Brockenhurst College

Brockenhurst College

Annual Report and Financial Statements

Year ended 31 July 2020

Brockenhurst College

CONTENTS

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 2019/20:

D Roberts	Principal and CEO; Accounting Officer
L Feingold	Vice Principal, Director of Finance

Board of Governors

A full list of the Board of Governors is given on pages **23-24** of these financial statements.

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

Professional advisers

Financial statements auditors and reporting accountants:

Albotts LLP
Friary Court
13-21 High Street
Guildford
Surrey
GU1 3DL

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 2020.

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 313 (2018/19 – 325) people during the year (expressed as full-time equivalents), of whom 151 (2018/19 – 157) are teaching staff.

The College enrolled approximately 10,000 students, The College's student population includes almost 2,800 16-18 year-old students, over 200 apprentices, over 100 international students, over 7,000 adult learners and over 60 higher education students.

Tangible resources include the main college site and operating equipment used to support the curriculum delivery. The net book value of these assets as at 31 July 2020 was £22.4m (31 July 2019 - £23.0m), having decreased in the year due to the ongoing accounting depreciation.

The College has £8.7m (2018/19 - £8.2m) of net assets before defined benefit obligations. These include debt of £3.1m (2017/18 - £3.6m). Following an increase in the year of £7.1m the College's defined benefit pension obligations now stand at £15.4m (2018/19 - £8.3m).

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 Education and Skills Funding Agency 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 23-24.

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 2019 the College adopted a strategic plan for the period 1 August 2019 to 31 July 2022. 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 background

Following deterioration in the College's financial results in 2013/14, the College developed and successfully implemented a recovery plan which included a substantial cost savings exercise to rebalance the College's budget. The Education and Skills Funding Agency (ESFA) was closely involved in the monitoring of the recovery plan and the College continued to be supported by its main lender, Barclays Bank, whereby loans and covenants were renegotiated. Over the last 4 years the College has therefore been successful in stabilising its financial health and improving its ESFA financial health rating from "Inadequate" to "Requires Improvement" in 2015/16, which it has maintained for the last 3 years.

The main challenges facing the College's strategic objective of financial sustainability comprise:

- 16-19 learner demographics, which had seen a fall both locally and nationally until the start of 2019/20, but which have now started to recover. As a result of the lagged funding model, whereby student funding for 16-18 year olds is based upon enrolment numbers from the preceding year, any growth in learner numbers is effectively unfunded in the year that is occurs. In 2019/20 the College's funding allocation was therefore for 2,526 16-19 learners, whereas actual student enrolments exceeded 2,700.
- The national base funding rate for 16-19 learners, which has not increased since 2013 and has remained unchanged at 4,000. Through not increasing the funding rate, the College's main funding source is therefore subject to a reduction in real terms every year while costs increase through inflationary pressures.
- The low level of profitability over the last few years has eroded the College's cash reserves. The resulting cashflow pressures have resulted in the College being requested to undergo an Independent Business Review (IBR) by its bank, Barclays, to assess the College's future financial requirements and inform potential refinancing options of the College's existing loans.
- Against this backdrop the financial health of the College sector continued to deteriorate with some 40% of Colleges considered to be in financial distress. It was acknowledged that 2019/20 would be the most challenging in years with student funding rates remaining unaltered and the new insolvency regime effectively cutting off new bank financing for colleges. The increasing level of financial distress had been recognised by the FE Commissioner with an updated College Oversight and Intervention Policy which sets out the approach of an enhanced intervention regime, and also the ESFA, which has requested additional financial monitoring reports, notably long-term cashflow forecasts. As part of the updated Oversight and Intervention Policy, financial health grades become more onerous from August 2019, with the existing banding of "satisfactory" being downgraded to "requires improvement".

FE Sector Funding

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

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

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

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

Were such an increase applied to the College's main 16-18 funding contract for 2019/20, it would represent an increase in income of £1.9m. Such a disparity should be borne in mind to understand the recent financial history of the College.

Strategic Report (continued)

Strategic Aims

The strategic aims of the College's 2019/20 Financial Plan are as follows:

- To support the College's Strategic Plan, with focus on the road map objectives of quality, staff expertise and well-being and financial strength
- Maintain the confidence of our key external stakeholders, notably the ESFA and Barclays Bank, by setting a realistic, transparent and achievable budget. It should be noted that, in light of the College's low level of profitability, the College had been selected to undergo an "FE Diagnostic Assessment" in July 2019 looking at all areas of the College.
- Deliver an EBITDA of £882k (4.2% income), which would generate sufficient operating cashflow to support the College's debt service requirements and planned level of capital investment
- Achieve an ESFA financial health rating of "Requires Improvement", and thereby accept ongoing intervention from the ESFA
- Comply with the revised banking covenants resulting from discussions with the bank as part of the Independent Business Review (IBR) in 2018/19
- To continue making progress towards long term financial sustainability

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

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

The College's key sustainability and growth objectives for 2019/20 and their achievement is set out below.

TARGET	ACHIEVEMENT	ACTUAL
Earnings before interest, tax, depreciation and amortisation (EBITDA) of £882k (4.2% of adjusted income)	Achieved	£1,339k (6.8% of adjusted income *)
Financial Health rating of "Requires Improvement" achieved (previously labelled "Satisfactory")	Achieved	ESFA health grade of "Requires Improvement" achieved (120 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 61%	Not Achieved (impacted by reduction in income due to Covid-19 restrictions)	62.3% Total adjusted income

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

Strategic Report (continued)

Financial Summary – excluding pension accounting adjustments

		2019/20 (£'000)	2018/19 (£'000)
Total Income		20,037	20,412
Staff costs	Note 1	(12,273)	(12,145)
% total income		*61.25%*	*59.50%*
% adjusted income	Note 3	*62.27%*	*60.47%*
Non Staff costs	Note 2	(7,330)	(8,369)
Surplus / (deficit)		**434**	**(101)**
% income		2.2%	-0.5%
Add back:			
Depreciation		1,106	1,086
Interest charges	Note 2	127	177
Release of capital grants		(327)	(329)
EBITDA (education specific)		**1,339**	**834**
% total income		*6.69%*	*4.08%*
% adjusted income	Note 3	*6.80%*	*4.15%*

Note 1: Excludes FRS102 pension charge of £544k (2018/19 £710k)

Note 2: Excludes interest on defined pension liability of £173k (2018/19 £160k)

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.

The 2019/20 academic year has been dominated by the impact of the Coronavirus pandemic whereby the College was obliged to close from late March 2020 until the end of the academic year.

Whilst the College has been sheltered from the full financial impact of the closure through governmental measures guaranteeing 16-19 and Adult funding, significant income has nevertheless been lost and the operations of the College have been fundamentally disrupted. The College's depleted cash reserves have reduced any resilience it may have to such a financial shock, and the financial impact of the closure has led to the College seeking financial support from both its bank and ESFA. Following positive discussions, a financial support package has now been agreed which will allow the College to continue trading and remain within agreed overdraft limits.

Income

Predominantly as a result of the closure, total income in 2019/20 has fallen by £375k (1.8%) compared to last year. The closure had an immediate and significant impact on College income, with little or no further revenue being generated from non-funded and commercial activities. During the closure the College continued to support learners, albeit remotely, and in line with Governmental guidance, Highwood Nursery remained open throughout to support children of key workers and staff.

The reduction in income, however, was mitigated by in-year growth funding of £427 reflecting the growth in the 16-19 learner numbers in the year.

Strategic Report (continued)

Staff costs

Staff costs increased in the year by £128k (1.1%) reflecting the 1% all staff pay award implemented at the start of the year. Despite the closure, and in line with the Government's request, the College nevertheless continued to employ and pay all staff and did not look to mitigate the financial impact of the closure through redundancies or requiring staff to take unpaid leave. Such an approach was facilitated by a key governmental financial support measure, the Coronavirus Job Retention Scheme. Over 100 staff have been furloughed in line with the terms of The Scheme and the College has recognised related income of £286k in its full year results.

At 62.3% of adjusted income, the staff costs ratio, a key sector benchmark, remains in line with sector best practice. The ratio has increased compared to the prior year as a result of the fall in revenue brought about by the College's closure.

Non Staff Costs

Non staff costs have seen a reduction in the year of £1,039k (12.4%). The closure of the College has allowed significant cost savings to be made, most notably with regards to utilities, cleaning and transport.

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 6.8% of adjusted income, EBITDA remained above the key financial health rating benchmark of 4% of income.

Interest and other finance costs shown above comprise loan and overdraft interest of £127k (£177k in 2018/19). The Statement of Comprehensive Income also includes interest on the College's defined pension liability of £173k (£160k in 2018/19).

Cash flows, liquidity and financing

<u>Refinancing in February 2020</u>

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

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

Strategic Report (continued)

Covid-19 financial support

In light of the negative impact of the Covid-19 related closure on the College's financial position, support has been agreed by both its lending bank, Barclays, and the ESFA as follows:

Barclays has committed to provide:

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

The ESFA has committed to provide:

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

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

The overall cash position of the College increased in the year by £1,478k, improving from a net overdraft of £769k to a credit position of £709k. The improvement principally reflects the operating cashflow inflow in the year of £1,769k. It should be noted that the operating cash inflow includes advance payment of £1.3m of 16-19 grant funding brought forward from August to July 2020 as part of the Covid-19 related financial support provided the ESFA.

Indebtedness

Following the successful refinancing in February 2020, the College now has 2 loans with Barclays of £1.7m and £1.4m. In line with the agreed 12 month repayment holiday, no repayments have yet been made as at 31 July 2020. The College's indebtedness therefore totalled £3.1m at the end of July 2020, being £15.8% of income. This is well below the ESFA's maximum recommended level of 40%.

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

1. Debt service (payment of loans and interest) - whereby Adjusted Cashflow for the year 2019/20 shall be no less than 100% of its Debt Servicing Costs, and
2. Minimum Adjusted Operating Surplus (EBITDA) for the year 2019/20 shall be no less than £750k
3. Operational Leverage Covenant whereby from the year 2020/21 the ratio of Borrowings at the end of each year to Adjusted Cashflow shall not exceed 3:1.

Based upon the financial results presented within this Annual Report the College is in compliance with its relevant bank covenants for 2019/20.

Developments and capital projects

Tangible fixed asset additions during the year amounted to £460k, mainly reflecting general building improvements and IT equipment.

Roof Improvement Project

In February 2020 the College completed major roof improvement works to address the ageing M Block roof at the main Brockenhurst campus. The overall project was delivered on budget at £1.0m (the cost being spread over 2018/19 and 2019/20) and comprised two phases: Phase 1 being asbestos removal and encapsulation works in the M Block loft spaces, followed by Phase 2, being the external roof improvement and replacement works. The project represents a major step forward in the College's Asbestos Management Plan and has addressed the deteriorating state of the roof's exterior.

Strategic Report (continued)

The project was financed through a successful bid to the Enterprise M3 Local Enterprise Partnership (LEP) whereby the College has received a grant of £0.5m, being 50% of the total project costs, and raised loan financing of £0.5m from the College's bank, Barclays, to finance the College's investment in the project.

IT Investment

The College continues to make significant investment in its IT resources and classroom provision. In response to the enforced closure in March 2020, the College adopted remote, online teaching and learning to replace its onsite provision. The College adopted Microsoft Teams as its preferred remote teaching platform and invested in both online software and mobile computing devices (principally laptops) to support both teachers and students in the new ways of working.

Reserves

The College has net assets of £8.7m, excluding the defined benefit pension obligations relating to the Local Government Pension Scheme which is offered to non-teaching staff, (2018/19 - £8.2m). The latest valuation of the College's share of the pension scheme deficit for 2019/20 has seen an increase of £7.1m, and now stands at £15.4m. The College's net assets therefore become net liabilities of £6.7m once the pension obligations are taken into account.

FUTURE PROSPECTS

Financial Plan for 2020/21

The College Governors approved a financial plan in July 2019 which sets objectives for the year to July 2021. The College aims to maintain its ESFA financial health rating of "Requires Improvement" and achieve an EBITDA in excess of £1m.

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

Covid 19 Tactical Plan

The College has developed a Covid-19 Tactical Plan which sets out measures that were implemented during the period of lockdown and the preparations made for the re-opening of College. The College Covid 19 Tactical Plan outlines the key guiding principles for moving forward and details the plans for September 2020. As Government guidance for the new academic year becomes available, this will be reflected in updated versions of the Plan. The Covid 19 Tactical Plan sits alongside the College Financial Plan (to 2021/22), remains aligned to the Strategic Road Map of the College, and will support the key aims of Quality Education, Financial Strength and Expertise & Well-being of Staff, as set out in the College's current Strategic Plan.

Future Developments

Blended learning timetable

The College has adopted a blended learning timetable whereby one day a week (Monday) is reserved for online/remote teaching and learning. Students will physically attend College during the rest of the week depending on the needs of their individual study programmes. The revised timetable is in line with governmental guidance in that it reduces student travel time, and by reducing the number of learners in College at any one time it lessens the risk of infection while in College. The use of blended learning also prepares students and teachers for a potential increase in remote learning.

Strategic Report (continued)

Remote teaching and learning

To support online and remote teaching and learning, the College has continued to invest in mobile computing resources, notably laptops, graphic tablets, microphones and webcams. The College has been successful in obtaining £100k of match funding for IT investment from the Enterprise M3 LEP to support its aim of further digitising the curriculum in response to Covid-19 in line with LEP priorities. Funding will be received in the Autumn term 2020/21.

New Principal

Di Roberts, the College's current Principal and Chief Executive, will be retiring on 31 December 2020. Following a comprehensive selection process concluding in July 2020, Suzanne Perkins has been appointed to the role and will be taking up the position on 1 January 2021.

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 (2018/19: £nil) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at negative £12,753k (2018/19: negative £6,236k). Of this, negative £15,372k (2018/19 negative £8,270k) relate to local government defined benefit pension obligations. Total reserves also include a revaluation reserve of £6,053k (2018/19 £6,204k).
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 2019/20 the College has delivered activity that has produced £14.8m in Funding Body grants (2018/19 – £14.0m). Main funding groups comprise 16-18 A level and vocational students, High Needs learners, Apprenticeships and Adult Education related activity.

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 headline achievement rate for 2019/20 of 89.1% is a decrease of 2.3% points against the prior year although the College remains above the provider group by 3% points, and 4% points above the national average.

For 16-18 learners, the College provides learning at Levels 1, 2 and 3 and the achievement rate for 16-18 is 80.4%, being 3% points below the provider group average. It should be noted, however, that the largest provision is at Level 3, for which the achievement rate has improved by 2.4% points. The retention and pass rates on A level provision, identified as areas for development, have improved, resulting in a 6.6% point improvement in the achievement rate which is now 1% point above provider and national averages.

The 16-18 level 1 (including entry level) achievement rate has declined by 5% points as a result of the awarding organisations' approach to implementing adapted assessments as opposed to centre assessment grades. However, the College worked hard to ensure students were certificated for each unit they achieved and partial achievement was impressive resulting in positive progression.

Apprenticeship provision has been affected by Covid-19 as a number of employers withdrew learners or put them on a break in learning. The College also serves a large number of adult learners for whom achievement continues to improve; at 97.6% it is significantly above provider group and national averages.

Examinations and Assessments

All schools and colleges were closed from March 2020 and all examinations and assessments were cancelled for the Summer of 2020, unless the qualification involved a licence to practise. For most learners this involved the College assigning "centre assessed grades (CAGs)" and rankings for each learner. For those whose qualifications also resulted in a Licence to Practice (e.g. electrical, beauty, or fitness), learners would be required to take adapted assessments as soon as they were able to return to their college safely. The guidance from the Ofqual and the Joint Council for Qualifications (the regulators) was that educational providers must devise and implement a process that uses evidence of achievement through class assessed work during the student's time at College. The College put in place a robust process that ensured grades and rankings were assigned in a consistent and fair manner across all learners and subjects. The grades were then moderated and standardised taking into account the attainment score of each learner and each subject's pass rate and grade distribution over the last three years.

Compared to a national average of 40%, only 28% of the College's CAGs were downgraded which meant that the grade profile was within tolerance of the grade profile expected based on previous years' results and the ability of the current cohort. On 18 August 2020 the Department for Education announced that teacher grades would be used. As a result of the process the College had undertaken, the grades submitted were not inflated and the process had been carried out with integrity.

Curriculum developments

Sixth Form

The College has continued the development of its offer at all levels of learning. A new pre-cadetship programme provides learners with the foundation required for direct entry onto the Level 3 Pre-cadetship course, known as the Diploma in Shipping and Maritime Operations. This in-turn may lead to a career in the Merchant Navy or an apprenticeship in Marine Engineering or Marine Manufacturing. A new course in A level in Animation was introduced including investment in industry standard software to support learners develop the skills they would need to be successful in achieving their qualification and in their next steps. The academic year 2019/20 saw reformed functional skills qualifications in English and mathematics. The full impact of this has yet to be seen as the functional skills tests were cancelled in the Summer of 2020 and centre assessment grades were assigned.

Strategic Report (continued)

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

Adult

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

Apprenticeships

2019/20 was a year of challenge for the College's apprenticeship provision as a result of Covid-19 and the resulting impact on employers. With the aim of improving quality and sustainability, the range of provision has been reduced to focus on marine, construction, business and hospitality. The College continues to provide End Point Assessment provision for the hospitality sector although this was severely hampered as a result of Covid-19 restrictions.

Special Educational Needs

The College delivers a large high needs learner programme and has increased its intake of learners with Education Health and Care Plans. In 2019/20 there were in excess of 145 students with Educational Health and Care Plans (EHCPs). Funding is obtained through both a central contract with the ESFA, and the learner's Local Authority.

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

All parents/carers of EHCP students and students living independently, were contacted at the start of the lockdown 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 (HE)

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 2019/20. In February 2020, the College received its first visit from Ofsted under the Social Care Common Inspection Framework. It achieved GOOD in all judgement areas, being: Overall experiences and progress of young people, How well young people are helped and supported and The effectiveness of leaders and managers.
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 Leadership Team (SLT) 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 SLT will also consider any risks which may arise as a result of a new area of work being undertaken by the College. During each year members of the SLT will review the risk register on a regular basis and update the register when necessary.

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

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

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

Risk	Mitigation
Failure to manage the operational and financial impact of the COVID-19 pandemic on the College, and safeguard the health of our students and staff.	• Constant monitoring of and compliance with Government advice and guidance, including Public Health England and DfE. • Pandemic critical incident plan implemented and move to blended / remote working. • Timetable revised to reduce onsite attendance and time spent travelling. • Teachers and students trained and supported in remote working. • IT procurement focussed on laptops and mobile devices to support remote teaching and learning. • Funding of £100k obtained for IT Covid response. • Support from AoC to interpret guidance and business support measures. • Comprehensive Risk Assessments undertaken in preparation for re-opening of the College in August. • Active and positive discussion with bank and ESFA to agree financial support to address cashflow issues.

Strategic Report (continued)

	RISK	MITIGATION
1	Failure to address structural deficit	• 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	• 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 Wessex Educational Shared Services performance against financial information, systems and control KPIs
3	Failure to meet College income targets for new markets and products	• 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	• Developing and reviewing 16-18 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	• 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 the College • Distribution of quality prospectus • Regular Individualised Learner Record 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	• 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	• 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	• 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	• 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	• 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	• Recruitment and selection procedures • Pay Policy including regular review of pay rates • Benchmarking with other Colleges • Resource planning • Use of 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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 provisional and digital communications as a result of a cybersecurity breach.	• Standard cyber-security measures in place. • Ongoing review of College measures against best practice. • Insurance being considered to guard against financial risk.
21	Failure to comply with GDPR legislation and avoid financial and reputational penalties.	• 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	4.1

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

Total cost of facility time	£14,859
Total pay bill	£12,306,871
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 statements have been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out below.

Detailed projected cash flow information has been prepared by management for the period ending 24 months from the date of the approval of these financial statements. Such projections incorporate the new refinancing package and the latest trading forecasts.

The projections produced by management have assumed no further lockdowns affecting the College will occur. It is impossible at this time to predict if there will be further lockdowns and what, if any, the duration will be. In addition, the projections are based on estimated income with the expectation that operating conditions will gradually return to normality in 2021. These expectations are by their very nature estimates.

On the basis of these projections, the Corporation is satisfied that the College will have sufficient liquidity to meet its payment obligations as they fall due and that revised covenants will be met for the years to 31 July 2021 and 2022.

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

Events after the reporting period

There are no events to report after the reporting period.

Brockenhurst College

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 1 December 2020 and signed on its behalf by:

G Beards

Chair

Date: 11/12/20

Statement of Corporate Governance and Internal Control

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

The College 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 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it 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 2019-2020
Mrs J Milone	March 2010 Last re-elected July 2017	4 yrs		External	Employment and Personnel (Chair)	100%
					Remuneration	100%
					Standards and Finance	75%
Mrs D Roberts	Ex-officio Appointed Sept 2006			Principal	Governance and Search	100%
					Employment and Personnel	100%
					Standards and Finance	100%
Mr G Beards	Sept 2014 Re-appointed March 2018	4 yrs		External	Corporation Chair from 2017	100%
					Employment and Personnel	100%
					Standards and Finance	100%
					Governance and Search	100%
					Remuneration	100%
Prof A Neill	Sept 2014 Re-appointed March 2018	4 yrs		External	Standards and Finance (Chair)	100%
					Remuneration	100%
Mr J Hiley-Jones	July 2015 Re-appointed July 2019	4 yrs		External	Governance and Search (Chair)	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	Committees served	Attendance in 2019-2020
Mrs D Hawkins	Dec 2015 Re-appointed July 2019 from Dec 2019	4 yrs		External	Audit Employment and Personnel	60% 80%
Ms M Trinh	March 2017	4 yrs		External	Audit	80%
Mr G Cooper	March 2018	4 yrs		External	Employment and Personnel Audit Remuneration	80% 100% 100%
Mr I Fry	March 2018	4 yrs		External	Audit (Chair)	100%
Mr C Underhill	Dec 2018	4 yrs		External	Governance and Search Capital Project (Chair)	100% No meetings held
Mrs J Pitman	July 2019	4 yrs		External	Standards and Finance Remuneration	75% 100%
Mrs S Murray	Dec 2019	4 yrs		External	Standards and Finance	33%
Ms R Donawa	Dec 2017	4 yrs		Staff (Professional Services)	Employment and Personnel Governance and Search	100% 80%
Ms H Coast	Dec 2018	4 yrs		Staff (Teaching)	Employment and Personnel	100%
Miss S Allport	Dec 2019	1 year		Student (16-19)	Standards and Finance	50%
Mr S Hughes	Dec 2019	1 year		Student (Adult)	Standards and Finance	0%

Statement of Corporate Governance and Internal Control (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Standards and Finance, Capital Projects, 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 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 2020 and graded itself as "Overall grade 2 (Good)" on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2020 the College's Remuneration Committee comprised three 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 2020 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 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post *16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the internal audit service provides the governing body with a report on internal audit activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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 1 December 2020 and signed on its behalf by:

Signed	**Signed**
G Beards	**D Roberts**
Chair	**Accounting Officer**

Statement of Regularity, Propriety and Compliance

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

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

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

Signed

G Beards
Chair of Governors

Date: 11/12/20

Signed

D Roberts
Accounting Officer

Date: 11/12/20

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 1 December 2020 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 2020 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, 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 2020 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction
In our opinion, in all material respects:
- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

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

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

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

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

Responsibilities of the Corporation of Brockenhurst College
As explained more fully in the Statement of the Corporation Responsibilities set out on pages 22 to 28, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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

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

Use of our report
This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 9 April 2020. 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.

Alliotts LLP
Alliotts LLP (Jan 13, 2021 12:32 GMT)

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

Date: Jan 13, 2021

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 (THE ESFA).

In accordance with the terms of our engagement letter dated 9 April 2020 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 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the post-16 audit code of practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the corporation of 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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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 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.

Conclusion

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

Alliotts LLP
Alliotts LLP (Jan 13, 2021 12:32 GMT)

Alliotts LLP

Date: Jan 13, 2021

Brockenhurst College

Brockenhurst College
Statement of Comprehensive Income

	Notes	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 College £'000
INCOME			
Funding body grants	2	14,780	13,967
Tuition fees and education contracts	3	2,696	3,475
Other grants and contracts	4	563	111
Other income	5	1,998	2,859
Total income		**20,037**	**20,412**
EXPENDITURE			
Staff costs	6	12,817	12,855
Other operating expenses	8	6,097	7,105
Depreciation	10	1,106	1,086
Interest and other finance costs	9	300	337
Total expenditure		**20,320**	**21,383**
Deficit before other gains and losses		**(283)**	**(971)**
Loss on disposal of assets		-	-
Deficit before tax		**(283)**	**(971)**
Taxation		-	-
Deficit for the year		**(283)**	**(971)**
Actuarial loss in respect of pensions schemes	21	(6,385)	(1,500)
Total Comprehensive Income for the year		**(6,668)**	**(2,471)**
Represented by:			
Unrestricted comprehensive income		**(283)**	**(971)**
Restricted comprehensive income		**(6,385)**	**(1,500)**
		(6,668)	**(2,471)**
Deficit for the year attributable to:			
College		**(6,668)**	**(2,471)**
Total Comprehensive Income for the year attributable to:			
College		**(6,668)**	**(2,471)**

Brockenhurst College

Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation Reserve £'000	Total excluding Non controlling interest £'000
College			
Balance at 1st August 2018	(3,916)	6,355	2,439
Deficit from the income and expenditure account	(971)	-	(971)
Other comprehensive income	(1,500)	-	(1,500)
Transfers between revaluation and income and expenditure reserves	151	(151)	-
Total comprehensive income for the year	(2,320)	(151)	(2,471)
Balance at 31st July 2019	(6,236)	6,204	(32)
Deficit from the income and expenditure account	(283)	-	(283)
Other comprehensive income	(6,385)	-	(6,385)
Transfers between revaluation and income and expenditure reserves	151	(151)	-
Total comprehensive income for the year	(6,517)	(151)	(6,668)
Balance at 31st July 2020	**(12,753)**	**6,053**	**(6,700)**

Brockenhurst College
Balance Sheet as at 31 July

	Notes	College 2020 £'000	College 2019 £'000
Fixed assets			
Tangible fixed assets	10	22,366	23,024
		22,366	**23,024**
Current assets			
Stocks		34	43
Trade and other receivables	11	1,380	1,199
Cash and cash equivalents	16	709	8
		2,122	**1,250**
Less: Creditors – amounts falling due within one year	12	(4,916)	(7,927)
Net current liabilities		**(2,794)**	**(6,677)**
Total assets less current liabilities		**19,572**	**16,347**
Less: Creditors – amounts falling due after more than one year	13	(10,736)	(8,014)
Provisions			
Defined benefit obligations	21	(15,372)	(8,270)
Other provisions	15	(164)	(95)
Total net liabilities		**(6,700)**	**(32)**
Unrestricted reserves			
Income and expenditure account		(12,753)	(6,236)
Revaluation reserve		6,053	6,204
Total unrestricted reserves		**(6,700)**	**(32)**

The financial statements on pages 35 to 58 were approved and authorised for issue by the Corporation on 1 December 2020 and were signed on its behalf by:

G.Beards
Chair

D.Roberts
Accounting Officer

Brockenhurst College

Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Deficit for the year		(283)	(971)
Adjustment for non cash items			
Depreciation		1,106	1,086
Releases of government capital grants		(327)	(329)
Decrease/(increase) in stocks		9	(1)
(Increase)/decrease in debtors		(181)	580
Increase/(decrease) in creditors due within one year		532	(1,283)
Increase/(decrease) in provisions		69	(63)
Pensions costs less contributions payable		544	710
Adjustment for investing or financing activities			
Interest payable		127	177
FRS 102 pension finance cost		173	160
Net cash flow from operating activities		**1,768**	**66**
Cash flows from investing activities			
Receipt of government capital grant		-	796
Payments made to acquire fixed assets		(450)	(1,552)
		(450)	(756)
Cash flows from financing activities			
Interest paid		(127)	(177)
Interest element of finance lease rental payments		-	-
New loan		3,100	500
Repayments of amounts borrowed		(2,814)	(524)
		159	(201)
Increase/(Decrease) in cash and cash equivalents in the year		**1,478**	**(891)**
Cash and cash equivalents at beginning of the year	16	(769)	122
Cash and cash equivalents at end of the year	16	709	(769)
Increase/(decrease)		1,478	(891)

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 2019 to 2020* and Regulatory Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

Detailed projected cash flow information has been prepared by management for the period ending 24 months from the date of the approval of these financial statements. Such projections incorporate the new refinancing package and the latest trading forecasts.

The projections produced by management have assumed no further lockdowns affecting the College will occur. It is impossible at this time to predict if there will be further lockdowns and what, if any, the duration will be. In addition, the projections are based on estimated income with the expectation that operating conditions will gradually return to normality in 2021. These expectations are by their very nature estimates. On the basis of these projections, the Corporation is satisfied that the College will have sufficient liquidity to meet its payment obligations as they fall due and that revised covenants will be met for the years to 31 July 2021 and 2022.

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

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.

Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year. 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.

Notes to the Accounts (continued)

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.

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.

Notes to the Accounts (continued)

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.

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

Notes to the Accounts (continued)

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.

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.

Notes to the Accounts (continued)

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.

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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	1,555	1,497
Education and Skills Funding Agency - 16-18	11,647	11,073
Education and Skills Funding Agency - Apprenticeships	496	523
Office for Students	29	7
Specific Grants		
ESFA - Adult	291	291
ESFA - 16-18	-	247
ESFA - provider relief scheme	-	-
Teacher Pension Scheme contribution grant	435	-
Releases of government capital grants	327	329
Total	14,780	13,967

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	550	830
Apprenticeship fees and contracts	244	449
Fees for FE loan supported courses	114	132
Fees for HE loan supported courses	244	292
European (excluding UK) students	116	114
International students fees	941	1,214
Total tuition fees	2,208	3,031
Education contracts	488	443
Total	2,696	3,475

3a. TOTAL GRANT AND FEE INCOME

	2020 £'000	2019 £'000
Grant income from the OfS	29	7
Grant income from other bodies	14,751	13,960
Total grants	14,780	13,967
Fee income for taught awards (exclusive of VAT)	244	292
Fee income for research awards (exclusive of VAT)	-	-
Fee income from non-qualifying courses (exclusive of VAT)	2,452	3,183
Total tuition fees and education contracts	2,696	3,475
Total grant and fee income	17,476	17,442

Notes to the Accounts (continued)

4 Other grants and contracts

	2020 £'000	2019 £'000
European Commission	-	(15)
Other grant income	277	125
Coronavirus Job Retention Scheme	286	-
Total	563	111

The Corporation furloughed some refectory, nursery, other administration support staff and lecturers teaching community courses under the government's Coronavirus Job Retention Scheme. The funding received of £286k relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	2020 £'000	2019 £'000
Catering and residences	267	398
Other income generating activities	556	737
Miscellaneous income	1,175	1,725
Total	1,998	2,859

6 Staff costs

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

	2020 No. Headcount	2019 No. Headcount
Average staff numbers by major category:		
Teaching staff	220	243
Non teaching staff	266	277
	486	520

	FTE	FTE
By full time equivalent staff (FTE)		
Teaching staff	151	157
Non teaching staff	162	168
	313	325

Notes to the Accounts (continued)

6 Staff costs (continued)

Staff costs for the above persons

		2020 £'000	2019 £'000
Wages and salaries		9,240	9,410
Social security costs		809	825
Other pension costs	(note 21)	2,585	2,276
Payroll sub total		12,634	12,511
Contracted out staffing services		159	287
		12,793	12,798
Fundamental restructuring costs -	contractual	18	56
	non contractual	6	-
Total Staff Costs		12,817	12,855

7 Staff costs

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal and Vice Principal/Director of Finance. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	2	2

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000 p.a.	-	-	3	4
£95,001 to £100,000 p.a.	-	1	-	-
£100,001 to £105,000 p.a.	1	-		
£135,000 to £140,000 p.a.	-	1	-	-
£140,001 to £145,000 p.a.	1	-	-	-
	2	2	3	4

Notes to the Accounts (continued)

7 Staff costs continued

	2020 £'000	2019 £'000
Basic salary	240	233
Benefits in kind	3	3
Pension contributions	53	39
Total key management personnel compensation	296	275

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. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Basic salary	140	135
Other including benefits in kind	2	2
Pension contributions	32	22
	174	159

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

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. To ensure independence, no staff whose remuneration is subject to review by the Remuneration Committee sits or votes on the Committee.
The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Key management personnel comprise the Principal and Chief Executive, and the Vice Principal.

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

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

Notes to the Accounts (continued)

7 Staff costs (continued)

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

	2020	2019
Principal's basic salary as a multiple of the median of all staff	6.1	6.1
Principal and CEO's total remuneration as a multiple of the median of all staff	6.0	6.2

The median salary of staff was calculated based on FTE pay for all staff on payroll as at 31 July 2020.

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

	2020 £'000	2019 £'000
Teaching costs	2,050	2,858
Non teaching costs	2,621	2,741
Premises costs	1,426	1,506
Total	**6,097**	**7,105**

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit	28	25
Internal audit	7	7
Depreciation	1,106	1,086
Hire of asset under operating leases	397	443

9 Interest payable College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	127	177
Net interest on defined pension liability (note 21)	173	160
Total	**300**	**337**

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 2019	26,357	746	5,334	32,438
Additions	368	-	82	450
Disposals	-	-	(18)	(18)
At 31 July 2020	**26,725**	**746**	**5,398**	**32,869**
Depreciation				
At 1 August 2019	4,273	468	4,673	9,414
Charge for the year	744	36	326	1,106
Elimination in respect of disposals	-	-	(18)	(18)
At 31 July 2020	**5,017**	**504**	**4,981**	**10,502**
Net book value at 31 July 2020	**21,707**	**242**	**417**	**22,366**
Net book value at 31 July 2019	22,084	278	661	23,024

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:

	2020
	£'000
Cost	28,985
Aggregate depreciation based on cost	(13,429)
Net book value based on cost	15,555

Notes to the Accounts (continued)

11 Trade and other receivables:

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade receivables	799	749
Prepayments and accrued income	559	251
Amounts owed by the ESFA	22	199
Total	1,380	1,199

12 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	52	3,593
Trade payables	221	902
Other taxation and social security	433	396
Accruals and deferred income	2,361	2,642
Deferred income - government capital grants	326	327
Amounts owed to the ESFA	1,524	67
Total	4,916	7,927

13 Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Bank loans	3,048	-
Deferred income - government capital grants	7,688	8,014
Total	10,736	8,014

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	52	3,593
Between one and two years	207	-
Between two and five years	2,842	-
In five years or more	-	-
Total	3,100	3,593

The bank loans repayable by instalments falling due between 1 May 2021 and 1 February 2023 totalling £3,100k are secured on the college property.

(b) Finance leases

The College does not have any finance lease obligations.

15 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other provision £'000	Total £'000
At 31 July 2019	(8,270)	(68)	(27)	(8,365)
Expenditure in the period	(856)	7	-	(849)
Increase in period	(6,246)	(13)	(62)	(6,321)
Reductions in period	-	-	-	-
At 31 July 2020	(15,372)	(75)	(89)	(15,536)

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:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

The other provision relates to the dilapidations charge for the Brock House lease.

Notes to the Accounts (continued)

16 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	8	701	-	709
Overdrafts	(777)	777	-	-
Total	(769)	1,478	-	709

17 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	332	39

18 Lease obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	335	388
Later than one year and not later than five years	857	858
later than five years	949	1,135
	2,141	2,381
Other		
Not later than one year	221	338
Later than one year and not later than five years	317	531
Later than five years	-	5
Total lease payments due	539	874

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.

Notes to the Accounts (continued)

20 Events after the reporting period

There are no events after the reporting period.

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		**2020 £'000**		**2019 £'000**
Teachers Pension Scheme: contributions paid		1,173		846
Local Government Pension Scheme:				
Contributions paid	856		760	
FRS 102 (28) charge	544		710	
Charge to the Statement of Comprehensive Income		1,400		1,470
Enhanced pension charge to Statement of Comprehensive Income		13		(40)
Total Pension Cost for Year within staff costs (note 6)		2,585		2,276

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

Contributions amounting to £237,732 (2019: £175,988) 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 2016. 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 paid a teacher pension employer contribution grant to cover the additional costs during the 2019-20 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 £1,173,000 (2019: £846,000)

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 2020 was £1.067m, of which employer's contributions totalled £0.856m and employees' contributions totalled £0.211m. 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.

2019/2020	25%	£84,000

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	2020	**2019**
Rate of increase in salaries	3.2%	3.7%
Future pensions increases	2.2%	2.2%
Discount rate for scheme liabilities	1.4%	2.2%
Inflation assumption (CPI)	2.2%	2.2%
Commutation of pensions to lump sums	0.0%	0.0%

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

	2020	**2019**
	years	**years**
Retiring today		
Males	23.0	23.1
Females	25.5	25.8
Retiring in 20 years		
Males	24.7	24.7
Females	27.2	27.6

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equities	9,591	9,409
Bonds	3,627	3,220
Property	1,064	1,125
Cash	279	297
Other	2,877	1,579
Total fair value of assets	17,438	15,630
Actual return on plan assets	1,075	970

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

	2020 £'000	2019 £'000
Fair value of plan assets	17,438	15,630
Present value of plan liabilities	(32,810)	(23,900)
Net pensions liability (Note 15)	(15,372)	(8,270)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,400	950
Past service cost	-	520
Total	1,400	1,470
Amounts included in Interest and Other Finance Charges		
Net interest cost (Note 9)	173	160
	173	160
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	723	570
Experience gains arising on defined benefit obligations	(7,108)	(2,070)
Amount recognised in Other Comprehensive Income	(6,385)	(1,500)

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2020	2019
	£'000	**£'000**
(Deficit) in scheme at 1 August	(8,270)	(5,900)
Movement in year:		
Current service cost	(1,400)	(950)
Employer contributions	856	760
Past service cost	-	(520)
Net interest on the defined liability	(173)	(160)
Actuarial gain or loss	(6,385)	(1,500)
Net defined liability at 31 July	**(15,372)**	**(8,270)**

Asset and Liability Reconciliation

	2020	2019
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	23,900	19,950
Current Service cost	1,400	950
Interest cost	525	560
Contributions by Scheme participants	211	200
Experience gains and losses on defined benefit obligations	7,108	2,070
Estimated benefits paid	(334)	(350)
Past Service cost	-	520
Defined benefit obligations at end of period	**32,810**	**23,900**

Reconciliation of Assets

	2020	2019
Fair value of plan assets at start of period	15,630	14,050
Interest on plan assets	352	400
Return on plan assets	723	570
Employer contributions	856	760
Contributions by Scheme participants	211	200
Estimated benefits paid	(334)	(350)
Assets at end of period	**17,438**	**15,630**

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

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%.

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 £48,316 (2019 £31,372) relating to recharged expenses. Also, during the year under review the College paid £832,306 to its joint venture (2019 £835,500). At the year end the College was owed £50,036 by WESS (2019 £45,978) and the College owed WESS nil (2019 Nil).

	2020 £'000	2019 £'000
Share of assets		
Share of fixed assets	61	62
Share of current assets	89	58
	140	120
Share of liabilities		
Share of current liabilities	(81)	(133)
Share of pension liability	(1,977)	(1,216)
	(2,057)	(1,349)
Share of net liabilities	(1,917)	(1,229)

Notes to the Accounts (continued)

23 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
Funding body grants – bursary support	292	298
Funding body grants – discretionary learner support	35	45
Funding body grants – residential bursaries	-	-
Other Funding body grants	23	31
Interest earned	-	-
	350	375
Disbursed to students	(272)	(345)
Administration costs	(13)	(13)
Balance unspent as at 31 July, included in creditors	64	17

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.