



# Brockenhurst College

## **Annual Report and Financial Statements**

**Year ended 31 July 2021**

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## Key Management Personnel, Board of Governors and Professional Advisers

### Key management personnel

Key management personnel are defined as Senior Post Holders within the College Leadership Team and were represented by the following in 2020/21:

D Roberts	Principal and CEO; Accounting Officer (until 31 December 2020)
Suzanne (Polly) Perkins	Principal and CEO; Accounting Officer (from 01 January 2021)
L Feingold	Vice Principal, Director of Finance

### Board of Governors

A full list of the Board of Governors is given on pages **25-26** of these financial statements.

Mrs L Payne acted as Clerk to the Corporation throughout the period.

### Professional advisers

#### Financial statements auditors and reporting accountants:

**Alliotts LLP**  
Imperial House  
8 Kean Street  
London  
WC2B 4AS

#### Internal auditors:

**TIAA Ltd**  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

#### Bankers:

**Barclays Bank plc**  
Wytham Court  
11 West Way  
Oxford  
OX2 0JB

#### Solicitors:

**Lamb Brooks**  
39 Winchester Street  
Basingstoke  
Hants  
RG21 1EQ

## Strategic Report

### Objectives and Strategy:

The members present their annual report and the audited financial statements and auditor's report for Brockenhurst College the year ended 31 July 2021.

### Legal status

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

### Mission

The College Vision and Core Purpose is to "Help people make the most of their lives through learning".

The College Core Values are:

- That learning has the power to unlock the potential of each individual
- A belief in educational and social inclusion
- We care about people
- We commit to unequivocal excellence in all we do
- That the future should be embraced through creativity and innovation

### Resources

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

The College employed 301 (2019/20 – 313) people during the year (expressed as full-time equivalents), of whom 146 (2019/20 – 151) are teaching staff.

The College enrolled approximately 8,000 students, The College's student population includes 2,824 16-19 year old students, over 100 apprentices, over 70 international students, over 5,000 adult learners and over 60 higher education students.

Tangible resources include the main college site and operating equipment used to support the curriculum delivery. The net book value of these assets as at 31 July 2021 was £22.5m (31 July 2020 - £22.4m), having increased in the year following investment in the College's estate and IT facilities, notably mobile computing devices for both staff and student use.

The College has £9.9m (2019/20 - £8.7m) of net assets before pension related defined benefit obligations. These include debt of £3.0m (2019/20 - £3.1m). Following a decrease in the year of £1.4m the College's defined benefit pension obligations now stand at £13.9m (2019/20 - £15.4m).

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

The College was graded GOOD during its most recent full Ofsted inspection in February 2017.

The College underwent an Ofsted homestay social care inspection in February 2020 and achieved ratings of GOOD in all key judgements.

The College been registered with the Office for Students since June 2019.

## **Strategic Report (continued)**

### **Stakeholders**

In line with other colleges, Brockenhurst College has many stakeholders. These include:

- Students and staff
- Education sector funding and regulatory bodies, notably the ESFA and the Office for Students (OfS)
- Local employers (with specific links)
- Local Authorities, notably Hampshire County Council
- Government Offices / Local Enterprise Partnerships, notably Solent and M3 LEPS
- The local community
- Other Further Education institutions
- The College's bankers and lenders, Barclays
- Trade unions
- Professional bodies

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

### **Public Benefit**

Brockenhurst College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 25-26.

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

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

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

### **Implementation of strategic plan**

In June 2020 the College adopted a strategic plan for the period 1 August 2020 to 31 July 2023. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's key priorities are:

- High-quality outcomes
- High-quality learning
- Sustainability and growth

## Strategic Report (continued)

### Financial Context

Following deterioration in the College's financial results in 2013/14, the College developed and successfully implemented a recovery plan which included both a substantial cost savings exercise to rebalance the College's budget and also a focus on financial governance and control. The Education and Skills Funding Agency (ESFA) has been closely involved in the monitoring of the recovery plan and the College has continued to be supported by its main lender, Barclays Bank, whereby loans and covenants have been renegotiated. Over the last 5 years the College has been successful in stabilising its financial health and maintaining the trust and confidence of its key financial stakeholders, namely the ESFA and Barclays Bank.

The Covid-19 pandemic has dominated the financial and operational activities of the College since March 2020. Whilst the education sector has largely been protected during the pandemic through funding guarantees and specific Covid support grants, the College has required support from both the ESFA and Barclays to mitigate the financial uncertainty throughout 2020/21. Through a combination of strong financial management (deferral of non-essential spend) and maximisation of Covid-related grants, notably the Job Retention Scheme, the College's financial position has remained stable going into 2021/22.

### FE Sector Funding

The main challenge facing the College in achieving its strategic objective of financial sustainability remains the base funding rate for 16-19 students.

In its 2017-18 annual report, the Office for Standards in Education (Ofsted) raised concerns about the funding pressures in FE, stating that it had "borne the brunt of austerity when it comes to education." It added:

*"We are concerned about the financial sustainability of the college sector, and the clear impact that real-term cuts to FE funding can have on provision. Inspection evidence, our published reports and our insights indicate several areas in which some colleges are having to make cutbacks. These include a reduction in: the number of teachers, trainers and/ or support staff; teaching hours allocated to some courses; and the range of courses and enrichment activities offered to students. These concerns are reflected by the number of colleges that are currently in financial intervention."*

The Education Select Committee, at the request of the DfE, published its findings into School and College funding on 19 July 2019. The summary of this report, which has recognised the chronic under-funding for Further Education Colleges, stated:

*"We are calling on the Department [for Education] to urgently address underfunding in further education by increasing the base rate from £4,000 to at least £4,760 (amounting to around £970 million per year), rising in line with inflation."*

The base funding rate in 2021/22 is £4,188, which remains 12% below that recommended by the Education Select Committee in 2019. Were such an increase applied to the College's main 16-18 funding contract for 2020/21, it would represent an annual increase in income of £1.6m. Such a disparity should be borne in mind to understand the recent financial history of the College and the challenges it faces in achieving financial sustainability in the future.

## Strategic Report (continued)

### Strategic Aims

The strategic aims of the College's 2020/21 Financial Plan are as follows:

- To support the College's Strategic Plan, with focus on the road map objectives of quality, staff expertise and well-being and financial strength.
- Maintain the confidence of our key external stakeholders, notably the ESFA and Barclays Bank, by setting a realistic, transparent and achievable budget. It should be noted that, in light of the College's low level of profitability, the College had put itself forward to undergo an "FE Diagnostic Assessment" in May 2020 looking at all areas of the College.
- Deliver an EBITDA of £1.4m (6.7% income), which would generate sufficient operating cashflow to support the College's debt service requirements and planned level of capital investment.
- Achieve an ESFA financial health rating of "Requires Improvement", and thereby accept ongoing intervention from the ESFA.
- Comply with the revised banking covenants resulting from discussions with the bank as part of the Independent Business Review (IBR) in 2018/19.
- To continue making progress towards long term financial sustainability.

Whilst not specifically included within the plan, the College would continue to consider further opportunities that may arise to secure its long-term sustainability, including curriculum restructuring, merger and land redevelopment.

Each key priority has a number of targets detailing how each priority will be achieved. College departmental objectives have been linked directly with the achievement of the overall College objectives.

The College's key sustainability and growth objectives for 2020/21 and their achievement is set out below.

TARGET	ACHIEVEMENT	ACTUAL
Earnings before interest, tax, depreciation and amortisation (EBITDA) of £1.4k (6.7% of adjusted income)	Achieved	£2.08m (10.2% of adjusted income *)
Financial Health rating of "Requires Improvement" achieved (previously labelled "Satisfactory")	Achieved	ESFA health grade of "Good" achieved (220 points)
Bank covenants met in full	Achieved	Both Minimum Adjusted Operating Surplus and Debt Service covenants achieved
Pay / total income to be no more than 62.4%	Achieved	60.8% Total adjusted income

\* Adjusted income excludes income from the release of deferred capital grants

## Strategic Report (continued)

### Financial Summary – excluding pension accounting adjustments

	2020/21 (£'000)	2019/20 (£'000)
Total Income	20,736	20,037
Staff costs	Note 1 (12,375)	(12,273)
% total income	59.68%	61.25%
% adjusted income	Note 3 60.78%	62.27%
Non Staff costs	Note 2 (7,066)	(7,330)
<b>Surplus</b>	<b>1,295</b>	<b>434</b>
% income	6.2%	2.2%
<u>Add back:</u>		
Depreciation	1,078	1,106
Interest charges	Note 2 82	127
Release of capital grants	(377)	(327)
<b>EBITDA (education specific)</b>	<b>2,079</b>	<b>1,339</b>
% total income	10.03%	6.69%
% adjusted income	Note 3 10.21%	6.80%

Note 1: Excludes FRS102 pension charge of £905k (2019/20 £544k)

Note 2: Excludes interest on defined pension liability of £208k (2019/20 £173k)

Note 3: Adjusted income excludes income from the release of deferred capital grants

The financial results as presented above reflect the College's management reporting, which is driven by both ESFA targets and bank covenants. The main adjustments to the presentation in the Annual Report comprise:

- the exclusion of interest and finance charges relating to pension accounting adjustments, and
- the exclusion of income from the release of capital grants.

The 2020/21 academic year has once again been dominated by the impact of the Coronavirus pandemic whereby the College was obliged to close in November 2020 and also during the months of January and February 2021.

Whilst the College has been sheltered from the full financial impact of the closure through governmental measures guaranteeing 16-19 funding, significant income has nevertheless been lost relating to Adult Education Budget (AEB) funding and all commercial activities which have been fundamentally disrupted. The College's depleted cash reserves had reduced any resilience it may have to such ongoing financial pressures, and the financial uncertainty of the disruption to its activities led to the College seeking financial support from both its bank and ESFA. Following positive discussions, a financial support package had been agreed which would allow the College to continue trading and remain within agreed overdraft limits.



## Strategic Report (continued)

### Income

Predominantly as a result of growth in 16-19 student numbers, total income in 2020/21 has increased by £699k (3.5%) compared to last year. Funded student enrolments have grown from 2,526 in 2019/20 to 2,793 in 2020/21, reflecting both the local demographics and also the ongoing reputation of the College.

The pandemic has nevertheless severely restricted other funding and commercial revenue streams, notably adult provision, both funded and paid for by the learner, international students and the onsite refectory (Hard Brock café). The College nursery remained open throughout the pandemic.

Prior to the pandemic, the College had a strong track record of fully delivering its significant Adult Education Budget (AEB) allocation, which has seen growth in recent years to £1.8m. That actual delivery in 2020/21 has been only 64% of the overall contract can be directly attributed to the impact of the Covid restrictions. The College will therefore be required to repay AEB funding of c.£0.5m in December 2021.

### Staff costs

Staff costs increased in the year by £463k (3.6%) in line with income, reflecting both staffing efficiencies from increased group sizes, but also the impact of increased pension charges. Despite the lockdowns during the year, and in line with the Government's request, the College nevertheless continued to employ and pay all staff and did not look to mitigate the financial impact of the closure through redundancies or requiring staff to take unpaid leave. Such an approach was facilitated by a key governmental financial support measure, the Coronavirus Job Retention Scheme. Eligible staff were furloughed in line with the terms of The Scheme and the College has recognised related income of £194k in its full year results.

At 60.8% of adjusted income, the staff costs ratio, a key sector benchmark, remains in line with sector best practice.

### Operating Expenses

Operating expenses have seen a decrease in the year of £192k (3.1%) reflecting tight financial control during the uncertainty of the Covid lockdowns and pandemic restrictions. The closure of the College has consequently allowed significant cost savings to be made, most notably with regards to repairs and maintenance, utilities, cleaning and transport.

In June 2021 Bournemouth and Poole College gave notice of its withdrawal from the WESS shared service partnership, to be effective from 31 July 22. Both colleges are working together to manage the split of services and allocate existing staff between the colleges. To reflect the additional costs related to implementing this transition a provision of £150k has been established in this year's accounts

The Marchwood Skills Centre is occupied under lease which will expire in 2031. To reflect the potential liability payable at the expiry of the lease, a dilapidations provision of £300k has been established in this year's accounts.

### EBITDA

The financial metric of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is now fully embedded as a key metric by the College in response to the requirements of its key financial stakeholders, namely the ESFA and its loan provider, Barclays Bank. Key criteria of the ESFA Financial Health Rating are EBITDA as a percentage of adjusted income and EBITDA as a percentage of borrowings. At 10.2% of adjusted income, EBITDA remained above the College's target financial health rating benchmark of 4% of income.

Interest and other finance costs shown above comprise loan and overdraft interest of £82k (£127k in 2019/20). The Statement of Comprehensive Income also includes Interest on the College's defined pension liability of £208k (£173k in 2019/20).

## Strategic Report (continued)

### Cash flows, liquidity and financing

#### Refinancing in February 2020

Following depletion of cash reserves and the impact of below budget trading and adverse working capital movements in 2018/19, the College was requested by its lending bank, Barclays, to undergo an Independent Business Review (IBR) in the latter half of 2018/19. The IBR findings, issued in August 2019, were positive and supported a refinancing of the College's indebtedness which duly completed in February 2020. Key features of the refinancing are as follows:

- All 4 existing loans with a value of £2.6m were refinanced through 2 new loans totalling £3.1m.
- The College's existing fixed rate loan was repaid early and break costs of £139.5k were incurred. These costs represent the future savings in interest charges generated by the new loans.
- The new loans are amortised over 15 years, but will be due for refinancing in February 2023.
- Associated refinancing fees of £266k (principally fixed rate break costs of £139.5k and IBR fees of £72k) have effectively been funded through the new loans. These have been put on the balance sheet and released to the Income and Expenditure account over 3 years in line with the terms of the new loans.
- A stepped overdraft facility was made available to support the College's cashflow requirements until July 2022.
- To support the refinancing, the College has refreshed the legal charge/mortgage over the main campus that was already in place in favour of Barclays.

#### Covid-19 financial support

In light of the negative impact of the Covid-19 related closure on the College's financial position, a financial support package was agreed at the start of the year by both its lending bank, Barclays, and the ESFA as follows:

Barclays committed to provide:

- a 12 month loan repayment holiday from May '20 to Feb '21 (a deferral of £52k per quarter)
- an increase in the College's overdraft facilities to a flat £1.5m from start July '20 to end August '21 at an interest rate of 2.35% (being a margin of 2.25% over base).

The ESFA committed to provide:

- Advance payment of the College's 16-18 grant funding from August to July 2020 of £1.3m (to be repaid in August)
- Financial support to the College of up to £1.3m during January to May 2021, be it through advanced funding of the College's 16-18 grant or otherwise (such as emergency funding)

Based on the College's projections, the financial support would allow the College to operate within approved overdraft limits going forward.

The financial support package provided an important safety net to the College at a time of significant uncertainty. Through effective financial management, freezing budgets and deferring unessential spend, the College has protected its financial position.

The overall cash position of the College increased in the year by £1,840k, improving from £709k to £2,549k. The improvement principally reflects the operating cashflow inflow in the year of £2,361k.

## Strategic Report (continued)

### Indebtedness

Following the successful refinancing in February 2020, the College now has 2 loans with Barclays whose original values were £1.7m and £1.4m. In line with the agreed 12 month repayment holiday, no repayments were made during the period May 2020 – February 2021. The standard quarterly repayments of £52k recommenced in May 2021. The College's indebtedness therefore totalled £3.05m at the end of July 2021, being £15.1% of adjusted income. This is well below the ESFA's maximum recommended level of £40%.

As a condition of its loans, the College is required to comply with two specific banking covenants:

1. Debt service (payment of loans and interest) - whereby Adjusted Cashflow for the year 2020/21 shall be no less than 100% of its Debt Servicing Costs, and
2. Minimum Adjusted Operating Surplus (EBITDA) for the year 2020/21 shall be no less than £575k  
(The College's Minimum Adjusted Operating Surplus covenant was reduced from £750k to £575k for 2020/21 to reflect the financial pressures and uncertainty of the pandemic.)

Based upon the financial results presented within this Annual Report the College is in compliance with its relevant bank covenants for 2020/21.

### Change in Covenant Terms and Conditions

The Terms and Conditions of the College's bank covenants require the College's financial assets to be greater than that of its liabilities. Due to a change in risk methodology and valuation assumptions, the liability relating to the College's Local Government Pension Scheme (LGPS) increased significantly in 2019/20. This resulted in the value of the College's financial liabilities exceeding that of its assets. The College was therefore technically in breach of its banking covenants. To remedy this breach, and at the request of our bankers, Barclays, the definition of liabilities for covenant purposes has been changed to expressly exclude the liability from the College's pension scheme.

This proposed change to the College's covenant terms and conditions was approved at an Extraordinary meeting of the Corporation on 20 May 2021.

### **Developments and capital projects**

Tangible fixed asset additions during the year amounted to £1,253k, reflecting mainly general building improvements and IT equipment.

### Further Education Capital Allocation (FECA)

In June 2020 the Government committed £1.5 billion of capital funding for improvements to FE Colleges. Such funding was originally due to be made available in 2021/22, but in response to the pandemic £200m was brought forward to 2020/21. The College was therefore provided with a Further Education Capital Allocation of £760k (notified in August 2020 and received in September 2020). A condition of the capital grant is that it must be spent or committed by March 2021.

These funds have covered a proportion of the College's budgeted capital investment, and have also funded the much needed renovation of 4 of 8 of our ageing science labs. The Science Lab Renovation Project began in January 2021, taking advantage of the lockdown to access classrooms that would otherwise be occupied. The £360k project went well and completed in June 2021, on time and on budget.

## **Strategic Report (continued)**

### IT investment

In response to the move to online teaching and learning, the College adopted Microsoft Teams as its preferred remote teaching platform. In 2020/21 the College has continued to make significant investment in IT infrastructure and resources, notably in the provision of mobile computing devices such as laptops, tablets, graphic tablets, microphones and webcams. Such investment is a major step in the further digitisation of the College's curriculum in response to Covid-19.

To support such investment, the College successfully applied to the Enterprise M3 Local Enterprise Partnership (LEP) for funding of £100k. The investment in laptops and PCs took place in the Autumn Term 2020 with the College contributing £100k of match funding. The funds were received in February 2021.

### Hengistbury Head Outdoor Education Centre

Following a strategic review approved by the Corporation, the College has agreed to withdraw from running the council owned Hengistbury Head Outdoor Education Centre (HHOEC). A combination of factors, including deteriorating facilities, ongoing financial losses and the effective oversight of systems of work has led to the College seeking a managed exit from the site.

The College has worked with the Council, Hengistbury Head staff and other stakeholders to manage the exit as collaboratively as possible. The College vacated the site on 4 June 2021 and the Council has agreed that no dilapidations will be payable. Vacating the site and surrendering the lease has triggered payment of the back-rent (payable since 2014) of £57,678. The payment was made on 22 June.

### Brock House

On 29 November 2020 the College served notice and surrendered the lease on the property known as Brock House. The suite of classrooms and administrative offices located within Brockenhurst had been used by the College for a number of years, but are no longer required. A dilapidations settlement of £52k has been agreed and paid.

### **Reserves**

The College has net assets of £9.9m (2019/20 - £8.7m), excluding the defined benefit pension obligations relating to the Local Government Pension Scheme which is offered to non-teaching staff. The latest valuation of the College's share of the pension scheme deficit for 2020/21 has seen a decrease of £1.4m, and now stands at £13.9m. The College's net assets therefore become net liabilities of £4.0m once the pension obligations are taken into account.



## Strategic Report (continued)

### Future Prospects

#### Financial Plan for 2021/22

The College Governors approved a financial plan in July 2021 which sets objectives for the year to July 2022. The College aims to achieve an ESFA financial health rating of "Requires Improvement" and report an EBITDA of £1.4m.

#### Student Growth

Student applications have been strong in the lead up to 2021/22 reflecting both the underlying demographic increase and the College's continued strong reputation. Growth has therefore been anticipated in the College's Financial Plan above the College's funding allocation. Due to funding being lagged (based on the prior year's student numbers), the College had therefore not automatically been allocated funding for the growth in students. The College has highlighted its anticipated student growth to the ESFA and has successfully submitted a business case for additional in-year growth funding for 2021/22. It has been confirmed that, subject to growth of at least 50 students, the College will be funded for up to an additional 151 students in 2021/22.

The in-year growth funding, if achieved, will allow the College to invest in the additional teaching resource required to support the forecast increase in student numbers.

The College has identified that the forecast growth in student numbers will result in the main site reaching capacity in 2021/22. The College has therefore submitted a bid to the Post 16 Capacity Fund for capital investment to increase its onsite classroom capacity.

#### Covid 19 Tactical Plan

Financial objectives have been set with due regard to the potential uncertainty around the on-going Covid-19 pandemic. Disruption is expected to continue to reduce fee paying and commercial activities. Investment has been planned to address infection control measures in line with government guidance, notably cleaning, personal protective equipment (PPE) and additional staffing. Nevertheless, the unprecedented nature of the situation represents a significant level of uncertainty and risk.

The College has developed a Covid-19 Tactical Plan which sets out measures that were implemented during the period of lockdown and the preparations made for the re-opening of College. The College Covid 19 Tactical Plan outlines the key guiding principles for moving forward and details the plans for September 2021. As Government guidance for the new academic year becomes available, this will be reflected in updated versions of the Plan. The Covid 19 Tactical Plan sits alongside the College Financial Plan (to 2022/23), remains aligned to the Strategic Road Map of the College, and will support the key aims of Quality Education, Financial Strength and Expertise & Well-being of Staff, as set out in the College's current Strategic Plan.

#### *Senior Management Team*

Di Roberts, the College's previous Principal and Chief Executive, retired on 31 December 2020. Following a comprehensive selection process concluding in July 2020, Suzanne (Polly) Perkins was appointed to the role and took up the position on 1 January 2021.

Ann Johnson, the College's Assistant Principal and Head of Sixth Form, retired in July 2021. As part of the College's workforce development strategy, the role has been assigned to 2 existing Head of Curriculum, who will assume interim Assistant Principal responsibilities until December 2021.

Following a comprehensive selection process concluding in July 2021, Simon Lovegrove was appointed to the role of Vice Principal, Curriculum, and took up the position on 21 September 2021.

## Strategic Report (continued)

### Treasury policies and objectives

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

The College treasury management policy is included within its Financial Regulations. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the Financial Memorandum of the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the ESFA.

### Reserves

The college has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities. The College's reserves include £nil (2019/20: £nil) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at negative £9,916k (2019/20: negative £12,753k). Of this, negative £13,943k (2019/20 negative £15,372k) relate to local government defined benefit pension obligations. Total reserves also include a revaluation reserve of £5,902k (2019/20: £6,053k).

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

### Student funding

In 2020/21 the College has delivered activity that has produced £16.7m in Funding Body grants (2019/20 – £14.8m). Main funding groups comprise 16-19 A level and vocational students, High Needs learners, Apprenticeships and Adult Education related activity.

The 16-19 base funding rate of £4,188 per full time student has a significant bearing on the financial results of the College. It will be unchanged in 2021/22, thereby eroding the small (4.3%) increase awarded in 2020/21. It should be noted that every 1% of the funding rate represents £110k annual funding for the College. The Education Select Committee stated in 2019 that colleges were 19.3% underfunded. Following the 4.3% increase in 2020/21, colleges therefore remain 15% underfunded, representing annual underfunding of £1.7m for Brockenhurst College.

### Student Achievement

A key quality measure tracked and reported by the College is student achievement. This measure is a combination of both pass rate and retention rate. Achievement rates are compared against similar provider groups and also national educational averages.

The College's overall headline achievement rate for 2020-2021 of 90.3% is an increase of 1.1% points against the prior year although the College remains above the provider group by 5% points, and 6% points above the national average.

For 16-18 learners, the College provides learning at Levels 1, 2 and 3 and the achievement rate for 16-18 is 81.5%, being 1.9% points below the provider group average. There is a three year trend of improvement for 16-18 provision. The largest provision at level 3 has an achievement rate of 83.6%, 1.6% points below the rate for 19/20 and 1.4% points below the national average, 2.2% points below the provider group average. The achievement rate at level 2 increased by 4.2% points and is now 0.8% points above provider group and 1.7% points above national average. Entry and Level 1 achievement rates decline by a further 3% points as a result of poor achievement rates in basic English and mathematics.

Apprenticeship provision has been affected by Covid-19 as a number of employers withdrew learners or put them on a break in learning. The College also serves a large number of adult learners for whom achievement continues to improve; at 96.9% it is significantly above provider group and national averages. There were also improvements in 19+ level 2 and 3 provision. Adult provision at all levels is outstanding.

## Strategic Report (continued)

### *Examinations and Assessments*

On 6 January 2021, the government confirmed that in summer 2021, students taking GCSE, AS and A levels regulated by Ofqual, should be awarded grades based on an assessment by their teachers. Qualifications included in this process were: general qualifications such as GCSEs, AS/A levels, vocational qualifications without a licence to practice.

A joint consultation was held at the same time on how to award vocational, technical and other general qualifications. As a result, for technical qualifications with a licence to practice, functional skills and level 1 and entry level qualifications assessments proceeded as usual.

In line with requirements, the College put in place a comprehensive Centre Policy and supporting working practices and guidance. The College prepared detailed training packages and held regular meetings and progress checks including benchmarking. In addition, the College put in place staff mentoring, standardisation and moderation and sense checking along with formal Internal Quality Assessment and sampling. The risk of staff loss was mitigated by early deadlines and close involvement by Heads of Curriculum. Comprehensive checks and sign offs were implemented at every level to ensure grades were assigned in a consistent and fair manner across all learners and subjects.

In addition, this academic year as examinations and assessments were cancelled in the majority of cases, the College had to implement a process to deliver Teacher Assessed Grades (TAGs) that met the requirements of Ofqual and the Joint Council for Qualifications (JCQ). Sampling took place by the exam boards in late June, after 4,500 plus TAGs were submitted by the 18 June 2021 deadline. No further action was required as a result of the sampling process and exam results were published on 10 August 2021 for A level and Level 3 vocational qualifications, and 12 August 2021 for GCSE and Level 2 vocational qualifications. The appeals window then open and ran until 17 September 2021. In total there were 29 Stage 1 (centre review) subject appeals from 24 students (one level 3 vocational appeal, 10 GCSE appeals, 2 Extended Project Appeals; 2 Criminology, 12 A level appeals, 1 Core Maths appeal). 12 subject appeals were progressed by the learner to Stage 2 (awarding body review). Out of the 12 Stage 2 appeals submitted, 11 have not been upheld and one upheld (this was a student who identified on the Stage 2 form that she had mitigating circumstances despite not declaring them when requested to do so in May 2021. At appeal there was no evidence provided for mitigations and the exam board to the word of the student as sufficient reason to increase the grade from a C to a B).

### **Curriculum developments**

#### *Sixth Form*

The College has continued the development of its offer at all levels of learning. A new pre-cadetship programme provides learners with the foundation required for direct entry onto the Level 3 Pre-cadetship course, known as the Diploma in Shipping and Maritime Operations. This in-turn may lead to a career in the Merchant Navy or an apprenticeship in Marine Engineering or Marine Manufacturing. A new course in A level in Animation was introduced including investment in industry standard software to support learners develop the skills they would need to be successful in achieving their qualification and in their next steps.

In 2020/21 the significant majority of vocational courses included external assessments as the College converted to the Regulated Qualifications Framework (RQF) which replaced the Qualifications Credit Framework (QCF). Previously these qualifications had been assessed internally through assignment work.

#### *Adult*

The College offers a very wide range of programmes for adults, particularly programmes for the unemployed through the College's Quickstart provision at its offices in Basepoint, Southampton. This is an outstanding provision with high volume and high quality. The demand for courses for the unemployed has increased significantly and meeting this demand has been a challenge with the current Covid-19 restrictions.

## **Strategic Report (continued)**

### *Apprenticeships*

2020/21 was a year of challenge for the College's apprenticeship provision as a result of Covid-19 and the resulting impact on employers. With the aim of improving quality and sustainability, the range of provision has been reduced to focus on marine, electrical, business and hospitality.

In line with the national re-application programme, the College has been invited to submit an application between 1 and 21 October 2021 to re-register and remain a member of the Register of Apprenticeship Training Providers (RoATP).

The College continues to provide End Point Assessment provision for the hospitality sector and during 2020/21 has been able to adapt to online delivery as a result of Covid-19 restrictions. The College has been an End Point Assessment Organisation (EPAO) since 2019 being regulated by People1st. However, moving forward all EPAOs are required to be Ofqual approved from May 2022 to continue to be allowed to operate as an EPAO. The College is aiming to obtain Ofqual approval by December 2021.

### *SEN*

The College delivers a large high needs learner programme and has increased its intake of learners with Education Health and Care Plans. In 2020/21 there were in excess of 130 students with Educational Health and Care Plans (EHCPs). Funding is obtained through both a central contract with the ESFA, and the learner's Local Authority.

Throughout the pandemic, the College has identified its most vulnerable learners and put risk assessments in place, with relevant documentation produced and distributed to key stakeholders, including Local Authorities. This included all learners with EHCPs; Looked After Children (LAC); Care Leavers, and those living independently or with significant mental health issues. Also included were those on Child Protection, or Child in Need plans; those with an attached Social Worker or those students on the edge of social care involvement or pending allocation of a social worker, or identified as high risk, including mental health issues. Learners were added to this group in response to concerns raised with the College's Designated Safeguarding Lead (DSL). Students in these groups were contacted at least weekly and monitored regarding safety, welfare, the situation at home, and access to and engagement with teaching and learning.

All parents/carers of EHCP students and students living independently, were contacted during the pandemic and advised that communication would continue weekly, and planned Annual EHCP Reviews would go ahead remotely. Most EHCP holders were engaged from the outset, with paper based work packs and resources sent out and on-line sessions were generally held three times per week. Where possible, Learning Support Assistants (LSAs) joined the lessons to support.

### *Higher Education*

The College has a small HE provision focussing on Early Childhood and Health to supplement existing teacher training provision. The College successfully registered with the HE regulatory body, the Office for Students (OfS) in June 2019.

### *International*

The College has continued to develop its international work and recruited in excess of 70 fee-paying international students in 2020/21. International students provide a very welcome cultural enrichment to the College's student body and are typically well represented on the Students' Union.

The College also delivers training and quality assurance to a school in Zhuhai, China.

The College remains a Confucius Classroom, a prestigious programme which supports schools and colleges in strengthening their Chinese language and culture programme.



## Strategic Report (continued)

### Principal Risks and Uncertainties:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Senior Management Team (SMT) 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 SMT will also consider any risks which may arise as a result of a new area of work being undertaken by the College. During each year members of the SLT will review the risk register on a regular basis and update the register when necessary.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The risk management process is supported by risk management training to raise awareness of risk throughout the College.

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

At the time of this Annual Report, the College's principal specific risk comprises the impact of the ongoing Covid-19 pandemic:

Risk	Mitigation
Failure to manage the operational and financial impact of the COVID-19 pandemic on the College, and safeguard the health of our students and staff.	<ul style="list-style-type: none"> <li>• Constant monitoring of Government advice and guidance, including Public Health England and DfE.</li> <li>• Pandemic critical incident plan implemented and move to blended / remote working.</li> <li>• Timetable revised to reduce onsite attendance and time spent travelling.</li> <li>• Teachers and students trained and supported in remote working.</li> <li>• IT procurement focussed on laptops and mobile devices to support remote teaching and learning.</li> <li>• Support from AoC to interpret guidance and business support measures.</li> <li>• Comprehensive Risk Assessments undertaken in preparation for re-opening of the College in August.</li> <li>• Active and positive discussion with bank and ESFA to agree financial support to address cashflow issues.</li> </ul>

## Strategic Report (continued)

RISK		MITIGATION
1	Failure to address structural deficit	<ul style="list-style-type: none"> <li>• Learnings from College restructuring implemented during 2014/15 which have been embedded and further developed in existing and future Plans.</li> <li>• Termly Standards and Finance Committee meetings to review and monitor financial health of the College</li> <li>• Responsive cost plan in place to react to changes in income</li> <li>• Effective, regular management accounts to monitor actual v budget results</li> <li>• Devolution of budgetary responsibility to Heads of Curriculum and departmental managers</li> </ul>
2	Failure to ensure financial information, business planning and controls are sufficiently robust to allow Governors and SMT to make informed decisions	<ul style="list-style-type: none"> <li>• Financial reporting systems and controls strengthened and improved since implementation of Recovery Plan</li> <li>• Termly Standards and Finance Committee meetings to monitor implementation of new College financial systems</li> <li>• Audit committee to review Internal Auditors reporting of Financial systems and controls</li> <li>• Audit Committee to review Senior Management and Auditors reporting of WESS performance against financial information, systems and control KPIs</li> </ul>
3	Failure to meet College income targets for new markets and products	<ul style="list-style-type: none"> <li>• Developing and reviewing Commercial Strategy</li> <li>• Developing and reviewing International Strategy</li> <li>• Developing and reviewing Local Community Strategy</li> <li>• Developing Commercial expertise</li> <li>• Developing robust business cases for new ventures including financial analysis</li> </ul>
4	Failure to develop existing markets, specifically 19+ Apprenticeships and Tuition Fees	<ul style="list-style-type: none"> <li>• Developing and reviewing 16-18 Strategy as part of Commercial Strategy</li> <li>• Developing and reviewing International Strategy</li> <li>• Developing pre-Apprenticeship and Apprenticeship programs</li> <li>• Developing and reviewing plans to maximise income from all existing markets</li> <li>• Put in place robust business planning and actual monitoring of tuition fee income</li> </ul>
5	Failure to forecast and deliver learner number targets	<ul style="list-style-type: none"> <li>• Maintain robust procedure for student recruitment with student numbers targets</li> <li>• Efficient admissions system modelled with curriculum mix of F/T to P/T students</li> <li>• Ensure start of year process operates as smoothly as possible</li> <li>• Maintain robust student record system</li> <li>• Increase liaison with schools</li> <li>• Developing a compelling argument for students to come to Brock</li> <li>• Distribution of quality prospectus</li> <li>• Regular ILR reporting</li> <li>• Monitoring class sizes</li> <li>• Regular student application reports and forecasts</li> <li>• Development of Property Strategy</li> <li>• Implementation of 'keeping warm' strategy post interview</li> <li>• Extension of schools liaison activity supported by new legislation to require schools to allow access for colleges</li> </ul>

## Strategic Report (continued)

	RISK	MITIGATION
6	Failure to deliver plan to mitigate Public Funding reductions	<ul style="list-style-type: none"> <li>• Development of new Income Streams and Full Cost Income streams</li> <li>• Development of Fund Raising Strategy</li> <li>• Rigorous budget setting</li> <li>• Financial forecast sensitivity analysis</li> <li>• Timely Management Accounts including prompt key performance indicators</li> <li>• Benchmarking with other Colleges</li> </ul>
7	Failure to recruit International students including in-country delivery, changes in visa requirements and to retain highly trusted status with the UK Border Agency	<ul style="list-style-type: none"> <li>• Development of International Strategy including key staff</li> <li>• Lobbying support through AoC and government contacts</li> <li>• Monitoring Financial Forecasts</li> <li>• Utilise UKBA expertise consultancy services</li> <li>• Timely Management Accounts including key performance indicators</li> <li>• Audit of International student enrolment and attendance procedures</li> </ul>
8	Failure to maintain or improve Success Rates for all groups of learners	<ul style="list-style-type: none"> <li>• Rigorous advice and guidance during enrolment process</li> <li>• Smooth start of the year process</li> <li>• Identification of 'at risk' students within three weeks of start of course</li> <li>• Provision of timely and accurate detailed data to ensure accountability at all levels</li> <li>• Timely monitoring of retention and other key performance indicators by all staff</li> <li>• Use of Insight MIS system by all Curriculum Managers</li> <li>• Monitoring results and achievement through Self-Assessment and action planning at staff and departmental levels</li> <li>• Rigorous Self-Assessment Report (SAR)/Quality Improvement and Development Plan (QIDP) process</li> <li>• Monthly reports reviewed at Senior Leadership Team meeting</li> </ul>
9	Failure to avoid a serious breach of health and safety	<ul style="list-style-type: none"> <li>• Health &amp; Safety policy implemented</li> <li>• Health &amp; Safety Audits completed regularly</li> <li>• Central Register for Risk Assessments and monitored by Health &amp; Safety Adviser</li> <li>• Adequate documentation</li> <li>• Security policies</li> <li>• Use of external advisers</li> <li>• Student induction to include departmental H&amp;S procedures</li> <li>• Specialist training</li> </ul>
10	Failure to achieve Good or Outstanding OFSTED inspections	<ul style="list-style-type: none"> <li>• Training Sessions held for all staff and Governors to ensure awareness of latest OFSTED framework</li> <li>• Voluntary inclusion in pilot OFSTED inspection to test understanding of latest framework</li> <li>• Working Draft SAR prepared by mid-October</li> <li>• Regular Senior Leadership Team meetings with Heads of Curriculum</li> <li>• Assistant Principal - Quality role as part of Leadership team</li> </ul>
11	Failure to recruit quality staff	<ul style="list-style-type: none"> <li>• Recruitment and selection procedures</li> <li>• Pay Policy including regular review of pay rates</li> <li>• Benchmarking with other Colleges</li> <li>• Resource planning</li> <li>• Utilising timely the appropriate recruitment mechanisms e.g. international staff</li> </ul>

## Strategic Report (continued)

	RISK	MITIGATION
12	Failure to ensure that the start of year process runs efficiently	<ul style="list-style-type: none"> <li>• Produce plan for start of year activities</li> <li>• Ensure relevant systems are up to date</li> <li>• Ensure staff are trained to use relevant systems and processes</li> <li>• Produce timetable for completion of plan and communicate to all staff</li> <li>• Develop process for providing advice and guidance to students impacted by need to pursue alternative options</li> </ul>
13	Adverse Impact of any College reorganisation of structure and systems on high quality teaching and learning and support for learners	<ul style="list-style-type: none"> <li>• Continue to give full scrutiny to the implementation of the College QIDP</li> <li>• Ensure full regard is taken with the reorganisation of structure and systems to maintain strong educational provision</li> <li>• Monitor closely quality KPIs</li> <li>• Ensure Governors continue to give full scrutiny to quality improvement</li> <li>• Ensure College maintains Ofsted readiness</li> <li>• Communication</li> </ul>
14	Failure to plan and develop existing resources and accommodation through lack of Capital Investment	<ul style="list-style-type: none"> <li>• Updating Property strategy</li> <li>• Resourcing plans linked to curriculum requirements</li> <li>• Rigorous budget setting process</li> <li>• Fundraising strategy developed</li> <li>• SAR process</li> <li>• Engagement with the LEPs</li> <li>• Develop Sustainability strategy</li> </ul>
15	Failure to maximise income generated from College activities	<ul style="list-style-type: none"> <li>• Rigorous budget setting</li> <li>• Regular monitoring and corrective action</li> <li>• Regular financial forecasts with sensitivity analysis and contingency planning</li> <li>• Clear ownership of income targets</li> <li>• Robust financial regulations and procedures</li> </ul>
16	Failure to deliver efficiency savings	<ul style="list-style-type: none"> <li>• Rigorous budget setting</li> <li>• Identifying key strategies including procurement and shared service activities</li> <li>• Regular review of all departmental costs</li> <li>• Regular monitoring of class sizes</li> <li>• Ensuring monthly management accounts are provided timely and accurately</li> <li>• Regular financial forecasts with sensitivity analysis</li> <li>• Curriculum Planning is undertaken</li> </ul>
17	Failure to manage severe business disruption, including , fire, severe weather disruption and industrial action over a prolonged period of time	<ul style="list-style-type: none"> <li>• Daily backup of IT systems and College data</li> <li>• Whole College closure plan</li> <li>• Critical Incident Plans including Lockdown procedure</li> <li>• Disaster recovery/emergency plan</li> <li>• "Key staff" cover contingency plans</li> <li>• Staff awareness</li> </ul>

## Strategic Report (continued)

	RISK	MITIGATION
18	Failure to achieve the Bank Covenants	<ul style="list-style-type: none"> <li>• Rigorous budget setting</li> <li>• Regular financial forecasts with sensitivity analysis</li> <li>• Incorporate projection within the Monthly Management Accounts</li> <li>• Maintaining regular communication with the bank</li> </ul>
19	Failure to manage change effectively, including impact of curriculum changes, major systems projects and major capital developments	<ul style="list-style-type: none"> <li>• Develop and implement change activities</li> <li>• Staff awareness and behaviour change activity</li> <li>• Development of Change Management Plan for each key activity</li> <li>• Contingency planning appropriate processes and legislation</li> <li>• Change management consultation and training</li> <li>• Development of Project Management skills</li> </ul>
20	Failure to protect against the loss of data and maintain ongoing operations including educational provision and digital communications as a result of a cybersecurity breach.	<ul style="list-style-type: none"> <li>• Standard cyber-security measures in place. Ongoing review of College measures against best practice.</li> <li>• Adoption of Cyber Essentials certification in collaboration with JISC (provider of internet network and services)</li> <li>• Insurance in place to guard against financial risk.</li> </ul>
21	Failure to comply with GDPR legislation and avoid financial and reputational penalties.	<ul style="list-style-type: none"> <li>• GDPR Data Protection roles and responsibilities in place</li> <li>• Internal audit reviews</li> <li>• Staff training.</li> </ul>

## **Strategic Report (continued)**

### **Payment performance**

The College policy is to pay all invoices that have been authorised for payment in line with payment terms. The College incurred no interest charges in respect of late payment for this period.

### **Equality**

Brockenhurst College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Internet site.

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

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

### **Disability statement**

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

- The College has an appointed Equal Opportunities & Diversity Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist lecturers 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.
- Specialist programmes are described in College prospectuses, and achievements are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure at induction.

## Strategic Report (continued)

### Trade union facility time

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

Number of employees	5.0
FTE Employee number	4.3

Percentage of time	Number of employees
0%	5
1-50%	0
51-99%	0
100%	0

Total cost of facility time	£15,257
Total pay bill	£12,290,838
Percentage of total bill spent on facility time	0.12%
Percentage of trade union activities as % of total paid facility time	0%-1%

### Going Concern

Detailed projected cash flow information has been prepared for the period ending 12 months from the date of the approval of these financial statements. Such projections incorporate the College refinancing completed in February 2020, and the latest trading forecasts.

On the basis of these projections, the Corporation is satisfied that the College will have sufficient liquidity to meet its payment obligations as they fall due and that bank covenants will be met for the years to 31 July 2022 and 2023.

The financial statements have therefore been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out above.

## Strategic Report (continued)

### 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 02 December 2021 and signed on its behalf by:**



G Beards

Chair

Date: 2/12/21





## 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 1<sup>st</sup> August 2020 to 31<sup>st</sup> July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

In the opinion of the Governors, the College mainly complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in principle on 2 July 2015. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

*[Faint signature or stamp]*

## Statement of Corporate Governance and Internal Control (continued)

### The Corporation

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

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2020-2021
Mrs J Milone	March 2010- 2014	4 yrs	March 2022	External	Employment and Personnel (Chair)	100%
	March 2014- 2018	4 yrs			Remuneration	100%
	March 2018-2022	4yrs			Standards and Finance	100%
Mrs D Roberts	Ex-officio Appointed Sept 2006	n/a	December 2020	Outgoing Principal	Governance and Search	100%
					Employment and Personnel	100%
					Standards and Finance	100%
Ms S Perkins	Ex-officio Appointed January 2021	n/a	n/a	Principal	Governance and Search	100%
					Employment and Personnel	100%
					Standards and Finance	100%
Mr G Beards	Sept 2014-2018	4 yrs	September 2022	External	Corporation	100%
	Sept 2018-2022	4 yrs			Chair from 2017	100%
					Employment and Personnel	100%
					Standards and Finance	100%
					Governance and Search	100%
Prof A Neill	Sept 2014-2018	4 yrs	September 2022	External	Remuneration	100%
	Sept 2018-2022	4 yrs			Standards and Finance (Chair)	0%
Mr J Hiley-Jones	July 2015-2019	4 yrs	July 2023	External	Governance and Search	100%
	July 2019-2023	4 yrs			(Chair)	

## Statement of Corporate Governance and Internal Control (continued)

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2020-2021
Mrs D Hawkins	Dec 2015-2019	4 yrs		External	Audit	33.33%
	Dec 2019-2023	4 yrs	December 2023		Employment and Personnel	100%
Ms M Trinh	March 2017-2021	4 yrs		External	Standards and Finance	100%
	March 2021-2025	4 yrs	March 2025			
Mr G Cooper	March 2018-2022	4 yrs		External	Employment and Personnel	100%
	March 2022-2026	4 yrs	March 2026		Audit	100%
Mr I Fry	March 2018-2022	4 yrs		External	Audit	100%
	March 2022-2026	4 yrs	March 2026			
Mr C Underhill	Dec 2018-2022	4 yrs	Resigned December 2021	External	Governance and Search	100%
					Capital Project (Chair)	100%
Mrs J Pitman	July 2019-2023	4 yrs	July 2023	External	Standards and Finance	100%
					Remuneration	100%
Mrs S Murray	Dec 2019-2023	4 yrs	December 2023	External	Audit	66.7%
Mrs C Cooke	Dec 2020-2024	4 yrs	December 2024	External	Standards and Finance (co-opt Gov)	100%
Ms R Donawa	Dec 2017-2021	4 yrs	Resigned July 2021	Staff (Professional Services)	Employment and Personnel	100%
					Governance and Search	100%
Ms H Coast	Dec 2018-2022	4 yrs	December 2022	Staff (Teaching)	Employment and Personnel	66.7%
Miss S Allport	Dec 2019-July 2021	2 yrs	July 2021	Student (16-19)	Standards and Finance	33.3%
Miss K Newman	March 2021-July 2021		July 2021	Student (Adult)	N/A	

## Statement of Corporate Governance and Internal Control (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Standards and Finance, Capital project, Remuneration, Governance and Search, Employment and Personnel and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Brockenhurst College, Lyndhurst Road, Brockenhurst, Hampshire, SO42 7ZE.

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

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

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

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

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

### Appointments to the Corporation

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

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

The Board appoints for 4 year terms of office, but where the Board feel they have an exceptional governor they may permit more than 2 terms of office.

### Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2021 and graded itself as "Overall grade 2 (Good)" on the Ofsted scale.

### Remuneration Committee

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

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

## Statement of Corporate Governance and Internal Control (continued)

### Audit Committee

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

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

### Internal control

#### *Scope of responsibility*

The 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 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Brockenhurst College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 Brockenhurst College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

The 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 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## Statement of Corporate Governance and Internal Control (continued)

### *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 internal audit service provides the governing body with a report on internal audit activity in the College. The report includes an 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, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

## Statement of Corporate Governance and Internal Control (continued)

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

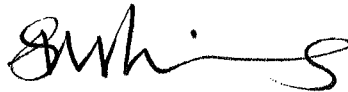
Approved by order of the members of the Corporation on 02 December 2021 and signed on its behalf by:

Signed



G Beards  
Chair

Signed



S Perkins  
Accounting Officer

## Statement of Regularity, Propriety and Compliance

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreement and contracts with the ESFA.

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

Signed

Signed



**G Beards**  
**Chair of Governors**



**S Perkins**  
**Accounting Officer**

Date: 2/12/21

Date: 2/12/21



## Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 02 December 2021 and signed on its behalf by:

Signed 

**Graham Beards**

**Chair**

## **Independent Auditor's report to the Corporation of Brockenhurst College**

### **Opinion**

We have audited the financial statements of Brockenhurst College ("the College") for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Reserves, 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 2021, and of the College's surplus 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.

### **Conclusions relating to going concern**

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

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

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

### **Other information**

The other information comprises the information included in the Strategic 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.

### **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 2020 to 2021 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 Governing Body of Brockenhurst College**

As explained more fully in the Statement of the Governing Body's Responsibilities set out on pages 24 to 31, the Governing Body 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 Governing Body 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 Governing Body 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 Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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

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

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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the college through discussions with governors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the college, including safeguarding, Ofsted, ESFA and OfS regulatory requirements, data protection, anti-bribery, employment, environmental and health and safety legislation;

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the college's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

### **Audit response to risks identified**

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- reviewed all transactions listed;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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/Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 09 April 2020. Our audit work has been undertaken so that we might state to the Corporation/Governing Body, 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/Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.



Alliotts LLP (Dec 13, 2021 14:34 GMT)

**Alliotts LLP**  
Chartered Accountants  
Friary Court  
13 -21 High Street  
Guildford  
Surrey  
GU1 3DL

## **Independent Reporting Accountant's Report on Regularity to the Governing Body of Brockenhurst College and the Secretary of State for Education acting through the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 9 April 2020 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Brockenhurst College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Brockenhurst College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Brockenhurst College and Education and Skills Funding Agency 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 Brockenhurst College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Brockenhurst College and the reporting accountant**

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency and in accordance with any guidance provided by a relevant devolved authority. We performed a limited assurance engagement as defined in that framework.

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

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

Accordingly, we do not express a positive opinion.

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


The work undertaken to draw our conclusion included:

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

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

## Conclusion

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

  
Alliotts LLP (Dec 13, 2021 14:34 GMT)

**Alliotts LLP**



**BROCKENHURST COLLEGE**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR YEAR ENDED 31 JULY 2021**

	Notes	Year ended 31 July 2021	Year ended 31 July 2020
		College £'000	College £'000
<b>INCOME</b>			
Funding body grants	2	16,691	14,780
Tuition fees and education contracts	3	2,090	2,696
Other grants and contracts	4	649	563
Other income	5	1,306	1,998
<b>Total income</b>		<b>20,736</b>	<b>20,037</b>
<b>EXPENDITURE</b>			
Staff costs	6	13,280	12,817
Other operating expenses	8	5,905	6,097
Depreciation	10	1,078	1,106
Interest and other finance costs	9	290	300
<b>Total expenditure</b>		<b>20,553</b>	<b>20,320</b>
<b>Deficit before other gains and losses</b>		<b>182</b>	<b>(283)</b>
Loss on disposal of assets		(38)	-
<b>Deficit before tax</b>		<b>144</b>	<b>(283)</b>
Taxation		-	-
<b>Surplus/(Deficit) for the year</b>		<b>144</b>	<b>(283)</b>
Actuarial gain/(loss) in respect of pensions schemes	21	2,542	(6,385)
<b>Total Comprehensive Income for the year</b>		<b>2,686</b>	<b>(6,668)</b>
<b>Represented by:</b>			
Unrestricted comprehensive income		144	(283)
Restricted comprehensive income		2,542	(6,385)
		<b>2,686</b>	<b>(6,668)</b>
<b>Deficit for the year attributable to:</b>			
College		<b>2,686</b>	<b>(6,668)</b>
<b>Total Comprehensive Income for the year attributable to:</b>			
College		<b>2,686</b>	<b>(6,668)</b>

# **BROCKENHURST COLLEGE**

## **Statement of Changes in Reserves**

	<b>Income and Expenditure account</b>	<b>Revaluation Reserve</b>	<b>Total excluding non- controlling interest</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>College</b>			
<b>Balance at 1st August 2019</b>	(6,236)	6,204	(32)
Deficit from the income and expenditure account	(283)	-	(283)
Other comprehensive income	(6,385)	-	(6,385)
Transfers between revaluation and income and expenditure reserves	151	(151)	-
<b>Total comprehensive income for the year</b>	<b>(6,517)</b>	<b>(151)</b>	<b>(6,668)</b>
<b>Balance at 31st July 2020</b>	<b>(12,753)</b>	<b>6,053</b>	<b>(6,700)</b>
Surplus from the income and expenditure account	144	-	144
Other comprehensive income	2,542	-	2,542
Transfers between revaluation and income and expenditure reserves	151	(151)	-
<b>Total comprehensive income for the year</b>	<b>2,837</b>	<b>(151)</b>	<b>2,686</b>
<b>Balance at 31st July 2021</b>	<b>(9,916)</b>	<b>5,902</b>	<b>(4,014)</b>



# **BROCKENHURST COLLEGE**

## **Balance Sheet as at 31 July 2021**

	Notes	College 2021 £'000	College 2020 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	22,497	22,366
		<b>22,497</b>	<b>22,366</b>
<b>Current assets</b>			
Stocks		31	34
Trade and other receivables	11	1,310	1,380
Cash and cash equivalents	16	2,549	709
		<b>3,889</b>	<b>2,122</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(4,974)	(4,916)
<b>Net current liabilities</b>		<b>(1,084)</b>	<b>(2,794)</b>
<b>Total assets less current liabilities</b>		<b>21,413</b>	<b>19,572</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	13	(10,964)	(10,736)
<b>Provisions</b>			
Defined benefit obligations	21	(13,943)	(15,372)
Other provisions	15	(520)	(164)
<b>Total net liabilities</b>		<b>(4,014)</b>	<b>(6,700)</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		(9,916)	(12,753)
Revaluation reserve		5,902	6,053
<b>Total unrestricted reserves</b>		<b>(4,014)</b>	<b>(6,699)</b>

The financial statements on pages 38 to 64 were approved and authorised for issue by the Corporation on 2 December 2021 and were signed on its behalf on that date by:



**G Beards**  
Chair



**S. Perkins**  
Accounting Officer

# **BROCKENHURST COLLEGE**

## **Statement of Cash Flows**

	Notes	2021 £'000	2020 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(Deficit) for the year		144	(283)
<b>Adjustment for non cash items</b>			
Depreciation		1,078	1,106
Releases of government capital grants		(377)	(327)
Decrease in stocks		3	9
Decrease/(Increase) in debtors		70	(181)
(Decrease)/Increase in creditors due within one year		(147)	532
Increase/(decrease) in creditors due after one year		-	-
Increase in provisions		357	69
Pensions costs less contributions payable		905	544
<b>Adjustment for investing or financing activities</b>			
Interest payable		82	127
FRS 102 pension finance cost		208	173
Loss on sale of fixed assets		38	-
<b>Net cash flow from operating activities</b>		<b>2,361</b>	<b>1,768</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		5	-
Receipt of government capital grant		861	-
Disposal of non-current asset investments		-	-
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(1,253)	(450)
		<b>(387)</b>	<b>(450)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(82)	(127)
Interest element of finance lease rental payments		-	-
New loan		-	3,100
Repayments of amounts borrowed		(52)	(2,814)
Capital element of finance lease rental payments		-	-
		<b>(134)</b>	<b>159</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>1,840</b>	<b>1,478</b>
Cash and cash equivalents at beginning of the year	16	709	(769)
Cash and cash equivalents at end of the year	16	2,549	709
Increase		1,840	1,478

## **BROCKENHURST COLLEGE**

### **Notes to the Accounts**

#### **1. Statement of accounting policies and estimation techniques**

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

##### **Basis of Preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and Regulatory Advice 9:Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

##### **Basis of Accounting**

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

##### **Going concern**

The financial statements have been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out below.

Detailed projected cash flow information has been prepared for the period ending 12 months from the date of the approval of these financial statements. Such projections incorporate the new refinancing package and the latest trading forecasts.

On the basis of these projections, the Corporation is satisfied that the College will have sufficient liquidity to meet its payment obligations as they fall due and that revised covenants will be met for the years to 31 July 2022 and 2023.

The bank has confirmed its willingness to continue its support of the College subject to its continued effective financial management and the College meeting its revised loan covenants.

The financial statements have therefore been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out above.

##### **Recognition of Income**

Government revenue grants include funding body recurrent grants and other grants are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream

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

involved. Any under- or over-achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

### **Capital grant funding**

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

### **Fees Income**

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

### **Accounting for post-employment benefits**

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

#### **Teachers' Pension Scheme (TPS)**

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### **Hampshire Local Government Pension Scheme (LGPS)**

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

## Notes to the Accounts (continued)

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

### Short-term Employment benefits

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

### Enhanced Pensions

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

### Tangible Fixed Assets

#### Land and Buildings

Land and buildings inherited from the Local Education Authority and buildings constructed since incorporation are stated in the balance sheet at deemed cost less accumulated depreciation and accumulated impairment losses. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the College of between 15 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life. Leasehold land and buildings are amortised over the period of the lease.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

## Notes to the Accounts (continued)

### Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

### Equipment

Equipment costing less than £500 per individual item except computer PCs and laptops are written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between three and eight years from incorporation and is now fully depreciated. All other equipment is depreciated on a straight-line basis over its useful economic life as follows:

- |                      |         |
|----------------------|---------|
| • Motor vehicles     | 5 years |
| • Equipment          | 8 years |
| • Computer equipment | 4 years |

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred governmental capital grant account within creditors and released to the income and expenditure account over the expected useful economic life of the related equipment.

### Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. All leases inherited from the Local Education Authority have been treated as operating leases to be consistent with their policy before transfer to the College.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant funded assets.

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

### **Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### **Foreign Currency Translation**

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

### **Taxation**

The College is considered to pass the tests set out in paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 to exclusively 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. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

### **Liquid Resources**

Liquid resources include sums on short term deposits with recognised banks.

### **Provisions**

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The college employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

## Notes to the Accounts (continued)

### Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### Provisions

The accounts reflect two new provisions with costs estimated in respect of dilapidations for leasehold property and for estimated costs relating to the future cessation of the joint venture arrangement. Details are shown in note 15 below.



**Notes to the Accounts (continued)****2. Funding body grants**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - Adult	1,103	1,555
Education and Skills Funding Agency - 16-18	13,747	11,647
Education and Skills Funding Agency - Apprenticeships	294	496
Office for Students	14	29
<b>Specific Grants</b>		
16-19 Tuition Fund	183	-
Covid Testing	37	-
ESFA - Adult	291	291
ESFA - 16-18	181	-
ESFA - provider relief scheme	-	-
Teacher Pension Scheme contribution grant	463	435
Releases of government capital grants	377	327
<b>Total</b>	<b>16,691</b>	<b>14,780</b>

**3. Tuition fees and education contracts**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	213	550
Apprenticeship fees and contracts	187	244
Fees for FE loan supported courses	136	114
Fees for HE loan supported courses	274	244
European (excluding UK) students	95	116
International students fees	691	941
Total tuition fees	1,596	2,208
Education contracts	494	488
<b>Total</b>	<b>2,090</b>	<b>2,696</b>

## Notes to the Accounts (continued)

### 3a. TOTAL GRANT AND FEE INCOME

	2021 £'000	2020 £'000
Grant income from the OfS	14	29
Grant income from other bodies	16,677	14,751
Total grants	<u>16,691</u>	<u>14,780</u>
Fee income for taught awards (exclusive of VAT)	274	244
Fee income for research awards (exclusive of VAT)	-	-
Fee income from non-qualifying courses (exclusive of VAT)	1,816	2,452
Total tuition fees and education contracts	<u>2,090</u>	<u>2,696</u>
Total grant and fee income	<u><u>18,781</u></u>	<u><u>17,476</u></u>

### 4 Other grants and contracts

	2021 £'000	2020 £'000
Erasmus	-	-
UK-based charities	-	-
European Commission	-	-
Other grant income	455	277
Non-government capital grants	-	-
Other contract income	-	-
Coronavirus Job Retention Scheme	<u>194</u>	<u>286</u>
Total	<u><u>649</u></u>	<u><u>563</u></u>

The Corporation furloughed some refectory, nursery, other administration support staff and lecturers teaching community courses under the government's Coronavirus Job Retention Scheme.

The funding received of £194k relates to staff costs which are included within the staff costs note below as appropriate.

## Notes to the Accounts (continued)

### 5 Other income

	2021 £'000	2020 £'000
Catering and residences	132	267
Other income generating activities	659	556
Miscellaneous income	516	1,175
<b>Total</b>	<b>1,306</b>	<b>1,998</b>

### 6 Staff costs

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

	2021 No. Headcount	2020 No. Headcount
Average staff numbers by major category:		
Teaching staff	216	220
Non teaching staff	234	266
	<u>450</u>	<u>486</u>

	FTE	FTE
By full time equivalent staff (FTE)		
Teaching staff	146	151
Non teaching staff	155	162
	<u>301</u>	<u>313</u>

#### Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	9,202	9,240
Social security costs	815	809
Other pension costs (note 21)	3,063	2,585
<b>Payroll sub total</b>	<b>13,080</b>	<b>12,634</b>
Contracted out staffing services	160	159
	<u>13,240</u>	<u>12,793</u>
Fundamental restructuring costs - contractual	40	18
non contractual	-	6
<b>Total Staff Costs</b>	<b>13,280</b>	<b>12,817</b>

## Notes to the Accounts (continued)

### 7 Staff costs

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal and Vice Principal/Director of Finance. 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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	2	2

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

	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000 p.a.	-	-	3	3
£75,001 to £80,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£100,001 to £105,000 p.a.	-	1	-	-
£130,001 to £135,000 p.a.	1	-	-	-
£140,001 to £145,000 p.a.	-	1	-	-
	2	2	3	3

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Basic salary	234	240
Benefits in kind	2	3
Pension contributions	49	53
<b>Total key management personnel compensation</b>	<b>285</b>	<b>296</b>

## Notes to the Accounts (continued)

### 7 Staff costs (continued)

The above compensation includes amounts paid to the Principal and Chief Executive (two persons due to retirement) who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	<b>Retiring Accounting Officer</b>	<b>Incoming Accounting Officer</b>	
	<b>Aug 20 to Dec 20</b>	<b>From January 2021</b>	
	<b>2021 £'000</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Basic salary	58	76	140
Other including benefits in kind	1	-	2
Relocation	-	8	-
Pension contributions	13	11	32
	<u>72</u>	<u>95</u>	<u>174</u>

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

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. To ensure independence, no staff whose remuneration is subject to review by the Remuneration Committee sits or votes on the Committee.

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

Key management personnel comprise the Principal and Chief Executive, and the Vice Principal. The emoluments of the Principal and Chief Executive comprise a basic salary, employer pension contributions to the Teachers' Pension Scheme and benefits in kind relating to the payment of health insurance premiums. The salary has been set with regard to college sector data, and has been benchmarked to be in line with median quartile salary levels.

The emoluments of the Vice Principal comprise a basic salary, employer pension contributions to the Local Government Pension Scheme and benefits in kind relating to the payment of health insurance premiums. The salary has been assessed with regards to the breadth of responsibilities of the role, annual performance and prevailing commercial rates.

## Notes to the Accounts (continued)

### 7 Staff costs (continued)

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

	2021	2020
Principal and CEO's basic salary as a multiple of the median of all staff	5.3	6.1
Principal and CEO's total remuneration as a multiple of the median of all staff	5.0	6.0

The median salary of staff was calculated based on FTE pay for all staff on payroll as at 31 July 2021

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

### 8 Other operating expenses

	2021 £'000	2020 £'000
Teaching costs	1,672	2,050
Non teaching costs	2,577	2,621
Premises costs	1,656	1,426
<b>Total</b>	<b>5,905</b>	<b>6,097</b>

#### Other operating expenses include:

	2021 £'000	2020 £'000
Auditors' remuneration:		
Financial statements audit	27	28
Internal audit	5	7
Depreciation	1,078	1,106
Hire of asset under operating leases	352	397

### 9 Interest payable College

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans:	82	127
Net interest on defined pension liability (note 21)	208	173
<b>Total</b>	<b>290</b>	<b>300</b>

## Notes to the Accounts (continued)

### 10 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2020	26,725	746	5,398	32,869
Additions	664	28	561	1,253
Disposals	-	(279)	(44)	(322)
<b>At 31 July 2021</b>	<b>27,389</b>	<b>494</b>	<b>5,915</b>	<b>33,798</b>
<b>Depreciation</b>				
At 1 August 2020	5,017	504	4,981	10,502
Charge for the year	743	96	239	1,078
Elimination in respect of disposals	-	(252)	(28)	(280)
<b>At 31 July 2021</b>	<b>5,761</b>	<b>347</b>	<b>5,193</b>	<b>11,301</b>
<b>Net book value at 31 July 2021</b>	<b>21,628</b>	<b>147</b>	<b>723</b>	<b>22,497</b>
Net book value at 31 July 2020	21,707	242	417	22,366

Land and buildings were re-valued in 2012 at depreciated replacement cost by a firm of independent chartered surveyors. The value of the land included in above is £1,099k. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	<b>2021</b>
	<b>£'000</b>
Cost	29,915
Aggregate depreciation based on cost	(14,228)
Net book value based on cost	<u>15,687</u>

## Notes to the Accounts (continued)

### 11 Trade and other receivables:

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	1,007	799
Prepayments and accrued income	259	559
Amounts owed by the ESFA	44	22
<b>Total</b>	<b>1,310</b>	<b>1,380</b>

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

	2021 £'000	2020 £'000
Bank loans and overdrafts	207	52
Trade payables	153	221
Other taxation and social security	442	433
Accruals and deferred income	3,098	2,361
Deferred income - government capital grants	375	326
Amounts owed to the ESFA	698	1,524
<b>Total</b>	<b>4,974</b>	<b>4,916</b>

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

	2021 £'000	2020 £'000
Bank loans	2,842	3,048
Deferred income - government capital grants	8,123	7,688
<b>Total</b>	<b>10,964</b>	<b>10,736</b>



## Notes to the Accounts (continued)

### 14 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	207	52
Between one and two years	207	207
Between two and five years	2,635	2,842
In five years or more	-	-
<b>Total</b>	<b>3,048</b>	<b>3,100</b>

Bank loans at 2.75% plus Bank of England base rate (currently 0.1%) are repayable by instalments falling due between 1 May 2021 and 1 February 2023 totalling £3,048k are secured on the college property.

The overdraft rate is 2.25% plus Bank of England base rate (currently 0.1%).

#### (b) Finance leases

The College does not have any finance lease obligations.

### 15 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other provisions £'000	Total £'000
At 31 July 2020	(15,372)	(75)	(89)	(15,536)
Expenditure in the period	(974)	7	89	(878)
Decrease/(Increase) in period	2,403	(2)	(450)	1951
Reductions in period	-	-	-	-
<b>At 31 July 2021</b>	<b>(13,943)</b>	<b>(70)</b>	<b>(450)</b>	<b>(14,463)</b>

## Notes to the Accounts (continued)

### 15 Provisions (continued)

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 and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.6%	2.2%
Discount rate	1.6%	1.3%

Included in Other Provisions is provision for dilapidations charge for the leased Marchwood property which houses the Construction and Marine course delivery near Southampton. A provision of £300k has been set up for this purpose.

The second item included in Other Provisions relates to the joint venture arrangement which the college has operated for a number of years with Bournemouth and Poole College (BPC). In May 2021 BPC gave notice to withdraw from the shared service during 2021/22 and this exit may well trigger liabilities as yet unknown and consequently a provision has been created for £150k.

### 16 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	709	1,840	-	2,549
<b>Total</b>	<b>709</b>	<b>1,840</b>	<b>-</b>	<b>2,549</b>

### 17 Capital commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	273	332

## Notes to the Accounts (continued)

### 18 Lease Obligations

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

	2021 £'000	2020 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	265	335
Later than one year and not later than five years	757	857
later than five years	784	949
	<u>1,805</u>	<u>2,141</u>
<b>Other</b>		
Not later than one year	162	221
Later than one year and not later than five years	152	317
Later than five years	-	-
<b>Total lease payments due</b>	<u>314</u>	<u>539</u>

### 19 Contingencies

The College has provided a guarantee to the Hampshire County Pension Fund section of the Local Government Pension Scheme, in respect of the past and future liabilities to the Funds for employees who had their employment transferred to Wessex Education Shared Services Limited, a joint venture company of the College, on 1 August 2013. The guarantee will only be triggered in the event that the joint venture company is declared insolvent, or that the joint venture company fails to pay a contribution to the Fund within sixty days of the date it falls due. It is not possible to quantify what the liability would be in this event.

### 20 Events after the reporting period

There are no events after the reporting period

## 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 Hampshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Aon Hewitt Limited. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2021 £'000	2020 £'000
Teachers Pension Scheme: contributions paid	1,185	1,173
Local Government Pension Scheme:		
Contributions paid	972	856
FRS 102 (28) charge	905	544
Charge to the Statement of Comprehensive Income	1,877	1,400
Enhanced pension charge to Statement of Comprehensive income	2	13
<b>Total Pension Cost for Year within staff costs (note 6)</b>	<b>3,063</b>	<b>2,586</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 2019 and of the LGPS 31 March 2019.

Contributions amounting to £243,581 (2020: £237,732) were payable to the schemes and are included in creditors.

#### Teachers' Pension Scheme

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

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

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

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

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Valuation of the Teachers' Pension Scheme

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £1,185,000 (2020: £1,173,000)

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire Local Authority. The total contribution made for the year ended 31 July 2021 was £1.193m, of which employer's contributions totalled £0.974m and employees' contributions totalled £0.219m. The agreed contribution rates for future years for employers are set out below and for employees are from 5.5% to 12.5%, depending on salary.

<b>2020/2021</b>	<b>25%</b>	<b>£152,000</b>
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#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	<b>2021</b>	<b>2020</b>
Rate of increase in salaries	3.6%	3.2%
Future pensions increases	2.6%	2.2%
Discount rate for scheme liabilities	1.7%	1.4%
Inflation assumption (CPI)	2.6%	2.2%
Commutation of pensions to lump sums	0.0%	0.0%

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	2021 years	2020 years
<i>Retiring today</i>		
Males	23.1	23.0
Females	25.5	25.5
<i>Retiring in 20 years</i>		
Males	24.8	24.7
Females	27.3	27.2

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

	Fair Value at 31 July 2021	Fair Value at 31 July 2020
	£'000	£'000
Equities	12,277	9,591
Bonds	3,626	3,627
Property	1,315	1,064
Cash	212	279
Other	3,774	2,877
<b>Total fair value of assets</b>	<b>21,204</b>	<b>17,438</b>
<b>Actual return on plan assets</b>	<b>3,147</b>	<b>1,075</b>

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

	2021 £'000	2020 £'000
Fair value of plan assets	21,204	17,438
Present value of plan liabilities	(35,147)	(32,810)
<b>Net pensions liability (Note 15)</b>	<b>(13,943)</b>	<b>(15,372)</b>

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	2021 £'000	2020 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,876	1,400
Past service cost	-	-
<b>Total</b>	<b>1,876</b>	<b>1,400</b>
<b>Amounts included in Interest and Other Finance Charges</b>		
Net interest cost (Note 9)	208	173
	<b>208</b>	<b>173</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	2,898	723
Experience gains arising on defined benefit obligations	(356)	(7,108)
Amount recognised in Other Comprehensive Income	<b>2,542</b>	<b>(6,385)</b>

#### Movement in net defined benefit liability during the year

	2021 £'000	2020 £'000
(Deficit) in scheme at 1 August	(15,372)	(8,270)
Movement in year:		
Current service cost	(1,876)	(1,400)
Employer contributions	974	856
Past service cost	-	-
Net interest on the defined liability	(208)	(173)
Actuarial gain or loss	2,542	(6,385)
Curtailments and settlements	(3)	-
<b>Net defined liability at 31 July</b>	<b>(13,943)</b>	<b>(15,372)</b>

## Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued) Local Government Pension Scheme (Continued)

#### Asset and Liability Reconciliation

	2021 £'000	2020 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	32,810	23,900
Current Service cost	1,876	1,400
Interest cost	457	525
Contributions by Scheme participants	219	211
Experience losses on defined benefit obligations	356	7,108
Estimated benefits paid	(574)	(334)
Curtailments and settlements	3	-
<b>Defined benefit obligations at end of period</b>	<b>35,147</b>	<b>32,810</b>

#### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	17,438	15,630
Interest on plan assets	249	352
Return on plan assets	2,898	723
Employer contributions	974	856
Contributions by Scheme participants	219	211
Estimated benefits paid	(574)	(334)
<b>Assets at end of period</b>	<b>21,204</b>	<b>17,438</b>

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

- The form of remedy adopted
- How the remedy will be implemented
- Which members will be affected by the remedy
- The earning assumptions
- The withdrawal assumption



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

## Notes to the Accounts (continued)

### 22 Related party transactions

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

#### Wessex Shared Services Limited - a joint venture of Brockenhurst College

During the year under review income to the College from its joint venture (WESS) amounted to £22,952 (2020 £48,316) relating to recharged expenses. Also during the year under review the College paid £868,854 to its joint venture (2020 £832,306). At the year end the College was owed £10,343 by WESS (2020 £50,036) and the College owed WESS £Nil (2020 Nil).

	2021 £'000	2020 £'000
<b>Share of assets</b>		
Share of fixed assets	7	51
Share of current assets	52	89
	<u>59</u>	<u>140</u>
<b>Share of liabilities</b>		
Share of current liabilities	(87)	(81)
Share of pension liability	(1,842)	(1,977)
	<u>(1,929)</u>	<u>(2,057)</u>
<b>Share of net liabilities</b>	<u>(1,869)</u>	<u>(1,917)</u>

As mentioned in Note 15 the Shared Services arrangement with Bournemouth and Poole college will cease during 2021/22.

### 23 Amounts disbursed as agent

#### Learner support funds

	2021 £'000	2020 £'000
Funding body grants – bursary support	370	292
Funding body grants – discretionary learner support	43	35
Funding body grants – residential bursaries	-	-
Other Funding body grants	28	23
Interest earned	-	-
	<u>441</u>	<u>350</u>
Disbursed to students	(188)	(272)

Administration costs	(19)	(13)
<b>Balance unspent as at 31 July, included in creditors</b>	<u>234</u>	<u>64</u>

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