



Brockenhurst College

Annual Report and Financial Statements

Year ended 31 July 2022

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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 2021/22:

S Perkins	Principal and CEO; Accounting Officer (until 14 July 2022)
K Webb	Interim Principal and CEO; Accounting Officer (from 1 May to 16 September 2022)
L Feingold	Vice Principal, Director of Finance
S Lovegrove	Vice Principal, Curriculum and Quality (from 21 September 2021)

Board of Governors

A full list of the Board of Governors is given on pages **24-26** 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 2022.

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 306 (2020/21 – 301) people during the year (expressed as full-time equivalents), of whom 137 (2020/21 – 146) are teaching staff.

The College enrolled approximately 8,000 students. The College's student population includes 2,872 16-19 year old students, over 100 apprentices, over 100 international students, over 5,000 adult learners and over 40 higher education students.

Tangible resources include the main college site and operating equipment used to support the curriculum delivery. The gross book value of these assets as at 31 July 2022 was £34.7m (31 July 2021 - £33.8m), 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 £10.8m (2020/21 - £9.9m) of net assets before pension related defined benefit obligations. These include debt of £2.8m (2020/21 - £3.0m). Following a decrease in the year of £10.1m the College's defined benefit pension obligations now stand at £3.8m (2019/20 - £13.9m).

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 24-26.

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)

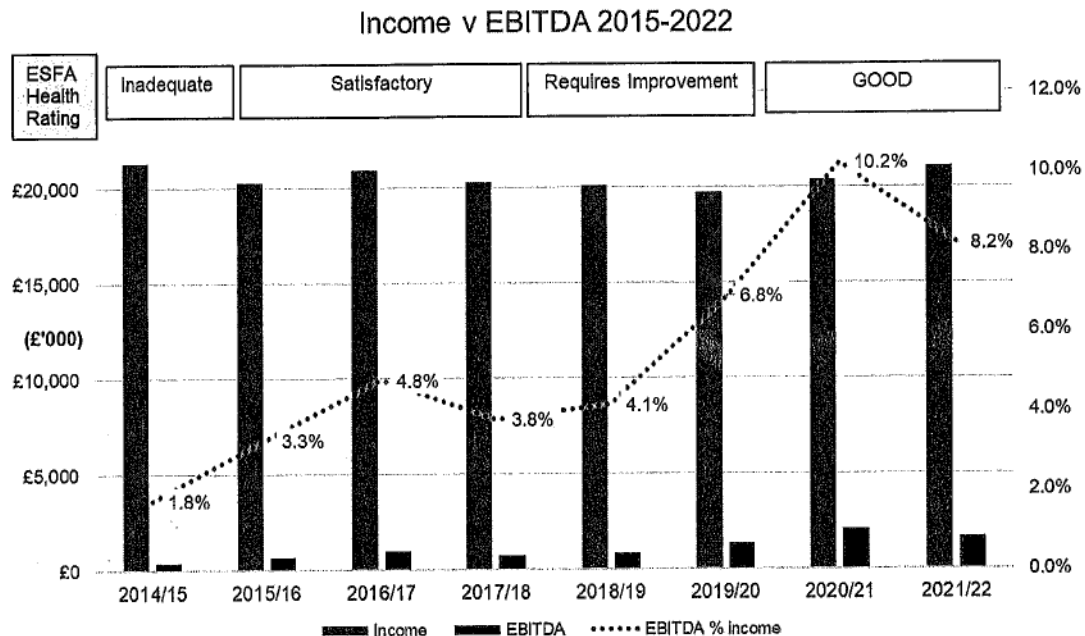
Implementation of strategic plan

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



Over the last 7 years the College has been successful in implementing a strong financial control environment which has allowed it to stabilise and manage its finances. Having implemented a Recovery Plan in 2014/15, the College has since improved its ESFA financial health rating and is now in its second year of "Good" financial health.

Improving demographics and a reputation for quality saw an increase of over 200 (8%) 16-19 learners in 2019/20 raising expectations of further financial recovery for the College and achievement of an ESFA health grade of "Good" the following year. The COVID-19 pandemic then led to a national lockdown and closure of all educational settings at the end of March 2020.

Through a combination of proactive cost management, governmental support measures (job retention scheme and funding protection) and a financial support package from both the ESFA and Barclays, the College's financial outcome and cashflow was largely protected in 2019/20 and 2020/21. Strong cost control and focussed financial management resulted in improved financial results, replenishment of the College's cash reserves and an ESFA financial health rating of "Good" being achieved in 2020/21.

2021/22 has seen activities resume relative normality following the tail-end of the Covid pandemic. 16-19 student numbers have continued to grow, however, legacy issues remain, notably in the areas of adult and apprenticeship provision, where delivery has been restricted and remains at below pre-Covid levels.

Strategic Report (continued)

Strategic Aims

The strategic aims of the College's 2021/22 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.
- Deliver an EBITDA of £1.4m (6.6% 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.
- 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 2021/22 and their achievement is set out below.

TARGET	ACHIEVEMENT	ACTUAL
Budget Earnings before interest, tax, depreciation and amortisation (EBITDA) of £1.4k (6.6% of adjusted income)	Achieved	£1.7m (8.2% of adjusted income *)
Financial Health rating of "Requires Improvement" achieved	Achieved	ESFA health grade of "Good" achieved (200 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 64.2%	Achieved	63.1% Total adjusted income

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

Strategic Report (continued)

Financial Summary – excluding pension accounting adjustments

		2021/22 (£'000)	2020/21 (£'000)
Total Income		21,066	20,736
Staff costs	Note 1	(13,032)	(12,375)
% total income		61.9%	59.7%
% adjusted income	Note 3	63.1%	60.8%
Non Staff costs	Note 2	(7,169)	(7,066)
Surplus		865	1,295
% income		4.1%	6.2%
<u>Add back:</u>			
Depreciation		1,132	1,078
Interest charges	Note 2	91	82
Release of capital grants		(394)	(377)
EBITDA (education specific)		1,695	2,079
% total income		8.0%	10.0%
% adjusted income	Note 3	8.2%	10.2%

Note 1: Excludes FRS102 pension charge of £1,024k (2020/21 £905k)

Note 2: Excludes interest on defined pension liability of £227k (2020/21 £208k)

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:

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

EBITDA comprises Earnings Before Interest, Tax, Depreciation and Amortisation. The reconciliation between Financial Surplus and EBITDA is set out above.

Since the start of the academic year activities have resumed relative normality following the easing of Covid restrictions during the summer. Despite the emergence of the Omicron variant, the College has not experienced any major disruption to onsite teaching and learning. Legacy issues remained, however, relating to Adult Education, apprenticeships and work experience which continued to restrict delivery and funding.

The College saw growth of 42 (1.5%) in its 16-19 funded student numbers. Actual enrolments, however, have been lower than expected due to a high incidence of students applying to multiple colleges and grade inflation allowing students greater progression choice.

The College's key financial metric, EBITDA, is £1.7m for the full year. As this level of performance the College's key financial targets have been met: the ESFA financial health rating is "Good" with EBITDA being 8% of income, and bank covenant targets have both been achieved.

Strategic Report (continued)

Income

Predominantly as a result of growth in 16-19 student numbers, total income in 2021/22 has increased by £330k (1.6%) compared to last year. Funded student enrolments have grown from 2,793 in 2020/21 to 2,824 in 2021/22, reflecting both the local demographics and also the ongoing reputation of the College.

The pandemic has nevertheless impacted other funding and commercial revenue streams, notably adult provision, both funded and paid for by the learner, apprenticeships and the College nursery.

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 2021/22 has been only 76% of the overall contract can be attributed to the legacy impact of the Covid restrictions. The College will therefore be required to repay AEB funding of c.£0.5m in December 2022.

Following strategic reviews of its apprenticeship provision, the College rationalised its apprenticeship offering with Plumbing, Bricklaying and Early Years, Health and Social Care being discontinued. This was extended to carpentry at the end of 2020/21 which is no longer offered. Carpentry remains on the curriculum through our full-time classroom Level 1 provision. The pandemic significantly disrupted the apprenticeship market having resulted in apprentices being made redundant or put on breaks in learning and reducing the willingness of employers to take on new apprentices. The uncertainty continued to dampen the market and has restricted the level of provision that College has been able to deliver.

The College runs an onsite nursery, Highwood, for under 2s to pre-school children at the main Brockenhurst campus. Highwood remained open throughout the pandemic, albeit supporting a reduced number of children. In 2021/22, as a result of staff shortages exacerbated by Covid, Highwood was temporarily closed from 10 December 2021 until 17 January 2022 to all but children of key workers and vulnerable children. Staff shortages were ongoing, and recruitment continued to prove challenging. To remain compliant with staffing ratios, the Nursery was therefore forced to temporarily close 2 of its 4 rooms. A new manager was successfully recruited and started on 25 April. By the end of June, 3 rooms were in operation and the fourth was re-opened in August. The nursery is currently rebuilding its numbers and intends to resume its pre-Covid level of provision in 2022/23. The reduction in activity has had an adverse impact on full year revenue which saw a reduction compared against the prior year of over £105k.

Staff costs

Staff costs increased in the year by £776k (5.8%) as a result of not only increased activity, but also the impact of increased pension and national insurance charges.

At 63.1% of adjusted income, the staff costs ratio, a key sector benchmark, remains in line with sector best practice and reflects staffing efficiencies from increased group sizes

The tight control of staffing costs is critical to the College managing its full year payroll costs. A major exercise is undertaken at the start of each academic year to align staffing resources with actual enrolments.

It was announced in November 2021 as part of the Spending Review that National Contribution rates will increase for both employees and employers by 1.25% points from April 2022. This has increased our payroll costs by an estimated £30k in 2021/22.

Following the outcome of a long-running employment tribunal case regarding holiday pay entitlement for part-year staff (*Harpur Trustees v Brazel*), it has been concluded that all permanent staff are entitled to 5.6 weeks' holiday each year, even if they only work part-year (e.g., term-time only). This is a complicated issue impacting all sectors and employers. To reflect potential claims resulting from this ruling, the College has estimated a potential historical liability of £150k, which has been provided for in the 2021/22 accounts.

Strategic Report (continued)

Operating Expenses

Operating expenses have seen an increase in the year of £41k (0.7%) reflecting the increase in activity following the uncertainty of the Covid lockdowns and pandemic restrictions.

In June 2020 Bournemouth and Poole College gave notice of its withdrawal from the WESS shared service partnership, to be effective from 31 July 22. Both colleges have worked together to manage the split of services and allocate existing staff between the colleges. Potential additional costs related to this transition were provided for in 2020/21. Following a successful re-integration project, the provision previously established was released in the 2021/22 results.

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, the existing dilapidations provision has been increased in the year by £270k to £570k.

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 8.0% of adjusted income, EBITDA remained above the College's target financial health rating benchmark of 4.0% of income.

Interest and other finance costs shown above comprise loan and overdraft interest of £91k (£82k in 2020/21). The Statement of Comprehensive Income also includes Interest on the College's defined pension liability of £227k (£208k in 2020/21).

Cash flows, liquidity and financing

The overall cash position of the College increased in the year by £1,187k, improving from £2,549k to £3,736k. The improvement principally reflects the operating cashflow inflow in the year of £2,208k, offset by net investing activities of £723k and debt service of £298k

Indebtedness

Following the successful refinancing in February 2020, the College has 2 loans with Barclays whose original values were £1.7m and £1.4m. The College's indebtedness therefore totalled £2.84m at the end of July 2022, being 13.7% of adjusted income. This is well below the ESFA's maximum recommended level of 20%.

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 2021/22 shall be no less than 100% of its Debt Servicing Costs, and
2. Minimum Adjusted Operating Surplus (EBITDA) for the year 2021/22 shall be no less than £1.2m.

Based upon the financial results presented within this Annual Report the College is in compliance with its relevant bank covenants for 2021/22. It should be noted that the definition of liabilities for covenant purposes expressly exclude the liability from the College's Local Government Pension Scheme.

Borrowing Arrangements

On 30 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions, and this prompted the Department for Education (DfE) to introduce some new rules for colleges which will take effect during the academic year 2022/23. Of note is that colleges are required with immediate effect to meet the requirements of the Managing Public Money (MPM) framework which restricts commercial borrowing abilities.

The College is due to refinance its existing borrowing facilities (loans and overdraft) in February 2023 and would now be required to obtain DfE consent for such an arrangement. The DfE is currently reviewing the College's consent request and it is expected that alternative borrowing arrangements will be put in place. In anticipation of such arrangements being agreed, the maturity date of the College's existing facilities with Barclays has been extended until 31 July 2023.

Strategic Report (continued)

Developments and capital projects

Tangible fixed asset additions during the year amounted to £869k, reflecting mainly general building improvements and IT equipment.

In response to the move to online teaching and learning, the College continues to invest in IT infrastructure and resources, notably in the provision of mobile computing devices (laptops, tablets, graphic tablets, microphones, webcams etc).

Strategic Development Fund

The Government White Paper "Skills for Jobs" has the key aim of strengthening links between employers and FE providers. Under the Skills Accelerator initiative it has called for collaborative projects which are employer led (Local Skills Improvement Plans "LSIPs") and projects led by FE colleges (Strategic Development Funds "SDF").

The College has therefore partnered with a number of Hampshire Colleges and successfully bid to develop employer engagement initiatives within the SDF envelope. The overall project comprises a number of workstreams including skills straining, regional curriculum mapping and employer led curriculum development. The College has been allocated capital funding of £141k to invest in equipment to support employer led skills in the areas of digital and marine.

Post 16 Capacity Fund

This fund is to support expansion (new build) capital for FE Colleges in response to the current and forecast demographic increase in 16-19 learners.

The College has been successful in its bid through the DfE Post 16 Capacity Capital Fund for a new SEN Independence Hub and 10 new classrooms.

The bid is a £4.9m project comprising a £4.0m capital grant from the DfE and match funding of £0.9m from Hampshire Council in support of the new SEN building. The match funding to be provided by Hampshire Local Authority is part of their pilot project to create a number of SEN Hubs to develop independent living skills within colleges throughout Hampshire.

A Public Information Event was held at the College on 26 April to inform the local community. Planning application was submitted on 21 July 2022 and granted on 20 October 2022. Project tendering is now complete and the main contractor has been appointed. Work has commenced onsite. Project completion is targeted for May/June 2023.

Institute of Technology

The College is part of a successful bid to develop an Institute of Technology in collaboration with South Coast based universities, colleges and training providers. Our IoT project is led by Solent University and Fareham College. Our specialism will be the development of Level 3 Marine Engineering and Pre Cadetship courses, to commence in September 2023. As part of the IoT we have been allocated funding of £0.4m for equipment related to delivering these courses, being primarily marine engines and lathes.

Strategic Report (continued)

Reserves

The College has net assets of £10.8m (2020/21 - £9.9m), 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 2021/22 has seen a decrease of £10.1m, and now stands at £3.8m. The College's net assets therefore fall from £10.8m to £7.0m once the pension obligations are taken into account.

Future Prospects

Financial Plan for 2022/23

The College Governors approved a financial plan in July 2022 which sets objectives for the year to July 2023. The College aims to achieve an ESFA financial health rating of "GOOD" and report an EBITDA of £1.2m.

Student Growth

Student applications have been strong in the lead up to 2022/23 reflecting both the underlying demographic increase and the College's continued strong reputation. Growth of 50 learners (1.7%) 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 has therefore not factored in any additional funding until 2023/24.

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 Heads of Curriculum, Guy Francis and Kevin Jones, who assumed interim Assistant Principal responsibilities until December 2021. Following an internal selection process, Guy Francis and Steve Jenkins were appointed as permanent Assistant Principals.

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

Polly Perkins took long-term sickness absence in December 2021. Limor Feingold (Vice Principal, Finance) and Simon Lovegrove (Vice Principal, Curriculum and Quality) undertook the roles of interim Chief Accounting Officer and Interim Principal respectively for the period December 2021 – April 2022. From April 2022 Dr Kate Webb was appointed by the Board to undertake the role of Interim Principal and CEO. Polly Perkins resigned her position in July 2022. On 19 September 2022 Stephen Wain was appointed as Interim Principal and CEO.

Following an extensive selection process, Helen Odhams has been appointed as Principal and CEO and will be taking up the role in latter part of the 2022/23 academic year.

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 (2020/21: £nil) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at positive £1,268k (2020/21: negative £9,916k). Of this, negative £3,775k (2020/21 negative £13,943k) relate to local government defined benefit pension obligations. Total reserves also include a revaluation reserve of £5,751k (2020/21: £5,902k). 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 2021/22 the College has delivered activity that has produced £16.6m in Funding Body grants (2020/21 – £16.7m). 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 was unchanged in 2021/22, thereby eroding in real terms 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 remained 15% underfunded, representing annual funding of £1.7m for Brockenhurst College.

For 2022/23 the 16-19 base funding rate has been increased to £4,542, being an increase of 8.4%. However, this has been predicated on a 7.4% increase in delivery hours. The overall net funding increase per hour of 1.0% remains well below the funding level proposed by the Education Select Committee in 2019.

Strategic Report (continued)

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 achievement rate in 2021/22 was 88.8% and continues to be in line with the last published national rates from 2018/19.
- A Level pass rates (+7.8% points) and high grade achievement rates (+8.8% points) have increased in comparison to the last academic year when exams were sat (2018/19).
- High grade achievement rates for vocational courses remains consistent at 75.6%.
- The College's provision for students with Special Educational Needs and Disabilities is good.
- High grade achievement for GCSE English (52%) and GCSE Maths (46%) is significantly (>20% points) above national rates.
- Although there is no current published data for the new reformed functional skill qualifications, early indications from awarding bodies suggests the College continues to perform strongly.
- Apprenticeship achievement continues to be affected by historical issues caused by the pandemic which has resulted in poor performance in some areas. Nevertheless, within Hospitality and Catering, which comprises the majority of the College's apprenticeship provision, achievement is 17% points above national rates.
- Both student satisfaction and positive destinations remain high at 95%.

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.

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 continued throughout the pandemic, although legacy challenges remain.

Apprenticeships

2021/22 continued to be a challenging period for the College's apprenticeship provision as a result of legacy issues following Covid-19 and the resulting impact on employers. With the aim of improving quality and sustainability, the range of provision has continued to focus marine engineering, electrical, business and hospitality.

In line with the national re-application programme, the College has successfully applied 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 2021/22 has been able to adapt to online delivery following its experience during Covid-19 restrictions. The College has been an End Point Assessment Organisation (EPAO) since 2019 being regulated by People1st.

Strategic Report (continued)

SEN

The College delivers a large high needs learner programme and has increased its intake of learners with Education Health and Care Plans. In 2021/22 the College supported in excess of 180 High Needs learners. 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 regularly 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 100 fee-paying international students in 2021/22. 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 SMT 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 risks comprise the impact of the ongoing increases in wholesale energy prices and the permanent appointment of a College Principal:

Risk	Mitigation
Failure to adequately manage the increase in energy prices and the impact on key financial targets would compromise the College's ESFA Health Rating and lead to non-compliance with banking covenants.	The College is actively monitoring the energy market and obtaining professional advice on energy consumption mitigation. The College is actively exploring cost saving initiatives to partially offset energy price increases. Governmental support has been announced for businesses (including colleges) for the period Oct 2022-March 2023 to partially mitigate the current energy price increases. Further support is expected, but not yet confirmed.
Failure to appoint a permanent Principal and CEO to provide strategic leadership and direction.	Appointment of Steve Wain as interim Principal/CEO on 19 September 2022. Selection Panel convened and a comprehensive recruitment process undertaken. Helen Odhams has been appointed as Principal and CEO and is due to take up the role in the latter part of the 2022/23 academic year.

Strategic Report (continued)

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

Strategic Report (continued)

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

Strategic Report (continued)

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

Strategic Report (continued)

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

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	4.4

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

Total cost of facility time	£15,301
Total pay bill	£12,879,673
Percentage of total bill spent on facility time	0.12%
Percentage of trade union activities as % of total paid facility time	0%

Going Concern

The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

After adjusting for holiday pay provision, the College currently has net current assets of £677k, an improvement of £991k over the last 12 months.

The College's cash position has steadily improved over the last few years and now stands at £3.7m, being an increase of £1.2m in the year.

Total indebtedness is £2.84m comprising loans with Barclays bank. The loans are amortised over 15 years, of which 12 years and 6 months remain. The loans were due to be refinanced by 3 February 2023 in line with the original terms negotiated in 2020. Following the restrictions on commercial borrowing imposed by the reclassification of college corporations as public sector institutions announced in November 2022, alternative borrowing arrangements are being put in place. Barclays bank continues to be fully supportive, and letters of variation have been agreed whereby the maturity date of the College's loans has been extended to 31 July 2023. In parallel, consent for approval for alternative borrowing arrangements is being sought from the Department of Education (DfE). Following positive discussions, the College has a reasonable expectation that such consent will be granted and that effective borrowing arrangements will be put in place to replace existing facilities.

Detailed projected cashflow information has been prepared for the period ending 12 months from the date of the approval of these financial statements. Such projections incorporate the latest trading forecasts and are based on alternative borrowing arrangements being granted by the DfE.

While there is the existence of material uncertainty due to the absence of committed funding beyond July 2023, the Corporation has concluded that it is reasonable to assume that alternative borrowing arrangements will be put in place and the College will have sufficient liquidity to meet its payment obligations as they fall due. The financial statements have therefore been prepared on the going concern basis.

Events after the reporting period

Stephen Wain was appointed as Interim Principal and CEO on 19 September 2022.

Helen Odhams has been appointed as Principal and CEO and is due to take up the role in the latter part of the 2022/23 academic year.

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 26 January 2023 and signed on its behalf by:

G Beards



Chair

Date: 26/1/23

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 01 August 2021 to 31 July 2022 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 2022. 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.

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 2021-2022
Mrs J Milone	March 2010- 2014	4 yrs	Term ended March 2022	External	Employment and Personnel (Chair)	100%
	March 2014- 2018	4 yrs			Remuneration	100%
	March 2018-2022	4yrs			Standards & Finance	100%
Ms S Perkins	Ex-officio Appointed January 2021	n/a	Resigned July 2022	Principal	Governance and Search	100%
					Employment and Personnel	100%
					Standards and Finance	100%
Mr G Beards	Sept 2014-2018	4 yrs	Term extended (exceptional circumstance) for 1 year - 2023	External	Corporation	100%
	Sept 2018-2022	4 yrs			Chair from 2017	66%
	Sept 2022-2023	1 yr			Employment and Personnel	100%
Prof A Neill	Sept 2014-2018	4 yrs	Term extended (exceptional circumstances) 2 years - 2024	External	Standards and Finance	100%
	Sept 2018-2022	4 yrs			(Chair)	83%
	Sept 2022-2024	2 yrs			Remuneration Capital Project	50%
Mr J Hiley-Jones	July 2015-2019	4 yrs	Term extended (exceptional circumstances) 2 years - 2025	External	Governance and Search	100%
	July 2019-2023	4 yrs			(Chair) Standards and Finance	100%

Statement of Corporate Governance and Internal Control (continued)

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committee served	Attendance in 2021-2022
Mrs D Hawkins	Dec 2015-2019	4 yrs		External	Audit Employment and Personnel (Chair)	100%
	Dec 2019-2023	4 yrs	Dec 2023			66%
Ms M Trinh	March 2017-2021	4 yrs	Resigned November 2022	External	Standards and Finance	25%
	March 2021-2025	4 yrs				
Mr G Cooper	March 2018-2022	4 yrs		External	Employment & Personnel Audit	66%
	March 2022-2026	4 yrs	March 2026			0%
Mr I Fry	March 2018-2022	4 yrs		External	Audit (Chair)	100%
	March 2022-2026	4 yrs	March 2026			
Mrs J Pitman	July 2019-2023	4 yrs	July 2023 Resigned August 2022	External	Standards & Finance	100%
					Remuneration	100%
Mrs S Murray	Dec 2019-2023	4 yrs	Dec 2023 Resigned April 2022	External	Audit	50%
					G&S	33%
Mrs C Cooke	Dec 2020-2024	4 yrs	Dec 2024	External	Governance and Search	100%
Ms H Coast	Dec 2018-2022	4 yrs	Dec 2022	Staff (Teaching)	Employment & Personnel	100%
Mr D Andrew	July 2021 – July 2022	1 yr	July 2022	Student	Standards and Finance	25%
Mr L Feingold	Ex-officio Appointed Dec 2021 – April 2022		Interim	Interim Principal	Standards & Finance	100%
					Employment & Personnel	100%
					Governance & Search	100%
					Capital Project	100%
Dr K Webb	Ex-officio Appointed April 2022 – Sept 2022		Interim	Interim Principal	Standards & Finance	100%
					Employment & Personnel	100%
					Governance & Search	100%
					Capital Project	100%

Statement of Corporate Governance and Internal Control (continued)

Governor	Date of Appointment	Term of office	Date of resignation / End of term	Status of appointment	Committee served	Attendance in 2021-2022
Mr S Williams	March 2022- March 2026	4 yrs	March 2026	External	Employment & Personnel	100%
Mr R Dunford	Dec 2021 – Dec 2025	4 yrs	Dec 2025	External	Standards & Finance Capital Project	50% 100%
Ms X Li-Bloodworth	July 2021- July 2025	4 yrs	July 2025	Staff (Professional services)	Employment & Personnel Standards & Finance	66% 100%

Statement of Corporate Governance and Internal Control (continued)

The following training was attended by the College's Governors and Clerk to the Corporation during 2021/22:

Date	Type of Training	Topics
GOVERNOR TRAINING		
September 2021	Annual update	<ul style="list-style-type: none"> Statutory Safeguarding guidance – 'Keeping Children Safe in Education' reading material issued by the DfE.
Monday, 4 October 2021 1.30-2.00pm and 2.00-2.30pm	Induction for new Governors	<ul style="list-style-type: none"> Role and Responsibilities of Governors
Mandatory Online Training To be completed every 2 years – due for Governors who completed in 2019	Operational Update	<ul style="list-style-type: none"> Safeguarding Prevent GDPR Equality and Diversity
November 2021 AoC Birmingham	Student Governor Training – AoC Festival of Governance	<ul style="list-style-type: none"> Develop leadership abilities Attend workshops that will focus on key skills and practical knowledge for governance.
Tuesday, 15 February 2022 4.30-5.30pm Zoom	Operational Update	<ul style="list-style-type: none"> Prevent Safeguarding Health and Safety Risk Management
Tuesday, 5 April 2022 4.30-5.30pm Zoom	Operational Update	<ul style="list-style-type: none"> Funding and Finance Masterclass
Wednesday, 4 May 2022 5.30pm-8.00pm Onsite	Informal Development	<ul style="list-style-type: none"> Open Event including briefing with student ambassadors
Tuesday, 7 June 2022 4.30-5.30pm Zoom	Strategic Development	<ul style="list-style-type: none"> OFSTED New Common Inspection Framework
Monday, 4 July 2022 1.00pm – 3.00pm Onsite in MJ's	Informal Development	<ul style="list-style-type: none"> Stewardship Day Lunch – meeting staff from around the College
Tuesday, 5 July 2022 5pm	Strategic Development	<ul style="list-style-type: none"> Strategy Session Draft Strategic Document
CLERK TRAINING		
Tuesday 26 April 22	Professional Development	<ul style="list-style-type: none"> AoC Governance Professionals course
Wednesday 27 April 22	Professional Development	<ul style="list-style-type: none"> AoC Governance Professionals course

Statement of Corporate Governance and Internal Control (continued)

Mrs L Payne acts as Clerk to the Corporation

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 2022 and graded itself as "Overall grade 2 (Good)" on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2022 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 2022 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 2022 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 2022 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. Their 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 their 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 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

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 26 January 2023 and signed on its behalf by:

Signed



G Beards
Chair

Signed



S Wain
Interim Accounting Officer

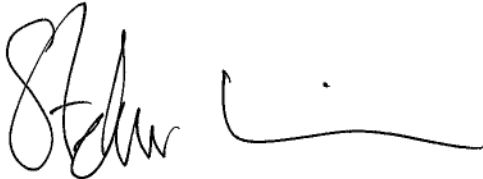
Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

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

I 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



S Wain

Interim Accounting Officer

Date: 26/1/23

Statement of the Chair of Governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Signed



G Beards

Chair of Governors

Date: 26/1/23

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 26 January 2023 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 2022 which comprise the college Statement of Comprehensive Income, the college Statement of Changes in Reserves, the college Balance Sheet, the college 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 2022 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 'Going Concern' to the financial statements. The College was seeking to renew its bank facilities in February 2023 but due to the Office for National Statistics ruling, which now places the College within the Public Sector, DfE approval is required for any new bank loan arrangements and this approval is unlikely to be granted. Alternative finance arrangements via the DfE are expected to be available to replace these bank facilities. As stated in note 1 'Going Concern', these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2021 to 2022 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 28 to 33, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Keeping Children Safe in Education under the Education Act 2002, 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

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of governors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 10 November 2022. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Signed:

Alliotts LLP

Alliotts LLP (Jan 26, 2023 11:57 GMT)

Alliotts LLP

Imperial House
8 Kean Street
London
WC2B 4AS

Date 26/01/2023

Independent Reporting Accountant's Report on Regularity to the Corporation of Brockenhurst College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 10 November 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Brockenhurst College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the post-16 audit code of practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of Brockenhurst College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Brockenhurst College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Brockenhurst College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Brockenhurst College and the reporting accountant

The corporation 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, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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 perform 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.

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

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities which govern them nor have been improper.

Use of our report

This report is made solely to the Corporation and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Secretary of State for Education acting through the ESFA, for our audit work, for this report, or for the conclusion we have formed.

Alliotts LLP
Alliotts LLP (Jan 26, 2023 11:57 GMT)

Alliotts LLP

Imperial House
8 Kean Street
London
WC2B 4AS

Date 26/01/2023

BROCKENHURST COLLEGE
STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 JULY 2022

	Notes	Year ended 31 July 2022	Year ended 31 July 2021
		College £'000	College £'000
INCOME			
Funding body grants	2	16,593	16,691
Tuition fees and education contracts	3	2,576	2,090
Other grants and contracts	4	71	649
Other income	5	1,826	1,306
Total income		21,066	20,736
EXPENDITURE			
Staff costs	6	14,056	13,280
Other operating expenses	8	5,946	5,905
Depreciation	10	1,132	1,078
Interest and other finance costs	9	318	290
Total expenditure		21,452	20,553
Deficit before other gains and losses		(386)	182
Loss on disposal of assets		-	(38)
Deficit before tax		(386)	144
Taxation		-	-
(Deficit)/Surplus for the year		(386)	144
Actuarial gain/(loss) in respect of pensions schemes	21	11,419	2,542
Total Comprehensive Income for the year		11,033	2,686
Represented by:			
Unrestricted comprehensive income		(386)	144
Restricted comprehensive income		11,419	2,542
		11,033	2,686
Surplus for the year attributable to:			
College		11,033	2,686
Total Comprehensive Income for the year attributable to:			
College		11,033	2,686

BROCKENHURST COLLEGE

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation Reserve	Total excluding non- controlling interest
	£'000	£'000	£'000
College			
Balance at 1st August 2020	(12,753)	6,053	(6,700)
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)	-
Total comprehensive income for the year	2,837	(151)	2,686
Balance at 31st July 2021	(9,916)	5,902	(4,014)
Deficit from the income and expenditure account	(386)	-	(386)
Other comprehensive income	11,419	-	11,419
Transfers between revaluation and income and expenditure reserves	151	(151)	-
Total comprehensive income for the year	11,184	(151)	11,033
Balance at 31st July 2022	1,268	5,751	7,019

BROCKENHURST COLLEGE

Balance Sheet as at 31 July 2022

	Notes	College 2022 £'000	College 2021 £'000
Fixed assets			
Tangible fixed assets	10	22,235	22,497
		22,235	22,497
Current assets			
Stocks		40	31
Trade and other receivables	11	724	1,310
Cash and cash equivalents	16	3,736	2,549
		4,500	3,889
Less: Creditors – amounts falling due within one year	12	(4,593)	(4,974)
Net current liabilities		(93)	(1,084)
Total assets less current liabilities		22,142	21,413
Less: Creditors – amounts falling due after more than one year	13	(10,535)	(10,964)
Provisions			
Defined benefit obligations	21	(3,775)	(13,943)
Other provisions	15	(813)	(520)
Total net assets / (liabilities)		7,019	(4,014)
Unrestricted reserves			
Income and expenditure account		1,268	(9,916)
Revaluation reserve		5,751	5,902
Total unrestricted reserves		7,019	(4,014)

The financial statements on pages 38 to 64 were approved and authorised for issue by the Corporation on 26 January 2023 and were signed on its behalf on that date by:



G Beards
Chair



S. Wain
Interim Accounting Officer

BROCKENHURST COLLEGE

Statement of Cash Flows

	Notes	2022	2021
		£'000	£'000
Cash inflow from operating activities			
Surplus/(Deficit) for the year		(386)	144
Adjustment for non cash items			
Depreciation		1,132	1,078
Releases of government capital grants		(394)	(377)
Decrease in stocks		(9)	3
Decrease/(Increase) in debtors		586	70
(Decrease)/Increase in creditors due within one year		(357)	(147)
Increase/(decrease) in creditors due after one year		-	-
Increase in provisions		293	357
Pensions costs less contributions payable		1,024	905
Adjustment for investing or financing activities			
Interest payable		91	82
FRS 102 pension finance cost		227	208
Loss on sale of fixed assets		-	38
Net cash flow from operating activities		2,207	2,361
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	5
Receipt of government capital grant		147	861
Disposal of non-current asset investments		-	-
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(869)	(1,253)
		(722)	(387)
Cash flows from financing activities			
Interest paid		(91)	(82)
Interest element of finance lease rental payments		-	-
New loan		-	-
Repayments of amounts borrowed		(207)	(52)
Capital element of finance lease rental payments		-	-
		(298)	(134)
Increase in cash and cash equivalents in the year		1,187	1,840
Cash and cash equivalents at beginning of the year	16	2,549	709
Cash and cash equivalents at end of the year	16	3,736	2,549
Increase		1,187	1,840

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 2021 to 2022* 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 position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

After adjusting for holiday pay provision, the College currently has net current assets of £677k, an improvement of £991k over the last 12 months. The College's cash position has steadily improved over the last few years and now stands at £3.7m, being an increase of £1.2m in the year.

Total indebtedness is £2.84m comprising loans with Barclays bank. The loans are amortised over 15 years, of which 12 years and 6 months remain. The loans were due to be refinanced by 3 February 2023 in line with the original terms negotiated in 2020. Following the restrictions on commercial borrowing imposed by the reclassification of college corporations as public sector institutions announced in November 2022, alternative borrowing arrangements are being put in place. Barclays bank continues to be fully supportive, and letters of variation have been agreed whereby the maturity date of the College's loans has been extended to 31 July 2023. In parallel, consent for approval for alternative borrowing arrangements is being sought from the Department of Education (DfE). Following positive discussions, the College has a reasonable expectation that such consent will be granted and that effective borrowing arrangements will be put in place to replace existing facilities.

Detailed projected cashflow information has been prepared for the period ending 12 months from the date of the approval of these financial statements. Such projections incorporate the latest trading forecasts and are based on alternative borrowing arrangements being granted by the DfE.

While there is the existence of material uncertainty due to the absence of committed funding beyond July 2023, the Corporation has concluded that it is reasonable to assume that alternative borrowing arrangements will be put in place and the College will have sufficient liquidity to meet its payment obligations as they fall due. The financial statements have therefore been prepared on the going concern basis.

Notes to the Accounts (continued)

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 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 2022. 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 an increase in the provision for the costs estimated in respect of dilapidations for leasehold property. Provisions have also been made in respect of part-year workers potential paid holiday claims and past years VAT liabilities relating to restaurant sales. Details are shown in note 15 below.

Notes to the Accounts (continued)

2. Funding body grants

	2022 £'000	2021 £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	1,058	1,103
Education and Skills Funding Agency - 16-18	13,835	13,747
Education and Skills Funding Agency - Apprenticeships	249	294
Office for Students	12	14
Specific Grants		
16-19 Tuition Fund	166	183
Covid Testing	17	37
ESFA - Adult	291	291
ESFA - 16-18	165	181
ESFA - provider relief scheme	-	-
Teacher Pension Scheme contribution grant	406	463
Releases of government capital grants	394	377
Total	16,593	16,691

3. Tuition fees and education contracts

	2022 £'000	2021 £'000
Adult education fees	418	213
Apprenticeship fees and contracts	170	187
Fees for FE loan supported courses	99	136
Fees for HE loan supported courses	195	274
International students fees	1,042	786
Total tuition fees	1,925	1,596
Education contracts	651	494
Total	2,576	2,090

Notes to the Accounts (continued)

3a. TOTAL GRANT AND FEE INCOME

	2022	2021
	£'000	£'000
Grant income from the OfS	12	14
Grant income from other bodies	16,581	16,677
Total grants	<u>16,593</u>	<u>16,691</u>
Fee income for taught awards (exclusive of VAT)	195	274
Fee income for research awards (exclusive of VAT)	-	-
Fee income from non-qualifying courses (exclusive of VAT)	2,381	1,816
Total tuition fees and education contracts	<u>2,576</u>	<u>2,090</u>
Total grant and fee income	<u>19,169</u>	<u>18,781</u>

4 Other grants and contracts

	2022	2021
	£'000	£'000
Erasmus	-	-
UK-based charities	-	-
European Commission	-	-
Other grant income	71	455
Non-government capital grants	-	-
Other contract income	-	-
Coronavirus Job Retention Scheme	-	194
Total	<u>71</u>	<u>649</u>

Notes to the Accounts (continued)

5 Other income

	2022 £'000	2021 £'000
Catering and residences	357	132
Other income generating activities	585	659
Miscellaneous income	884	516
Total	1,826	1,306

6 Staff costs

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

	2022 No. Headcount	2021 No. Headcount
Average staff numbers by major category:		
Teaching staff	208	216
Non teaching staff	264	234
	472	450

	FTE	FTE
By full time equivalent staff (FTE)		
Teaching staff	137	146
Non teaching staff	169	155
	306	301

Staff costs for the above persons

	2022 £'000	2021 £'000
Wages and salaries	9,651	9,202
Social security costs	854	815
Other pension costs (note 21)	3,283	3,063
Payroll sub total	13,787	13,080
Contracted out staffing services	208	160
	13,995	13,240
Fundamental restructuring costs - contractual	60	40
non contractual	-	-
Total Staff Costs	14,056	13,280

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, Vice Principal/Director of Finance and from September 2021, Vice Principal/Curriculum & Quality. During the year, the Board approved that the Vice Principals would cover the role of Principal, before an Interim Principal was employed on a temporary basis, to cover long term sickness absence of the Principal. Staff costs include compensation paid to key management personnel on resignation of office.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	4	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:

	2022 No.	2021 No.	2022 No.	2021 No.
£30,001 to £35,000 p.a.	1	-	-	-
£60,001 to £65,000 p.a.	-	-	1	3
£70,001 to £75,000 p.a.	1	-	-	-
£95,001 to £100,000 p.a.	-	1	-	-
£105,001 to £110,000 p.a.	1	-	-	-
£130,001 to £135,000 p.a.	-	1	-	-
£190,001 to £195,000 p.a.	1	-	-	-
	4	2	1	3

Remuneration falling within the uppermost banding was due to the exceptional circumstances of payment in lieu of notice and holiday pay following the resignation of the Principal and Chief Executive in July 2022.

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic salary	255	234
Enhanced position remuneration	10	-
Sickness payments	88	-
Benefits in kind	1	2
Contractual payments on early termination of contract of employment	53	-
Pension contributions	35	49
Total key management personnel compensation	441	285

Notes to the Accounts (continued)

7 Staff costs (continued)

The above compensation includes amounts paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff, and two interim officers who filled the role covering long term sickness absence. The Principal and Chief Executive resigned on the grounds of ill health. The Corporation decided to pay the amount due to her under the terms of her contract of employment, which would have fallen due in the next financial year of £53k, in this financial year. It should be noted that the Senior Management Team was strengthened in the year with the addition of a new Vice Principal Quality and Curriculum from September 2021.

Basic pay and remuneration for the role is as follows:

	Interim Accounting Officer	Interim Accounting Officer	Accounting Officer	
	May 22 to Jul 22	Dec 21 to Apr 22	Aug 21 to Jul 22	
	2022 £'000	2022 £'000	2022 £'000	2021 £'000
Basic salary	31	43	53	134
Other including benefits in kind	-	0	-	1
Sickness payments			88	
Contractual payments on early termination of contract of employment			53	
Relocation	-	-	-	8
Pension contributions	-	5	15	24
	<u>31</u>	<u>49</u>	<u>209</u>	<u>167</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 their 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 Principals. 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 Principals 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

	2022	2021
Principal and CEO's basic salary as a multiple of the median of all staff	5.4	5.3
Principal and CEO's total remuneration as a multiple of the median of all staff	4.8	5.0

The median salary of staff was calculated based on FTE pay for all staff on payroll as at 31 July 2022

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

	2022 £'000	2021 £'000
Teaching costs	1,855	1,672
Non teaching costs	2,527	2,577
Premises costs	1,564	1,656
Total	5,946	5,905

Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' remuneration:		
Financial statements audit	28	27
Internal audit	4	5
Depreciation	1,132	1,078
Hire of asset under operating leases	255	352

9 Interest payable College

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:	91	82
Net interest on defined pension liability (note 21)	227	208
Total	318	290

Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	27,389	494	5,915	33,798
Additions	312	1	557	869
Disposals	-	-	-	-
At 31 July 2022	27,701	495	6,472	34,668
Depreciation				
At 1 August 2021	5,761	348	5,192	11,301
Charge for the year	789	27	316	1,132
Elimination in respect of disposals	-	-	-	-
At 31 July 2022	6,550	375	5,508	12,433
Net book value at 31 July 2022	21,151	120	964	22,235
Net book value at 31 July 2021	21,628	146	723	22,497

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:

	2022
	£'000
Cost	30,784
Aggregate depreciation based on cost	(15,359)
Net book value based on cost	<u>15,425</u>

Notes to the Accounts (continued)

11 Trade and other receivables:

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	325	1,007
Prepayments and accrued income	369	259
Amounts owed by the ESFA	30	44
Total	724	1,310

12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	207	207
Trade payables	162	153
Other taxation and social security	497	442
Accruals and deferred income	2,643	3,098
Deferred income - government capital grants	351	375
Amounts owed to the ESFA	733	698
Total	4,593	4,974

13 Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Bank loans	2,635	2,842
Deferred income - government capital grants	7,900	8,123
Total	10,535	10,964

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2022 £'000	2021 £'000
In one year or less	207	207
Between one and two years	207	207
Between two and five years	2,428	2,635
In five years or more	-	-
Total	2,842	3,049

Bank loans at 2.75% plus Bank of England base rate (1.25% at 31 July 2022) are repayable by instalments falling due between 1 May 2021 and 1 February 2023 totalling £2,842k are secured on the college property.

The overdraft rate is 2.25% plus Bank of England base rate.

(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 2021	(13,943)	(70)	(450)	(14,463)
Expenditure in the period	(1,138)	6	-	(1,132)
Increase in period	-	-	(460)	(460)
Reductions in period	11,306	11	150	11,467
At 31 July 2022	(3,775)	(53)	(760)	(4,588)

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:

	2022	2021
Price inflation	2.9%	2.6%
Discount rate	3.3%	1.6%

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 was set up for this purpose in 2021, but an increase of £267.6k has been provided for this year following architects' consultation.

Also included in Other Provisions is £10k which relates to the joint venture arrangement which the college has operated for a number of years with Bournemouth and Poole College (BPC). This is to provide for any exit costs that may arise following the withdrawal on 31 July 2022. In May 2021 BPC gave notice to withdraw from the shared service during 2021/22 and consequently a provision was created for £150k. This has now been released.

A provision of £150k has also been made following the ruling in the Supreme Court in the Harpur Trust v Brazel case that part-year workers should not have their paid holiday pro-rated.

Finally, a provision of £32.4k has been made for potential past years VAT liabilities relating to MJ's restaurant and sales made inclusive of VAT.

16 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	2,549	1,187	-	3,736
Total	2,549	1,187	-	3,736

17 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	142	273

Notes to the Accounts (continued)

18 Lease Obligations

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

	2022 £'000	2021 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	311	265
Later than one year and not later than five years	873	757
later than five years	689	784
	<u>1,873</u>	<u>1,805</u>
Other		
Not later than one year	95	162
Later than one year and not later than five years	52	152
Later than five years	-	-
Total lease payments due	<u>147</u>	<u>314</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

Helen Odhams has been appointed as Principal and CEO and is due to take up the role in the latter part of the 2022/23 academic year.

On 30 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions, and this prompted the Department for Education (DfE) to introduce some new rules for colleges which will take effect during the academic year 2022/23. Of note is that colleges are required with immediate effect to meet the requirements of the Managing Public Money (MPM) framework which restricts commercial borrowing abilities.

The College was due to refinance its existing borrowing facilities (loans and overdraft) in February 2023 and would now be required to obtain DfE consent for such an arrangement. The DfE is currently reviewing the College's consent request and it is expected that alternative borrowing arrangements will be put in place.

In anticipation of such arrangements being agreed, the maturity date of the College's existing facilities with Barclays has been extended until 31 July 2023.

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	2022 £'000	2021 £'000
Teachers Pension Scheme: contributions paid	1,133	1,185
Local Government Pension Scheme:		
Contributions paid	1,138	972
FRS 102 (28) charge	<u>1,024</u>	<u>905</u>
Charge to the Statement of Comprehensive Income	2,162	1,877
Enhanced pension charge to Statement of Comprehensive income	<u>(11)</u>	<u>2</u>
Total Pension Cost for Year within staff costs (note 6)	<u>3,283</u>	<u>3,063</u>

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

Contributions amounting to £241,439 (2021: £243,581) 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 £1,133,000 (2021: £1,185,000)

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 2022 was £1.388m, of which employer's contributions totalled £1.138m and employees' contributions totalled £0.250m. 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.

2022/2023	25%	£220,000
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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 2022 by a qualified independent actuary.

	2022	2021
Rate of increase in salaries	3.6%	3.6%
Future pensions increases	2.6%	2.6%
Discount rate for scheme liabilities	3.4%	1.7%
Inflation assumption (CPI)	2.6%	2.6%
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:

	2022 years	2021 years
<i>Retiring today</i>		
Males	22.9	23.1
Females	25.4	25.5
<i>Retiring in 20 years</i>		
Males	24.7	24.8
Females	27.1	27.3

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

	Fair Value at 31 July 2022	Fair Value at 31 July 2021
	£'000	£'000
Equities	12,286	12,277
Bonds	3,162	3,626
Property	1,731	1,315
Multi Asset Credit	1,902	-
Cash	171	212
Other	2,115	3,774
Total fair value of assets	21,367	21,204
Actual return on plan assets	(690)	3,147

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

	2022 £'000	2021 £'000
Fair value of plan assets	21,367	21,204
Present value of plan liabilities	(25,142)	(35,147)
Net pensions liability (Note 15)	(3,775)	(13,943)

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:

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	2,156	1,876
Past service cost	6	-
Total	2,162	1,876
Amounts included in Interest and Other Finance Charges		
Net interest cost (Note 9)	227	208
	227	208
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(1,058)	2,898
Experience gains arising on defined benefit obligations	12,477	(356)
Amount recognised in Other Comprehensive Income	11,419	2,542

Movement in net defined benefit liability during the year

	2022 £'000	2021 £'000
(Deficit) in scheme at 1 August	(13,943)	(15,372)
Movement in year:		
Current service cost	(2,156)	(1,876)
Employer contributions	1,138	974
Past service cost	(6)	-
Net interest on the defined liability	(227)	(208)
Actuarial gain or loss	11,419	2,542
Curtailments and settlements	-	(3)
Net defined liability at 31 July	(3,775)	(13,943)

Notes to the Accounts (continued)

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

Asset and Liability Reconciliation

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	35,147	32,810
Current Service cost	2,156	1,876
Interest cost	595	457
Contributions by Scheme participants	250	219
Experience losses on defined benefit obligations	(12,477)	356
Estimated benefits paid	(535)	(574)
Past Service cost	6	-
Curtailments and settlements	-	3
Defined benefit obligations at end of period	25,142	35,147
Reconciliation of Assets		
Fair value of plan assets at start of period	21,204	17,438
Interest on plan assets	368	249
Return on plan assets	(1,058)	2,898
Employer contributions	1,138	974
Contributions by Scheme participants	250	219
Estimated benefits paid	(535)	(574)
Assets at end of period	21,367	21,204

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 £53,016 (2021 £22,952) relating to recharged expenses. Also during the year under review the College paid £831,412 to its joint venture (2021 £868,854). At the year end the College was owed £12,202 by WESS (2021 £10,343) and the College owed WESS £Nil (2021 Nil).

	2022 £'000	2021 £'000
Share of assets		
Share of fixed assets	-	7
Share of current assets	36	52
	<u>36</u>	<u>59</u>
Share of liabilities		
Share of current liabilities	(60)	(87)
Share of pension assets	200	(1,842)
	<u>140</u>	<u>(1,929)</u>
Share of net assets	<u>176</u>	<u>(1,869)</u>

As mentioned in Note 15 the Shared Services arrangement with Bournemouth and Poole college will cease from 01 August 2022, with Wessex Education Shared Services becoming a wholly owned subsidiary of Brockenhurst College from that date.

23 Amounts disbursed as agent

Learner support funds

	2022 £'000	2021 £'000
Funding body grants – bursary support	562	370
Funding body grants – discretionary learner support	36	43
Funding body grants – residential bursaries	-	-
Other Funding body grants	20	28
Interest earned	-	-
	<u>618</u>	<u>441</u>
Disbursed to students	(351)	(188)
Administration costs	(16)	(19)
Balance unspent as at 31 July, included in creditors	<u>251</u>	<u>234</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.

