (appointed 16th October 2019)

TIAA Ltd  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO141AH

Bankers

Barclays Bank  
6<sup>th</sup> Floor, PO Box 3333, One  
Snowhill, Snow Hill Queensway,  
Birmingham, B1 3LN

Solicitor (general advice)

Band Hatton Button  
53-55 Butts Road  
COVENTRY  
CV1 38H

Solicitor (merger and banking)

Rollits LLP  
Citadel House, 58 High Street  
Hull  
HU11QE

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## MEMBERS' REPORT

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the period ended 31 July 2020.

#### Legal status

The Corporation was established under the Further and Higher Education Act 1992. The Boards of the predecessor Colleges approved a merger between Henley College Coventry, and City College Coventry whereby the assets, rights and liabilities of City College Coventry transferred to Henley College Coventry on 1 August 2017. The Secretary of State approved a change of name for Henley College Coventry to Coventry College on 1 August 2017.

Coventry College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

#### Mission, Vision and Values

The College reviewed and updated its strategic plan in 2017-18 and has adopted a new plan for the period 2018-2021 , including a new mission, vision and values . The plan was refreshed in 2019.

The College's mission is:

*Coventry College will provide exceptional education, skills and training to meet the needs of individuals, businesses and communities.*

The vision is:

*Coventry College will provide exceptional education and training that impacts by:*

- *Transforming lives*
- *Enhancing business*
- *Enabling communities.*

The values are :

- **Learner first-** high aspirations and high expectations for all learners that supports and challenges each learner to learn, develop, progress and succeed
- **Excellence** - we will strive for excellence in all our work, enabling our learners to realise their full potential in a positive, inspiring and caring environment
- **Inclusivity-** our College will be open to all learners, offering a safe environment and celebrating the diversity of our community and the success of our learners
- **Teamwork-** we will work collaboratively to deliver our college's vision, mission and values
- **Trust** - we will value our staff, learners, stakeholders and partners, promoting mutual respect and a culture of openness, personal responsibility and accountability
- **Transparency** - we will engage with all stakeholders, consulting and seeking their input and welcoming feedback to support growth and improvement.

## **Implementation of Strategic Plan**

The strategic plan is underpinned by a number of strategies and KPIs under the following overarching objectives:

- Quality of Education
- Valuing our people
- Sustainable financial position
- Stakeholder partnerships

The strategies and sub-plans, incorporating detailed action plans, reflect the College's focus on improving quality, developing a stable financial base, building the capacity and resilience to prosper in the more commercial environment facing Colleges and business growth, as follows:

- Student Experience Strategy
- Employee Engagement Strategy
- Teaching, Learning and Assessment Strategy
- People Strategy
- Marketing Strategy
- Quality Improvement Plan
- Financial forecast
- Accommodation Strategy
- Risk register

## **Resources**

The college employs 414 people, of whom 205 are teaching staff.

The college enrolled 6,438 students. The college's student population includes 2,863 16 to 18 year old students, 518 apprentices, 85 higher education students, 42 international students and approximately 2,600 adult learners.

The college has £16.16 million (2019: £5.2 million net assets) of net liabilities including £39.4 million pension liability (2019: £20.3 million) and long term debt of £4.4 million (2019: £4.6 million).

Tangible resources include the two main college sites, Henley campus and City campus. The two main sites include specialist facilities and equipment for a very broad curriculum offer reflecting the College's position as the only general further education college in Coventry, namely: heavy vehicle and light vehicle workshops; catering and hospitality kitchens and restaurant facilities; engineering and telecommunications workshops; construction crafts and construction services workshops; dance studios; hair salons; beauty therapy salons; science laboratories, art, design, graphics and fashion workshops; music performance and music technology studios; health care workshop; digital television studio and editing facilities; independent living facilities for students with learning difficulties and disabilities.

The College makes extensive use of IT and ILT for teaching and learning, communications and business operations and operates a model of 'minimum classroom standards' such that each classroom is equipped to a good specification. In addition, workshops are well equipped with modern and safe equipment.

The college also holds £3.4 million (2019: £5.5 million) in cash for the working capital of the organisation.

### **Stakeholders**

The College has extensive stakeholder relationships which have been very successful over time. The new strategic plan includes a strategic priority to collaborate with local, national and international partners and to explore strategic partnerships. Key stakeholders include:

- Its current and past students.
- Its staff and their trade unions. The senior management team are named on page 2. The trade unions of which Coventry College staff are members are the Union and College Union, National Education Union and Unison.
- Governors
- The employers it works with.
- Its partner schools and academies
- Coventry and Warwick universities
- The wider college community
- The City Council, including Children's Services, Adult education
- The West Midlands Combined Authority and Local Enterprise Partnership.

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

### **Public Benefit**

Coventry College is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. 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.

Coventry College contributes to the social, economic, physical and cultural well-being of the community and stakeholders that it serves, through the delivery of education, training and learning to support the development of individuals and businesses. By adhering to its values, the College encourages and advocates participation through its partnerships, and seeks to develop a sense of pride and ownership throughout its community.

### **Development and Performance**

The College has had a challenging year with a drop in income of around £2.5million compared to the previous year and at the same time staffing costs have increased resulting in a deficit of £2.26 million (2019: £0.19 million surplus) The reduction in income resulted mainly from reduced funding income of £19.5 million (2019: £21.5 million) which was due to reduced 16-18 funding and a reduction in apprenticeship income.

The key balance sheet movements in the year are the reduction in cash holdings and the increase in the pension deficit for the West Midlands local government pension scheme. Overall cash has reduced by over £2 million to end the year at £3.433 million (2019: £5.517 million) and is a result of the operating deficit during the period. The Pension deficit has almost doubled in the year to £39.39

million (2019: £20.27 million) resulting at the year-end in negative total reserves of (£16.16) million (2019: positive £5.21 million)

## **FINANCIAL POSITION**

### **Financial Plan and Financial Objectives**

The College manages its finances responsibly and is committed to maximising the resources available for teaching and learning whilst ensuring that robust financial health is maintained. In support of this the College constructs its financial plans and projections on the basis of key financial objectives and these are approved by the Corporation. The Corporation approved the financial objectives, budget and forecast for 2019-2021 at its meeting of 2 July 2019. The financial objectives frame the priorities for the College in implementing the financial plan. Some key aspirational financial targets have been determined to enable the Governing Body to monitor the financial performance of the College, as follows:

- Effectiveness - achieve an underlying operating surplus
- Liquidity- cash days in hand greater than 30
- Solvency- current ratio greater than 1:1
- Efficiency- pay costs not to exceed 65% of income
- Gearing - bank borrowing not to exceed 40% of income
- Strength - financial rating of GOOD

### **Financial results**

The College generated an operating deficit in the year of £2.255 million after net charges of £171,000 for pensions under FRS102 (2019: surplus of £185,000 after net charges of £300,000 for pensions under FRS102). The College has accumulated negative balance sheet funds of £16,162,000 (2019: positive £5,214,000) of which cash balances and deposits are £3,433,000 (2019: £5,517,000). Net current liabilities are £9,164,000 (2019: net current liabilities £7,975,000).

Despite the impact of Covid 19 and the National lockdown that occurred in March 2020 the college has managed to generate enough adult activity to retain all of its Adult budget income. Apprenticeship income has been affected by Covid 19 closures at many employers and it remains to be seen if there will be an ongoing impact on employers generally. During the year the college incurred additional direct costs of £17,000 in relation to Covid 19 mitigation.

### **Cash flows**

Net cash outflow from operations was £892,000 (2019: inflow of £1,914,000).

### **Liquidity**

The College ended the year with cash balances and deposits of £3,433,000 (2019: £5,517,000).

### **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 Corporation keeps the



Treasury activities of the College under ongoing review. The City campus premises were financed in part by loan finance with Barclays Bank against a term loan . The loan was refinanced in December 2014 and, again, in August 2017 as part of the merger of the former City College Coventry and Henley College Coventry. The College entered into finance lease arrangements and has a deferred VAT liability scheme ('Lennartz') approved by HMRC. Surplus cash balances are invested with a limited number of institutions in accordance with the limits prescribed in the Financial Regulations.

### **Performance Indicators**

The College monitors financial performance against a number of key indicators. Figures for 2019/20 are set out below:

- Underlying operating deficit (excluding FRS102 pension) of (£2,084,000) (2019: surplus £485,000).
- Cash balances of £3.433 million (2019 : £5.517 million)
- Cash days in hand of 55 (2019: 89)
- Current ratio of 0.31:1 (2019: 0.45:1)
- Pay as a% of income of 75% (2019: 63%).

### **Reserves Policy**

The College's key objective is to secure robust financial health and in so doing to invest in the buildings and equipment to ensure the curriculum plan can be delivered efficiently and effectively. The College is currently reviewing its Estates strategy which includes plans to consolidate onto a single campus in the City Centre.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Funding 2019/20 and student numbers**

In 2019/20 the College delivered 2,863 ESFA 16-18 contract numbers against an allocation of 2,859 (100%). The College achieved 100% of the West Midlands Combined Authority adult education budget allocation and 92% of the ESFA allocation, however due to the impact of Covid 19 the tolerance level for this year has been reduced to 68%. Performance against the allocation for apprentices was 98% of the budget. The financial statements include provisions for any amounts due to be repaid to funding agencies.

### **Student achievements**

Overall success rates for classroom delivery in 2019-20 were 77% (2019: 81%).

### **College and curriculum developments**

The Corporation has established business growth as one of the key strategic priorities moving forward and to support that the College continues to review the broad offer and the ways in which the offer is marketed and promoted and employers and stakeholders are engaged. This will include stronger more purposeful relationships with schools, establishing employer forums to inform and advise on curriculum development and an improved interface with employers with end-to-end SLAs and employer feedback driving better performance.

Since the merger, the College has already reviewed curriculum locations between the two campuses and made some changes to ensure provision is located within the best possible facilities : sports and science provision has transferred to the Henley campus and Hair and Beauty and Digital and Media has transferred to the City campus. Mathematics, English, work experience and extended work placements remain a core element of all study programmes and the College has further strengthened its commitment in these areas. Further work will continue to ensure we provide the best provision possible to our students. The College is now committed to a single campus strategy and intends to dispose of the Henley campus. Work on this strategy will commence during 2020/21.

The College continues to be a significant provider of education and training in the local area and, as such, will look to further extend and strengthen relationships with key partners including the local enterprise partnership (LEP), local employers, the local authority, other local further education colleges, schools, Coventry University and the University of Warwick.

### **Payment Performance**

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

The college continued with adherence to its payment terms of net monthly account. During the accounting period 1 August 2019 to 31 July 2020, the college paid 86% of its invoices within 60 days with 36% of those payments being met within 30 days. The college incurred no interest charges in respect of late payment for this period.

### **Events after the end of the Reporting Period**

Carol Thomas was appointed as a permanent college principal from 3rd August 2020.

In December 2020 the Corporation approved the Estates strategy including the disposal of Henley campus as part of a campus consolidation and space efficiency strategy. This was a key element of a financial recovery plan that enabled the college to secure an extension to its loan facilities with Barclays bank to the end of 2021. (See going concern section on page 24)

There were no other significant events after the end of the reporting period.

### **Future Prospects**

The College's focus is on improving quality outcomes and maintaining a sound financial base with business growth targeted through an improved College offer and better engagement with local partners and stakeholders.

The College complied with financial covenants in the first year of merger but since 2018/19 the College has breached one of the bank covenants. This has resulted in an ESFA financial health rating of 'Inadequate' because of the reclassification of the loan as repayable within 12 months.

Until August 2020 the college had been through a period when it did not have a permanent Principal and there was significant uncertainty regarding the refinancing of its loans with Barclays Bank. The financial performance of the last year has been such that the issue became more pressing and the College has had to take significant action to reduce running costs and plan the consolidation of sites in order to improve financial sustainability.

In September 2020 Barclays bank appointed a 'turnaround' consultant to work with the college to seek alternative financing arrangements and to address the trading position of the organisation.

The Corporation and senior leadership team are mindful of their responsibility for ensuring the solvency of the College and have a plan for the process of loan refinancing, for reducing the indebtedness and also to address the deficit position from 2019/20.

The Corporation and senior leadership team have now secured an extension to the current loan facilities until 31 December 2021 however uncertainty still exists for facilities beyond this date and the implementation of the single campus strategy is part of the solution to this ongoing issue.

The College is continuing to deal with the ongoing Covid 19 Pandemic and the impact of this has been considered as part of the planning for the 2020/21 academic year.

These accounts have been prepared on a going concern basis, and the Corporation and Senior Leadership team will continue to work to ensure that the college operates under financial best practice.

## **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 Leadership Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions, which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level, which is reviewed at every Corporation and key sub-committee meeting. Responsibility for providing assurance on the process of risk management is part of the Audit Committee terms of reference. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. 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 and other factors besides those listed below may also adversely affect the College:

- The ongoing Covid 19 pandemic and the impact on students, staff and local employers
- Continuing uncertainty around loan financing beyond December 2021
- Changes in government funding levels and over-reliance on them
- Failure to recruit sufficient students (in a competitive local environment)
- Failure to achieve high student outcomes and achieve a good Ofsted rating
- Failure to maintain good industrial relations (in the post-merger period, including harmonisation)
- Failure to provide an effective IT infrastructure and equipment (in the post-merger period)
- Failure to meet financial targets and banking covenants (if student recruitment is not sufficient)
- Failure to maintain adequate funding of pension liabilities.

## Trade Union Facility Time

### Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
3	3.0

### Percentage of time spent on facility time

Percentage of time - %	Number of employees
0	0
1-50	3
51-99	0
100	0

### Percentage of pay bill spent on facility time

Total cost of facility time	£6,675
Total pay bill	£14,925,000
% of total pay bill spent on facility time	0.04%

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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## Equality, diversity and inclusion

We recognise that Coventry is a diverse city and work hard to embrace that diversity. Everyone that works for, or learns with, Coventry College is encouraged to reach their full potential, in an environment which is respectful and that values individual difference. The latest Equality and Diversity Policy was updated and approved by the Corporation in October 2018 and sets out how the College will meet its legal requirements under the Equalities Act 2010 along with setting clear expectations of the College ethos with regard to equality and diversity.

The policy requires that all individuals working, studying or visiting Coventry College:

- Have the right to be free from harassment and bullying of any description
- Are treated fairly and with respect in all interactions with the college
- Are not discriminated against or suffer any unwanted behaviour because of a protected characteristic
- Have an equal chance to achieve their full potential, irrespective of any defining features that may give rise to discrimination.

The Equality and Diversity Policy is published on the staff intranet site and the college website alongside the Annual Equality & Diversity Report and the Targets and Objectives for the college.

To ensure that the legal requirements are met the college will:

- Actively promote equality, value diversity and seek to eradicate bullying, discrimination, radicalisation and extremism.
- Embed equality and diversity into all areas of the college curriculum and all aspects of College life.
- Monitor and address any gaps in the satisfaction, retention, achievement and success of any identified group of staff and students.
- Take positive action to address any under-representation or stereotyping of staff or students and to improve access to the college in order to attract non-traditional staff and students and widen participation.
- Develop an inclusive and safe environment where the voice of staff, students, and other stakeholders, (particularly those from groups with protected characteristics), is heard and acted upon.
- Celebrate and value the diversity brought to the organisation by individual students and members of staff.

### **Disability Statement**

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

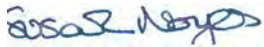
- a) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in our Learner Support Centre.
- b) The admissions policy for all students is available on the College internet. Appeals against a decision not to offer a place can be dealt with under the complaints policy.
- c) The College has made a significant investment in the appointment of specialist teachers and support staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- e) Counselling and welfare services are described in the Student Handbook, which is issued to students at induction.

We have made an additional commitment to work to improve our services for students with high needs in 2020/21.

**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 23<sup>rd</sup> March 2021 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read "Sue Noyes".

**Sue Noyes**  
**Chair**

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

In 2019-20 the College endeavoured to conduct its business:

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

The College was committed to exhibiting best practice in all aspects of corporate governance, and, in particular, the College has adopted and complied with the Code, and therefore does not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who were also the Trustees for the purposes of the Charities Act 2011, confirm that they 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 up to the date of signature of this report were as listed in the table below.

Name	Initial appointment	Re-appointment	Term of Office	Resignation as a Governor	Status	Committees served on in 2018-19
Lee Barratt	October 2016		3 years	30 <sup>th</sup> October 2019	Academic Staff	Standards
Ashley Boon	1 <sup>st</sup> September 2016		3 years	30 <sup>th</sup> October 2019	Student	Standards
Dave Busst	October 2014	1 <sup>st</sup> August 2018	3 years		Independent	Standards

Carol Thomas	3 <sup>rd</sup> August 2020				Principal and Accounting Officer	Resources, Standards, Search & Governance
Gill Banks	4 <sup>th</sup> October 2018			3 <sup>rd</sup> August 2020	Acting CEO	Resources, Standards, Search & Governance
Debi Donnarumma	1 <sup>st</sup> January 2019			3 <sup>rd</sup> August 2020	Acting Principal	Resources, Standards, Search & Governance
Thomas Crane	8 <sup>th</sup> October 2019		3 years		Independent	Audit, Resources
Anne Brennan	October 2014	1 <sup>st</sup> August 2018	3 years		Independent	Chair of Standards Committee
Di Crookes	1 <sup>st</sup> August 2018		3 years		Teaching staff	Standards
Stewart Fergusson	1 <sup>st</sup> August 2017	1 <sup>st</sup> August 2018	2 years	31 <sup>st</sup> December 2019	Independent	Resources, Standards
George Flanagan	1 <sup>st</sup> August 2017	1 <sup>st</sup> August 2018	2 years	31 <sup>st</sup> December 2019	Independent	Resources
Anthony Gribben -Lisle	8 <sup>th</sup> October 2019		3 years		Independent	Resources
Nalani Gutteridge	1 <sup>st</sup> October 2019		1 year	31 <sup>st</sup> July 2020	Student	
Rebecca Keeves	8 <sup>th</sup> October 2019		3 years		Independent	Audit
Donna Kendal	9 <sup>th</sup> May 2020		3 years		Independent	Standards
Jemma McKenzie	8 October 2019		3 years		Independent	Resources
Helena Marston	3 <sup>rd</sup> July 2018		3 years	30 <sup>th</sup> August 2019	Independent	
Jackie Mathers	3 <sup>rd</sup> July 2018		3 years	28 <sup>th</sup> February 2020	Independent	
Peter Matthews	October 2006	1 <sup>st</sup> August 2018 • 2	2 years	31 <sup>st</sup> July 2020	Independent , Vice Chair	Search & Governance, Remuneration  Chair of Audit Committee
Tony Minhas	October 2015	1 <sup>st</sup> August 2018	3 years		Independent	Chair of Resources Committee



Sarfraz <b>Nawaz</b>	9 May 2020		3 years		Independent	Resources
Sue Noyes	1 <sup>st</sup> January 2018		3 years		Chair	Chair of Corporation  Resources, Remuneration, Search & Governance  Chair of Corporation
Neelam Raju	24 <sup>th</sup> April 2018		3 years	31 <sup>st</sup> October 2019	Support Staff	Standards
Adam Wheatley	24 <sup>th</sup> April 2018		3 years	30 <sup>th</sup> August 2019	Independent	Audit
Henry Seaton	8 <sup>th</sup> October 2019		3 years		Independent	Standards
George Trow	8 <sup>th</sup> October 2019		3 years		Independent	Audit*, Resources
John Barrett			N/A		Associate	Audit
Joe Holland			N/A		Associate	Resources

\*Chair of Audit Committee effective from 1<sup>st</sup> August 2020

Miss Faye Grundy undertook the role of Clerk from 8<sup>th</sup> January 2019 to 31<sup>st</sup> December 2019. Michael Wood became permanent Head of Governance from 01/01/2020.

Governors' overall attendance at meetings was 85%:-

- Corporation = 87%
- Audit Committee = 62%
- Resources Committee = 78%
- Standards Committee= 88%
- Search and Governance= 94%
- Remuneration Committee = 100%

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct . The Corporation was 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 including the management of health and safety.

The College adopted a traditional committee structure in 2019-20, with formal sub committees for Standards, Resources, Audit, Remuneration; and Search and Governance. Each committee has terms of reference, which have been approved by the Corporation. Changes to the governance structure have supported the continued focus on quality improvement and financial health, the impact of

which saw good progress in achieving the financial objectives in the merger business case, and an Ofsted assessment of 'reasonable progress' in respect of the College's governance.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website and from the Head of Governance at:

Coventry College  
50 Swanswell Street  
Coventry CV1 SDG

The Head of Governance maintained 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 had access to the Head of Governance, who was responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment of the new Head of Governance was a matter for the Search and Governance Committee. Formal agendas, papers and reports were supplied to governors in a timely manner, prior to Board meetings. Briefings were also provided on an ad-hoc basis.

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

### **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 and Governance Committee, which is comprised of the Chair, three Independent Governors (normally the Chairs of Sub Committees and or Vice Chair), and the Principal, and 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 three years. They may be re-appointed for a second term, and, in exceptional circumstances, for a third term.

### **Corporation Performance**

#### **Strategic leadership**

The Governing Body:

- provide support and challenge to senior managers and hold them to account accordingly. They understand the key strengths and weaknesses of the College, as well the challenges facing the organisation.

- agreed challenging but realistic key performance indicators for 2019-20 and continued to seek to embed a culture of high expectation and ambition, particularly in respect of teaching, learning and assessment, learner performance, and financial health, which remained as their priorities.
- Reviewed its membership and appointed new governors to ensure that it had the capacity to lead the College in its first year of merger and beyond. It has commenced a cycle of new recruitment and developed an Associate Governor Programme.

### **Quality and Curriculum**

The Governing Body:

- are clear about their roles and responsibilities and maintain a continual focus on learner performance; value added; the quality of teaching, learning and assessment; performance management; and progression to further education, higher education, and employment.
- have a good understanding of learner performance and are able to interpret data presented via the dashboard at each meeting. A wide range of reports are received; for example, on attendance, retention, success rates, observations of teaching and learning, and English and maths.
- in 2019-20 overall student achievement rates were 77%, a decrease from 2018-19 (81%) which was impacted by the disruption to final exams caused by Covid 19 during the year.

### **Learner Voice**

- Governors continued to advocate the importance of the learner voice and received regular reports throughout the year. There are two student governors on the Corporation.

### **Governance and Risk Management**

- Governors reviewed and scrutinised a range of key governance matters through the Search and Governance Committee.
- longer-serving Governors know the work of the College well, and others have taken steps to enhance their own knowledge and understanding further. The introduction of independent governors as stewards, supporting senior managers on a number of key strategic issues, strengthened this further.
- Governors, through their Audit Committee, paid close attention to the College's risk management arrangements, and ensured the establishment of an updated and thorough risk register. The Audit Committee monitored the impact of management controls and mitigation on the residual risks to the College, and a termly report was submitted to the full Corporation. Governors demonstrated their understanding of risk management and need for robust scrutiny.

### **Internal and External Audit**

- Governors effectively monitored the College's internal and external audit processes through the Audit Committee, which met four times during the year.
- the Audit Committee's terms of reference were met fully, and Governors maintained a positive impact on internal systems and controls, and compliance with external regulations.
- Governors ensured the timely completion of the internal audit plan in three separate blocks of audits. The Audit Committee has considered the reports arising from the audit reviews in detail with the final audit reports considered at the meeting in October 2020. The statutory provisions within the Joint Audit Code of Practice were met, and appropriate scrutiny was applied to the external audit appointment.
- The Audit Committee appointed TIAA as the new Internal Auditor on 16 October 2019.

### **Financial Strategy**

- the impact of the College's financial performance was measured against the key financial indicators and was reviewed at each meeting of the Corporation. The self-assessment of the College's financial health is 'Inadequate' and is consistent with the ESFA's assessment. The assessment of 'Inadequate' is due to the reclassification of the College's bank loan to short term. The College has received a letter of comfort from the bank dated 5<sup>th</sup> February 2021 confirming the bank's intention to continue to support the College at least until 31 December 2021 and the College is now implementing its single campus strategy in order to secure the financial sustainability of the organisation. Governors are suitably skilled and demonstrated their financial acumen in successfully handling some key issues; for example, funding, staff restructuring, and significant amendments to the financial recovery plan.

### **Safeguarding**

- collectively, Governors have a good understanding of their safeguarding obligations. There is a Lead Governor for safeguarding, and he liaises on a termly basis with the College's Designated Senior Safeguarding Officer.
- the College's safeguarding procedures properly refer to local inter-agency arrangements, and Governors are updated on the work of senior staff in liaising closely with the local authority, the police, and other agencies on a range of safeguarding issues, including Prevent. The procedures also include guidance on the handling of allegations against staff and children. A Prevent strategy is in place, and the Safeguarding policy was reviewed and approved by the Corporation during the year.
- the Corporation receives a monthly update, as well as a termly safeguarding report, and an annual report. This provides Governors with assurance over recruitment and management of staff; training of staff; skills and qualifications of staff on the safeguarding team; awareness raising of safeguarding and Prevent for students; and the Learner Voice.

- Governors take an active interest in safeguarding issues and initiated the College's recent partnership with Coventry's Child Exploitation Team. Similarly, the issue of Young Carers was raised by Governors as an area for review and development.
- Governors recognise safeguarding as a key risk in the College's risk register, and, through the Audit Committee and the Corporation, monitor the implementation of management controls and mitigating actions in seeking to reduce risk levels.

### **Equality and Diversity**

- Governors fulfil their statutory obligations in ensuring that the College institution is compliant with equality law.
- Governors complied with the specific duties in the Equality Act 2010 by ensuring the timely publication of the College's Annual Equality and Diversity Report for 2019-20.
- Governors monitored learner performance and satisfaction data by age, gender, race, disability, learning difficulty, and also by social background. Data on other protected characteristics and students that fall into the 10% of most deprived wards was also provided.

### **Remuneration Committee**

The committee's responsibilities are to make recommendations to the Board on the remuneration and conditions of service of the Accounting Officer, Senior Post holders and the Clerk.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 to the financial statements.

### **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Principal 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 and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the 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 a plan of input agreed with the Audit Committee and the Corporation and report their findings to management and the Audit Committee.

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

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

The Audit Committee is responsible for ensuring an appropriate system of risk management.

## **Internal Control**

### *Scope of responsibility*

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

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

### *The purpose of the system of internal control*

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

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

### *The risk and control framework*

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts

- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The 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 Corporation 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. Her review of the effectiveness of the system of internal control is informed by:

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

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

The Accounting Officer and Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the 23<sup>rd</sup> March 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering the Annual Report of the Audit Committee which included documentation from internal audit and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee 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

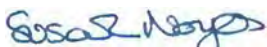
The College has undertaken an assessment of its current position, future prospects, and principal risks, in relation to its ability to continue in operation and to meet its liabilities over the period of its Strategic Plan and has identified that the refinancing of an existing loan, due at 31 December 2021, presents a material uncertainty to the financial viability of the College. In particular, if the refinancing of the loan is not completed by 31 December 2021 the College would not have sufficient funds to redeem the outstanding loan and so this gives rise to a material uncertainty which casts significant doubt over the college's ability to continue as a going concern.

The financial performance in 2019/20 has not met the College's targets and this has exacerbated the breach to bank covenants which occurred in the 2018/19 financial year and has further reduced working capital for the organisation. Loan covenants were again breached in the 2019/20 year. As a consequence the balance of the loan of £9.014m has been classified as a current liability which contributes significantly to the current liability position of £9.164m. However, the bank has remained supportive and has issued a letter of comfort indicating that the outstanding loan will not be required to be immediately repaid. They have agreed an extension to the existing loan facility until 31 December 2021 with the conditions that the College pay an additional £200,000 capital repayment by the end of February 2021, which has been made and an additional capital repayment of £500,000 by the end of May 2021. The College is also planning to consolidate its provision from the Henley Campus to the City Campus and the sale proceeds from the sale of the Henley Campus will be used to reduce this commitment; although the timing of this disposal is subject to planning applications for change of use and subject to finding a willing buyer.

Discussions with the bank regarding the refinancing are ongoing, having issued a letter of comfort on the understanding that the bank remains supportive and the governors are confident that appropriate refinancing arrangements will be put in place. The underlying financial health of the College is robust with projected resources and cash balances adequate to fund continuation of operations for the foreseeable future. At present the College are exploring the possibility of the bank loan being restructured with support from the Local Authority and discussions are currently ongoing on that basis.

After making appropriate enquiries the Corporation considers that the going concern basis should continue to be adopted in preparing the financial statements on the grounds that the College has a good track record of fulfilling its financial obligations, including servicing of the Barclay's Bank loan and on the assumption that a refinancing of the bank loan can be agreed beyond the current repayment date of December 2021.

Approved by order of the members of the Corporation on 23<sup>rd</sup> March 2021 and signed on its behalf by:



**Chair**  
Sue Noyes



**Accounting Officer**  
Carol Thomas



**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 of material irregularity, impropriety and non-compliance with terms and conditions of funding under the College's grant funding agreements and contracts with the Education and Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the College's grant funding agreements and contracts with the Education and Skills Funding Agency.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not 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 grant funding agreements and contracts with the Education and Skills Funding Agency.

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 Education and Skills Funding Agency.



**Chair**

**Accounting Officer**

**Sue Noyes**

**Carol Thomas**

**Date: 23<sup>rd</sup> March 2021**

**Date: 23<sup>rd</sup> March 2021**

### **Statement of Responsibilities of the Members of the Corporation**

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the Corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice -Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, Accounts Direction Issued by the Office for Students and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

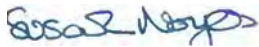
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation

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 the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 23<sup>rd</sup> March 2021 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'Sue Noyes', is written over a light blue rectangular background.

**Sue Noyes**  
**Chair of Governors**

## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COVENTRY COLLEGE**

### **Opinion**

We have audited the financial statements of Coventry College (the 'College') for the year ended 31 July 2020 which comprise the college statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to the disclosures made in the accounting policies on page 35 and to note 14 of the financial statements, which indicate that the College's £9.014m loan with Barclay's Bank ('the bank') needs to be refinanced as it has passed its maturity date. The refinancing of this existing loan represents a material uncertainty to the financial viability of the college, in particular if the refinancing was not completed the college would not have sufficient funds to redeem the outstanding amount.

The college bankers have issued a letter of comfort indicating that the outstanding loan will not be required to be immediately repaid and an extension to the existing loan facility has been agreed until 31 December 2021 with the condition that the college made an additional capital repayment of £200,000 in February 2021 and an additional capital repayment of £500,000 by the end of May 2021. The college is also planning to dispose of its Henley campus in order to further reduce the outstanding debt although the timing of any disposal is subject to planning applications for change of use and subject to finding a willing buyer.

As stated in the accounting policies on page 37, these events or conditions, along with the other matters as set forth in note 14, indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other information**

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Office for Students' Accounts Direction**

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

## **Responsibilities of the Corporation of Coventry College**

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 26 to 27, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

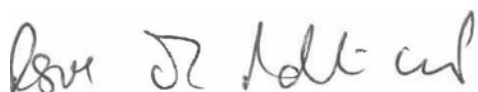
#### **Auditor's responsibilities for the audit of the financial statements**

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.

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

#### **Use of our report**

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 for the opinions we have formed.



#### **RSM UK AUDIT LLP**

Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 SAF

Date: 7 April 2021

**Coventry College**  
**Statement of Comprehensive Income**  
**for the Year Ended 31 July 2020**

	Notes	2020 £'000	2019 £'000
<b>INCOME</b>			
Funding body grants	2	19,501	21,464
Tuition fees and education contracts	3	1,767	1,753
Other grants and income	4	1,147	1,663
Investment income	5	21	24
		<hr/>	<hr/>
<b>Total income</b>		<b>22,436</b>	<b>24,904</b>
<b>EXPENDITURE</b>			
Staff costs	6	16,898	15,621
Other operating expenses	7	4,949	5,768
Depreciation	10	1,880	2,087
Interest and other finance costs	8	964	1,243
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>24,691</b>	<b>24,719</b>
		<hr/>	<hr/>
<b>(Deficit) / surplus for the year</b>		<b>(2,255)</b>	<b>185</b>
Actuarial loss in respect of pension schemes	16	(19,121)	(2,591)
		<hr/>	<hr/>
<b>Other Comprehensive Income for the year</b>		<b>(19,121)</b>	<b>(2,591)</b>
		<hr/>	<hr/>
<b>Total Comprehensive Income for the year</b>		<b>(21,376)</b>	<b>(2,406)</b>
		<hr/>	<hr/>

**Coventry College**  
**Statement of Changes in Reserves**

	Income and Expenditure account	Revaluation Reserve	Total
	£'000	£'000	£'000
<b>Balance at 1st August 2018</b>	4 612	3 008	7 620
Surplus/(deficit) from the income and expenditure account	185		185
Other comprehensive income	(2,591)		(2,591)
Transfer between the revaluation reserve and income and expenditure reserves	74	(74)	
<b>Total comprehensive income for the year</b>	(2,332)	(74)	(2,406)
<b>Balance at 1st August 2019</b>	2,280	2,934	5,214
Surplus/(deficit) from the income and expenditure account	(2,255)		(2,255)
Other comprehensive income	(19,121)		(19,121)
Transfer between the revaluation reserve and income and expenditure reserves	73	(73)	
<b>Total comprehensive income for the year</b>	(21,303)	(73)	(21,376)
<b>Balance at 31st July 2020</b>	<b>(19,023)</b>	<b>2,861</b>	<b>(16,162)</b>



**Coventry College**  
**Balance sheet as at 31 July 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	57,785	59,511
		<b><u>57,785</u></b>	<b><u>59,511</u></b>
<b>Current assets</b>			
Stock		17	7
Debtors	11	664	962
Cash at bank and in hand	17	3,433	5,517
		<b>4,114</b>	<b>6,486</b>
<b>Less: Creditors - amounts falling due within one year</b>	12	(13,278)	(14,461)
<b>Net current assets / (liabilities)</b>		<b><u>(9,164)</u></b>	<b><u>(7,975)</u></b>
<b>Total assets less current liabilities</b>		<b>48,621</b>	<b>51,536</b>
Less : Creditors - amounts falling due after more than one year	13	(23,340)	(24,062)
<b>Provisions</b>			
Defined benefit pension scheme	16	(39,391)	(20,273)
Other provisions	16	(2,052)	(1,987)
<b>Total net assets</b>		<b><u>(16,162)</u></b>	<b><u>5,214</u></b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		(19,023)	2,280
Revaluation Reserve		2,861	2,934
<b>Total Reserves</b>		<b><u>(16,162)</u></b>	<b><u>5,214</u></b>

The financial statements on pages 31 to 58 were approved and authorised for issue by the Corporation of Coventry College on 23rd March 2021 and were signed on its behalf on that date by:

!

**Chair of Coventry College**



**Carol Thomas**  
**Accounting Officer of Coventry College**

**Coventry College**  
**Statement of Cash Flows**  
**for the Year Ended 31 July 2020**

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(deficit)for the year		(2,255)	185
<b>Adjustment for :</b>			
Depreciation		1,880	2,087
(Increase)/ Decrease in stocks		(10)	2
(Increase)/ Decrease in debtors		298	(284)
(Decrease) / Increase in creditors due within one year		(790)	(395)
(Decrease) in creditors due after one year		(572)	(610)
(Decrease) in provisions		(149)	(152)
Pensions costs less contributions payable		(237)	(138)
Pension finance interest costs		408	439
Interest on enhanced pension provision		40	45
Investment income		(21)	(24)
Interest payable		516	759
		<hr/>	<hr/>
<b>Net cash flow from operating activities</b>		<b><u>(892)</u></b>	<b><u>1,914</u></b>
<b>Cash flows from investing activities</b>			
Investment income		21	24
Payments made to acquire fixed assets		(154)	(691)
		<hr/>	<hr/>
		<b><u>{133}</u></b>	<b><u>{667}</u></b>
<b>Cash flows from financing activities</b>			
Interest paid - bank loan		(266)	(289)
Interest element of finance lease rental payments		(250)	(470)
Repayments of amounts borrowed - bank loan		(400)	(400)
Capital element of finance lease rental payments		(143)	(113)
		<hr/>	<hr/>
		<b><u>{1,059}</u></b>	<b><u>{1,272}</u></b>
<b>Increase in cash and cash equivalents in the year</b>		<b><u>(2,084)</u></b>	<b><u>(25)</u></b>
Cash and cash equivalents at beginning of the year	17	5,517	5,542
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	17	3,433	5,517

**Coventry College  
Notes to the Accounts  
for the Year Ended 31 July 2020**

**1. Accounting policies**

**Statement of Accounting Policies**

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

**General information**

Coventry College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. A merger between City College Coventry and Henley College Coventry took place on 1 August 2017. The address of the College's principal place of business is given on page 18. The nature of the College's operations is set out in the Members' Report.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

**Going Concern**

The College has undertaken an assessment of its current position, future prospects, and principal risks, in relation to its ability to continue in operation and to meet its liabilities over the period of its Strategic Plan and has identified that the refinancing of an existing loan, due at 31 December 2021, presents a material uncertainty to the financial viability of the College. In particular, if the refinancing of the loan is not completed by 31 December 2021 the College would not have sufficient funds to redeem the outstanding loan and so this gives rise to a material uncertainty which casts significant doubt over the college's ability to continue as a going concern.

The poor financial performance in 2019/20 has not met the College's targets and this has exasperated the breach to bank covenants which occurred in the 2018/19 financial year and has further reduced working capital for the organisation. Loan covenants were again breached in the 2019/20 year. For the second year in a row the balance of the loan of £9.014m has been classified as a current liability which contributes significantly to the current liability position of £9.164m. However, the bank has remained supportive and has issued a letter of comfort indicating that the outstanding loan will not be required to be immediately repaid. They have agreed an extension to the existing loan facility until 31 December 2021 with the conditions that the College pay an additional £200,000 capital repayment by the end of February 2021, which has been made and an additional capital repayment of £500,000 by the end of May 2021. The College is also planning to dispose of the Henley Campus in order to further reduce the outstanding debt although the timing of this disposal is subject to planning applications for change of use and subject to finding a willing buyer.

Discussions with the bank regarding the refinancing are ongoing, having issued a letter of comfort on the understanding that the bank remains supportive and the governors are confident that appropriate refinancing arrangements will be put in place. The underlying financial health of the College is robust with projected resources and cash balances adequate to fund continuation of operations for the foreseeable future. At present the College are exploring the possibility of the bank loan being restructured with support from the Local Authority and discussions are currently ongoing on that basis.

After making appropriate enquiries the Corporation considers that the going concern basis should continue to be adopted in preparing the financial statements on the grounds that the College has a good track record of fulfilling its financial obligations, including servicing of the Barclay's Bank loan and on the assumption that a refinancing of the bank loan can be agreed beyond the current repayment date of December 2021.

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

**Recognition of income**

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grant for Adult Education Budget (AEB) is measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of 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 at the end of November 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, and is recognised when received.

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

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

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

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

**Retirement benefits**

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

**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. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

**Tangible fixed assets**

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

*Land and buildings*

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 15 or FRS 102) less accumulated depreciation and accumulated impairment losses.

*Equipment*

Equipment costing less than £1000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

*Depreciation and residual values*

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

Freehold buildings - over 10 - 50 years

Leasehold properties - period of lease

Equipment - over 3 - 10 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs **will** generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expensed as incurred.

**Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**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. 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.

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

**Stock**

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective items.

**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 a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

**Provisions**

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

**Agency arrangements**

The College acts as an agent in the collection of some student support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account.

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

**Financial Instruments**

The college has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

***Financial assets and liabilities***

Financial assets and financial liabilities are recognised when the college becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously

**Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

*Critical areas of judgement*

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

*Critical accounting estimates and assumptions*

- Tangible fixed assets

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

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

- 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 21, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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.

- Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.



**Coventry College**  
**Notes to the Accounts (continued)**

**2 Funding body grants**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	3,536	3,488
Education and Skills Funding Agency- 16-18	14,089	15,398
Education and Skills Funding Agency - apprenticeships (funded)	1,191	1,768
Office for students - HE	77	69
<b>Specific Grants</b>		
Releases of government capital grants	599	725
HE grant	<u>9</u>	<u>16</u>
<b>Total</b>	<b><u>19,501</u></b>	<b><u>21,464</u></b>

**3 Tuition fees and education contracts**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Adult education fees - fee income from non-qualifying courses	356	475
Fees for FE loan supported courses - fee income from non-qualifying courses	715	551
Fees for HE loan supported courses - fee income from taught awards	401	353
International student fees - fee income from non-qualifying courses	<u>41</u>	<u>79</u>
<b>Total tuition fees</b>	<b>1,513</b>	<b>1,458</b>
Education Contracts - fee income from non-qualifying courses	<u>254</u>	<u>295</u>
<b>Total</b>	<b><u>1,767</u></b>	<b><u>1,753</u></b>

Coventry College  
Notes to the Accounts (continued)

4 Other grants and income

	2020 £'000	2019 £'000
Catering and residences	22	33
Other income generating activities	571	934
Other grant income	554	696
	<hr/>	<hr/>
<b>Total</b>	<b><u>1147</u></b>	<b><u>1,663</u></b>

5 Investment income

	2020 £'000	2019 £'000
Other interest receivable	21	24
	<hr/>	<hr/>
<b>Total</b>	<b><u>21</u></b>	<b><u>24</u></b>

Coventry College  
Notes to the Accounts (continued)

6 Staff costs and key management personnel and other high paid staff

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

	2020 No.	2019 No.
Teaching staff	205	209
Non teaching staff	<u>209</u>	<u>198</u>
	<b>414</b>	<b>407</b>
Staff costs for the above persons	2020 £'000	2019 £'000
Wages and salaries	11,212	10,556
Social security costs	1,027	970
Other pension costs	21686	21535
<b>Payroll sub total</b>	<b>14,925</b>	<b>14,061</b>
Contracted out staffing services	<u>1,188</u>	<u>1,417</u>
	<b>16,113</b>	<b>15,478</b>
Restructuring costs -		
Contractual	785	143
Non Contractual		
<b>Total staff costs</b>	<b><u>16,898</u></b>	<b><u>15,621</u></b>

Key management personnel compensation and other high paid staff

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which, during the year, comprised the CEO, a Principal, a Vice Principal, Assistant Principals and Head of Governance. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>10</u>

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

	2020 No.	2019 No.
£25,001 to £30,000		1
£30,001 to £35,000	1	1
£65,001 to £70,000	2	3
£80,001 to £85,000	1	2
£110,001 to £115,000	1	1
£115,001 to £120,000		1
£140,001 to £145,000		<u>1</u>
	<b><u>6</u></b>	<b><u>10</u></b>

Coventry College  
Notes to the Accounts (continued)

6 Staff costs and key management personnel and other high paid staff (continued)

Key management personnel total compensation (including the Accounting Officer) is made up as follows:

	2020 £'000	2019 £'000
Salaries	512	554
Employers National Insurance	61	60
	<b>573</b>	<b>614</b>
Pension contributions	81	69
<b>Total emoluments</b>	<b><u>654</u></b>	<b><u>683</u></b>

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

	2020 £'000	2019 £'000
Salaries	<u>120</u>	<u>136</u>
	<u>120</u>	<u>136</u>
Pension contributions	<u>28</u>	<u>23</u>
Total	<u>148</u>	<u>159</u>

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on fulltime equivalents, is set out below for both basic salary and total remuneration.

	2020 No	2019 No
Basic salary as a multiple of median basic salary of staff	6.0	9.0
Total remuneration as a multiple of median total remuneration of staff	6.7	10.0

The above figures do not include agency workers but do include sessional staff costs.

**Coventry College**  
**Notes to the Accounts (continued)**

**6 Staff costs and key management personnel and other high paid staff (continued)**

**Compensation for loss of office paid to former key management personnel**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid to the former post-holders - contractual	98	40
Estimated Value of other benefits inc. provisions for pension	<u>98</u>	<u>40</u>

**Governors' remuneration**

The accounting officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of CEO and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

During the year, total expenses of £496 (2019 - £694) were paid to or on behalf of two governors (2019 - three) in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

**Coventry College**  
**Notes to the Accounts (continued)**

**7 Other operating expenses**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Teaching costs	925	1,232
Non teaching costs	2,330	2,711
Premises costs	1,694	<u>1,825</u>
<b>Total</b>	<b><u>4,949</u></b>	<b><u>5,768</u></b>

**Other operating expenses include:**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Auditors' remuneration:		
Financial statements audit	36	33
Other services provided by the financial statements auditor	1	3
Internal audit	22	15
Hire of plant and machinery - operating leases	71	88
	<u>          </u>	<u>          </u>

**Coventry College**  
**Notes to the Accounts (continued)**

**8 Interest payable**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans and overdrafts	<u>266</u>	<u>289</u>
	266	289
Interest on finance leases	250	470
Net interest on defined pension liability (note 21)	408	439
Interest on enhanced pension provisions	40	45
<b>Total</b>	<b><u>964</u></b>	<b><u>11243</u></b>

**9 Taxation**

The College was not liable for Corporation Tax arising out of its activities during the year.

**Coventry College**  
**Notes to the Accounts (continued)**

**10 Tangible fixed assets**

	Land and buildings Freehold property £'000	Long leasehold property £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2019	69,797	6,895	11,562	88,254
Additions	38	0	116	154
<b>At 31 July 2020</b>	<b><u>69,835</u></b>	<b><u>6,895</u></b>	<b><u>11,678</u></b>	<b><u>88,408</u></b>
<b>Depreciation</b>				
At 1 August 2019	17,025	1,236	10,482	28,743
Charge for the year	1,419	114	347	1,880
<b>At 31 July 2020</b>	<b><u>18,444</u></b>	<b><u>1,350</u></b>	<b><u>10,829</u></b>	<b><u>30,623</u></b>
<b>Net book value at 31 July 2020</b>	<b><u>51,391</u></b>	<b><u>5,545</u></b>	<b><u>849</u></b>	<b><u>57,785</u></b>
Net book value at 31 July 2019	<u>52,712</u>	<u>5,659</u>	<u>11,080</u>	<u>59,451</u>

The net book value of tangible fixed assets includes an amount of £4,355,000 (2019: £4,470,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £114,000 (2019: £278,000).



**Coventry College**  
**Notes to the Accounts (continued)**

**11 Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	289	529
Prepayments and accrued income	311	190
Amounts owed by the Education and Skills Funding Agency	64	243
<b>Total</b>	<b><u>664</u></b>	<b><u>962</u></b>

**12 Creditors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	9,014	9,414
Obligations under finance leases	150	143
Trade payables	71	210
Payments received in advance	28	32
Other creditors		
Other taxation and social security	269	249
Accruals and deferred income	3,019	3,268
Deferred income - government capital grants	571	609
Amounts owed to the Education and Skills Funding Agency	156	536
<b>Total</b>	<b><u>13,278</u></b>	<b><u>14,461</u></b>

**Coventry College**  
**Notes to the Accounts {continued}**

**13 Creditors: amounts falling due after one year**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Bank loans		
Obligations under finance leases	4,425	4,575
Deferred income - government capital grants	18,915	19,487
<b>Total</b>	<b><u>23,340</u></b>	<b><u>24,062</u></b>

Coventry College  
Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	9,014	9,414
Between one and two years		
Between two and five years		
<b>Total</b>	<b><u>9,014</u></b>	<b><u>9,414</u></b>

Security over freehold and leasehold property is held by Barclays in respect of the bank loan totaling £9,014,000

The existing loan facility matured in August 2020 and has been extended until 31 December 2021 with an interest rate margin of 2.15% due to a covenant breach. The bank loan was classed as payable within one year at 31 July 2019 due to a covenant breach and at 31 July 2020 due to a covenant breach and the maturity date being within one year.

(b) Finance leases

Finance lease obligations are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	150	143
Between two and five years	678	646
In five years or more	3,747	3,929
<b>Total</b>	<b><u>4,575</u></b>	<b><u>4,718</u></b>

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

15 Analysis of changes in net funds

	At 1st August 2019 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	5,517	(2,084)		3,433
Bank Loans	(9,414)	400		(9,014)
Finance leases	(4,718)	143		(4,575)
<b>Net funds</b>	<b><u>{8,615}</u></b>	<b><u>{1,541}</u></b>		<b><u>{10,156}</u></b>

**Coventry College**  
**Notes to the Accounts (continued)**

**16 Provisions**

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2019	20,273	1,987	22,260
Utilised in the period	(1,775)	(149)	(1,924)
Transferred from income and expenditure account	1,946	40	1,986
Actuarial loss	18,947	174	19,121
<b>At 31 July 2020</b>	<b><u>39,391</u></b>	<b><u>2,152</u></b>	<b><u>41,443</u></b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

**17 Cash at bank and in hand**

	At 31 July 2020 £'000	At 31 July 2019 £'000
Cash and cash equivalents	3,433	5,517
<b>Total</b>	<b><u>3,433</u></b>	<b><u>5,517</u></b>

**18 Capital commitments**

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	<u>59</u>	<u>          </u>

**Coventry College**  
**Notes to the Accounts (continued)**

**19 Lease Obligations**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Other</b>		
Not later than one year	3	54
Later than one year and not later than five years	8	10
	<u>11</u>	<u>64</u>

**20 Contingent liabilities**

The College had no contingent liabilities as at 31 July 2020.

## Coventry College

### Notes to the Accounts (continued)

#### 21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the West Midlands Metropolitan Authorities Pension Fund. Both are multi-employer defined-benefit schemes.

<b>Total pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teachers Pension Scheme: contributions paid	1,319	832
Local Government Pension Scheme:		
Contributions paid	1,775	2,285
FRS 102 (28) charge	<u>(272)</u>	<u>(167)</u>
Charge to the Statement of Comprehensive Income	1,503	2,118
LGPS contributions paid not within 'Other pension costs' (note 6).	(136)	(415)
<b>Total Pension Cost for Year</b>	<b><u>2,686</u></b>	<b><u>2,535</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019. The LGPS contributions paid (pension accounting disclosure as at 31 July 2020) includes additional pension strain payments (included in restructuring costs - see note 6). The reported contributions paid may differ from the actual contributions paid due to actuarial report timescales but these discrepancies are not considered to be material.

#### Teachers' Pension Scheme

The teachers' pension scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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. There were no prepaid or outstanding contributions in the year.

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

#### Valuation of the Teachers' Pension Scheme

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

**Coventry College**  
**Notes to the Accounts (continued)**

**21 Defined benefit obligations (continued)**

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). Dfe has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year. The next valuation result is due to be implemented from 1st April 2023. The pension costs paid to TPS in the year amounted to £1,319,000 (2019: £832,000).

**Local Government Pension Scheme**

The LGPS is a funded defined benefit-plan, with the assets held in separate funds administered by the West Midlands Pension Fund. The total contributions made for the year ended 31 July 2020 were £2,018,000 of which employer's contributions totalled £1,775,000 and employees' contributions totalled £243,000. The agreed contribution rates for future years are 17.5% for employers and range from 5.5% to 12.5% for employees depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
Rate of increase in salaries	3.25%	3.90%
Future pensions increases	2.25%	2.40%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.40%
Commutation of pensions to lump sums	50.00%	50.00%

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

	<b>At 31 July 2020 years</b>	<b>At 31 July 2019 years</b>
<i>Retiring today</i>		
Males	21.9	20.9
Females	24.1	23.2
<i>Retiring in 20 years</i>		
Males	23.8	22.6
Females	26.0	25.0

Coventry College  
Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	31,837	35,337
Government Bonds	6,148	5,567
Other Bonds	2,198	2,224
Property	4,271	4,798
Cash	3,759	2,122
Other	8,458	8,729
Total fair value of assets	<u>56,671</u>	<u>58,777</u>
Actual return on plan assets	1,207	<u>3,475</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	56,671	58,777
Present value of plan liabilities	(96,062)	(79,050)
Net pensions (liability)/asset	<u>(39,391)</u>	<u>(20,273)</u>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current Service cost	1,503	1,405
Past Service Cost		713
<b>Total</b>	<u>1,503</u>	<u>2,118</u>

Amounts in other operating expenses

Administration costs	<u>35</u>	<u>28</u>
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Amounts included in interest costs

Net interest cost	408	439
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Amounts recognised in Other Comprehensive Income

Return on pension plan assets	31	2,018
Other actuarial gains/(losses) on assets	3,644	
Change in demographic assumptions	2,331	4,109
Experience gain/(loss) on defined benefit obligations	1,957	
Changes in financial assumptions	10,984	(8,581)
Amount recognised in Other Comprehensive Income	<u>18,947</u>	<u>(2,454)</u>



**Coventry College**  
**Notes to the Accounts (continued)**

**21 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(20,273)	(17,519)
Movement in year:		
Service Cost	(1,503)	(1,405)
Past service costs including curtailments		(713)
Employer contributions	1,775	2,285
Administration charge	(35)	(28)
Net interest on the defined (liability)/asset	(408)	(439)
Actuarial gain or (loss)	<u>(18,947)</u>	<u>(2,454)</u>
<b>Net defined benefit liability at 31 July</b>	<b><u>(39,391)</u></b>	<b><u>(20,273)</u></b>

**Asset and Liability Reconciliation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	79,050	72,157
Current Service cost	1,503	1,405
Interest cost	1,646	1,896
Contributions by Scheme participants	243	266
Changes in financial assumptions	10,984	8,581
Estimated benefits paid	(1,652)	(1,859)
Change in demographic assumptions	2,331	(4,109)
Experience loss (gain) on defined benefit obligation	1,957	
Past Service cost		713
<b>Defined benefit obligations at end of period</b>	<b><u>96,062</u></b>	<b><u>79,050</u></b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	58,777	54,638
Interest on plan assets	1,238	1,457
Return on plan assets	(31)	2,018
Other actuarial gains/(losses)	(3,644)	
Employer contributions	1,775	2,285
Contributions by Scheme participants	243	266
Administration expenses	(35)	(28)
Estimated benefits paid	<u>(1,652)</u>	<u>(1,859)</u>
<b>Assets at end of period</b>	<b><u>56,671</u></b>	<b><u>58,777</u></b>

## **Coventry College**

### **Notes to the Accounts (continued)**

#### **22 Related party transactions**

Key management compensation and governors' expenses disclosure is given in note 6. There are no other related party transactions.

#### **23 Events after the end of the reporting period**

Carol Thomas was appointed as a permanent college principal from 3rd August 2020.

In December 2020 the Corporation approved the Estates strategy including the disposal of Henley campus as part of a campus consolidation and space efficiency strategy. This was a key element of a financial recovery plan that enabled the college to secure an extension to its loan facilities with Barclays bank to the end of 2021.

There were no other significant events after the end of the reporting period

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF COVENTRY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY**

**Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Coventry College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**Basis for conclusion**

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

We are independent of Coventry College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

**Responsibilities of Corporation of Coventry College for regularity**

The Corporation of Coventry College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Coventry College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

**Reporting accountant's responsibilities for reporting on regularity**

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions .

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

#### **Use of our report**

This report is made solely to the Corporation of Coventry College and the Secretary of State for Education acting through 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 Coventry College and the Secretary of State for Education acting through 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 Coventry College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.



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Date: 17 April 2021