



Brockenhurst College

Report and Financial Statements

for the year ended

31 July 2018

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Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as Senior Post Holders within the College Leadership Team and were represented by the following in 2017/18:

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 in the Statement of Corporate Governance and Internal Control.

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

Professional advisers

Financial statements auditors and reporting accountants:

KPMG LLP
Gateway House
Tollgate
Chandlers Ford
Hampshire
SO53 3TG

Internal auditors:

TIAA Ltd
53-55 Gosport Business Centre
Aerodrome Rd
Gosport
PO13 0FQ

Bankers:

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

Solicitors:

Lamb Brooks
39 Winchester Street
Basingstoke
Hants
RG21 1EQ

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018.

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

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 in the Statement of Corporate Governance and Internal Control.

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 2017 the College adopted a strategic plan for the period 1 August 2017 to 31 July 2020. 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

Operating and Financial Review

Each key priority has a number of targets detailing how each priority will be achieved. College departmental objectives have been set to link directly with the achievement of the overall College objectives. The College's specific sustainability and growth objectives for 2017/18 and achievement of those objectives are set out below.

TARGET	ACHIEVEMENT
Growth of 20 additional 16-18 learners	Total 16-18 learners: 2,554 (reduction of 82)
Budget EBITDA of £953k (4.6% of income)	Not Achieved
Bank covenants met in full	Achieved
98% staff utilisation and 61% pay / income	Not Achieved
Financial Health rating of 'Satisfactory' achieved	Achieved
23% of income to come from non-government sources (excluding Transport)	Achieved
10% increase in adult employability provision at Basepoint from baseline of £510k for ASB and £124k ESF	Achieved

Financial objectives

Following deterioration in the College's financial results in 2013/14, the College developed and successfully implemented a recovery plan which was formally agreed by the Corporation in December 2014. The recovery plan included a substantial cost base savings exercise to rebalance the College's budget and reposition it to support the strategic priority of sustainability and growth. The Education and Skills Funding Agency (ESFA) has been closely involved in the monitoring of the recovery plan, including regular performance indicator tracking, and the College continued to be supported by its main lender, Barclays Bank, whereby loan covenants were renegotiated.

Over the last two years (2016/17 and 2017/18) the College's financial health has stabilised and the key financial objectives of the recovery plan have been achieved, namely:

- Achieving and maintaining the College's ESFA Financial Health rating of "Satisfactory"
- Compliance with the College's bank covenants relating to Debt Service Cover (operating cashflow compared to debt servicing costs) and Operational Gearing (level of borrowings compared to operating cashflow)

As a result of attaining a financial health rating of "Satisfactory" for two consecutive years, the College's Financial Notice of Concern was lifted in May 2018.

16-18 learner numbers fell in 2017/18 from 2,636 to 2,554, a reduction of 3.1%. The movement principally reflects the ongoing demographic downturn, which is not expected to reverse until 2019/20. The College is highly aware of the demographic issue, and has been able to manage the subsequent funding reductions through careful resource management. However, following detailed curriculum planning for 2018/19, the College has been forced to implement a College-wide staff restructure to align staffing levels to the anticipated level of students for next year and the level of funding to be received. The restructure has now been completed with all changes taking effect from 1 August. As a result of the staff reorganisations carried out this year, significant restructuring costs of £153,000 have been incurred.

Operating and Financial Review

A key financial target of the College is its financial health rating as determined by the ESFA. The criteria for assessing the College's financial health centre on the financial profit measure EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation). The calculation of this measure is set out on the next page.

Whilst the College's results for the 12 months to 31 July 2018 show a full-year EBITDA of £766,000, the results include one-off costs of £153,000 relating to the College-wide staff restructure. The College has submitted a business case to the ESFA for the restructuring costs to be moderated (i.e. excluded) from the assessment of its financial health rating. The business case has been accepted, and the College has therefore achieved a "satisfactory financial health rating" for the third successive year.

	(£'000)
EBITDA	766
% income	3.7%
Add back: Restructuring costs	153
Moderated EBITDA	919
% income	4.5%

The moderated EBITDA of £919,000 compares to a full year budget of £953,000. Whilst 3.6% short of budget, the result represents 4.5% of revenue, broadly in line with the prior year (4.7%) and a key criterion for assessing the College's Financial Health Rating.

Whilst staff utilisation has remained strong, the College has reported a payroll overspend against budget resulting in the College's pay v income ratio being 62.3% for the full year. This may be normalised to 61.5% to exclude restructuring costs. Whilst this is worse than the strategic target of 61.0%, it remains in line with best practice across the sector. The payroll overspend this year placed significant pressure on the College's results, and as such this target has been assessed as not achieved. Control over payroll will therefore be a key factor in the achievement of future financial targets. The College's commitment to this area has driven the restructuring in 2017/18 and the proactive management of staff resources and learner group numbers at the start of the 2018/19 academic year.

In response to the continuing pressure on student funding rates, the College is aiming to reduce its financial dependence on government funding and grow income from non-governmental sources. 24.2% of the College's income was from non-governmental sources and the target of 23.0% has therefore been achieved. The main activities attracting non-governmental income comprise the Nursery, International Students, Trans National Education, The Hard Brock Café and Hengistbury Head.

The College has three loans with Barclays Bank and is required to comply with two specific banking covenants relating to debt service and operational gearing. For 2017/18 the College's Debt Service Cover ratio is 150% (covenant minimum requirement 100%) and Operational Gearing Level is 289% (covenant maximum is 500%). The College's bank covenants have therefore been met for 2017/18.

Performance indicators

The ESFA has implemented a system of performance measures for colleges, "FE Choices". The College is monitored against the following measures within the Framework:

- Achievement Rates
- Learner destinations
- Learner views
- Employer views

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring outcomes. In addition, as part of the original Recovery Plan, a series of Financial and Quality based performance measures were agreed and shared with the Corporation and the ESFA, and are monitored through the year.

Operating and Financial Review

FINANCIAL POSITION

Financial results

	Year ended 31 July 2018		Restructure Costs	Year ended 31 July 2017	
	£'000	£'000	£'000	£'000	£'000
Total Income	20,481		20,481	21,168	
Staff Costs (see note 1)	(12,760)	153	(12,607)	(12,700)	
% of total income	62.3%		61.5%	60.0%	
Non staff costs (see note 2)	(7,903)		(7,903)	(8,427)	
Surplus/(deficit)	(182)	153	(29)	41	
% income	-0.9%		-0.1%	0.2%	
Add back:					
Depreciation	1,013		1,013	1,008	
Interest and other finance costs	169		169	184	
Release of government capital grants	(235)		(235)	(237)	
EBITDA (education specific)	766	153	919	996	
% income	3.7%		4.5%	4.7%	

Note 1: Excludes FRS102 pension charge of £260k (£240k in 2017)

Note 2: Excludes interest on defined pension liability of £170k (£200k in 2017)

The overall "shape" of the College's financial results remained broadly unchanged this year. Total income fell by 3.2%, and staff costs (excluding restructuring costs) fell marginally by 0.7%.

At 61.5% of total income, the staff costs ratio (before restructuring costs) is a slight deterioration on the prior year, but remains very much in line with sector best practice.

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 income and EBITDA as a percentage of borrowings. The College's EBITDA (normalised for restructuring costs) decreased in the year by 7.7% to £919,000, but 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 £169,000 (£184,000 in 2016/17). The Statement of Comprehensive Income also includes Interest on the College's defined pension liability of £170,000 (£200,000 in 2016/17).

The College has net assets of £8,340,000, excluding the defined benefit pension obligations (2016/17 - £8,520,000). Net assets fall to £2,440,000 once the pension obligations are taken into account.

Tangible fixed asset additions during the year amounted to £497,000, being principally general building improvements and IT equipment. The College has also started work on a major capital project whereby the roof of the main teaching block at the Brockenhurst campus will be significantly improved.

Operating and Financial Review

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.

During 2017/18 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 loan covenants.

Projected cash flow information has been prepared for the period ending twelve months from the date of the approval of these financial statements. This indicates that the College will have a maximum cash requirement of £1.3m during March 2019. The bank has confirmed that it is willing to renew the College's overdraft facilities at a level which will be sufficient to meet this short-term peak requirement.

On the basis of the College's 2018/19 budget, the Corporation are satisfied that the covenants will be met for the year to 31 July 2019 and that therefore the loan facility and overdraft should be available to the College for at least the next 12 months from the date of approval of these financial statements.

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.

Cash flows and liquidity

The College generated an operating cashflow inflow of £979,000 in the year and had a cash balance of £122,000 at the end of July 2018.

The overall cash position decreased in the year by £167,000 reflecting the operating cash inflow of £979,000 offset by capital investment of £497,000 and loan repayments and interest payable of £649,000.

The £979,000 cash inflow from operating activities in 2017/18 (2016/17 £1,039,000) largely reflects the College's annual deficit of £612,000 (before interest on defined pension liability), with adjustments being made for the key non-cash items, namely the annual charges for depreciation of £1,013,000 and interest of £169,000, and income from the release of deferred capital grants £235,000.

Looking forward, a 12-month cashflow forecast covering 2018/19 indicates that the College will have a maximum cash requirement of £1.3m in March 2019, principally reflecting the profile of ESFA funding which reduces in February and March each year. The College has an overdraft in place of £750,000. This will be extended to £1.5m for the months of February 2019 to April 2019 to address the forecast maximum overdraft requirements.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student funding

In 2017/18 the College has delivered activity that has produced £14.3 million in Funding Body grants (2016/17– £15.0million). Main funding groups comprise 16-18 A level and vocational students, High Needs learners, Apprenticeships and Adult Education related activity.

Operating and Financial Review

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 2017/18 of 92.6% is an improvement of 4.9% points against the prior year and places the college above provider group and national averages. It should be noted that year-on-year improvement has been seen across the College in both the 16-18 and 19+ age groups. For 16-18 learners, the College provides learning at Levels 1, 2 and 3 and has seen achievement improve by 1.8% points to 83.8%, again well placed in terms of provider and national averages. The College also serves a large number of adult learners for whom achievement has also improved and at 97.2% is significantly above provider group and national averages.

Curriculum developments

Sixth Form

The College has continued the development of its offer at all levels of learning. The delivery of the new linear A levels has now been implemented across all A level subjects. The pass rate has improved in 2017-18 to 98% with 47% high grades (A*/B), which is a 3% improvement and 75% A* - C grades. Brock students who are re-sitting GCSEs are now sitting the more rigorous examinations, and speaking and listening marks have been removed from English making it more difficult to achieve a grade 4 or higher, but our achievement rates continue to be above provider group averages. We have successfully introduced some additional BTEC courses e.g. criminology which are equivalent to one A level and which offer an alternative more coursework based approach for A level students.

Adult

The College offers a very wide range of programmes for adults, particularly programmes for the unemployed at the College's offices in Basepoint, Southampton. This is an outstanding provision with high volume and high quality.

Apprenticeships

2017/18 was a year of significant development for the College's apprenticeship provision. Following the recruitment of a dedicated Apprenticeship Director (now Assistant Principal) and a far reaching restructure of the apprenticeship team, the College has responded to the apprenticeship reforms and successfully applied to be on the Register of Apprenticeship Training Providers (RoATP) and Register of End Point Assessment Organisations (RoEPAO). Whilst new apprenticeship volumes fell compared to prior years, this was reflective of the disruptive impact of the Levy Reform implement in May 2017, which continues to be a nationwide issue.

Significant focus has been placed on the quality of the College's apprenticeship provision which was rated as requiring improvement by OFSTED in January 2017. As a result, the overall achievement rate for apprenticeships has increased by 1.6% points to 65.4%, with timely achievement rates improving significantly from 53.0% to 63.0%.

SEN

The College delivers a large high needs learner programme and has increased its intake of learners with Education Health and Care Plans. In 2017/18 there were in excess of 145 students on Educational Health and Care Plans (EHCPs).

Higher Education

The College has rationalised its higher education provision, focusing on specialist provision in Early Childhood and Health delivered in conjunction with Chichester University.

International

The College has continued to develop its international work and recruited in excess of 130 fee-paying international students in 2017/18. 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. Brockenhurst College is the only Further Education College in the country to hold this honour.

Operating and Financial Review

Strategic Plan Targets

The College's key targets are linked directly to the priority areas as set out in the College's Strategic Plan: The following sets out the College's 2017/18 targets as per the 2017-2020 plan. The Strategic Plan is updated each year, building on actual experience and changing priorities.

Key Priority 1: Outstanding Learning

- All learning areas to be at least Grade 2; 25% achieving Grade 1
- 10% of delivery/assessment via eBrock (from 8% in 2016/17)
- -2 % increase in application conversion (from 73% in 2016/17)
- 1% improvement across all measures in learners' end of course survey from 2016 baseline
- 1% improvement in overall employer satisfaction survey from 2016 baseline

Key Priority 2: Outstanding Outcomes

- Education and Training (E&T) achievement rate (from 2015/16 baseline):
 - 16-18 : 4% improvement
 - 19+ : maintain 92% achievement rate
- 16-18 Level 3 (E&T) (from 2015/16 baseline):
 - 5% improvement in retention rate
 - 3% improvement in pass rate
- 16-18 Level 3 Value Added
 - 50% of level 3 academic courses at average or above performance on national value added measure from a baseline of 47% in 2015/16

Apprenticeship outcomes (from 2015/16 baseline):

- 6% improvement in timely achievement rate
- 10% improvement overall achievement rate

English and Maths

- GCSE English:
 - Maintain high grade achievement of 52%
 - Improve achievement rate by 3%
- GCSE Maths:
 - Improve high grade achievement to 40%
 - Improve achievement rate by 10%
- Functional Skills Maths and English:
 - 12% increase in achievement rates in both Maths and English

Higher Education

- Maintain 'Meets Requirements' status in HEFCE Annual Provider Review
- 95% of leavers progressing into further study, employment or apprenticeship (from 93% in 15/16)
- Establish baseline for annual homestay learner satisfaction survey
- 65% curriculum alignment with LEP priorities

Key Priority 3: Sustainability and Growth

- Budget EBITDA of £950k achieved (4.5 % of income)
- Bank covenants met in full
- 98% Staff Utilisation and 61% Pay /Income
- Financial Health rating of 'Satisfactory' achieved
- 20 additional 16-18 learners
- 23% of income from non-government sources (excluding transport, 2016 baseline)
- 16% increase in income (2016 baseline) from apprenticeship provision via reorganization and establishment of joint venture
- 10% increase in adult employability provision at Basepoint from baseline of £510k for ASB and £124k ESF
- 2% above the sample average in the annual staff survey (York College Survey) for all questions asked.

Operating and Financial Review

Capital Projects

Roof Improvement Project

The College has now commenced major roof improvement works to address the ageing M Block roof at the main Brockenhurst campus. The project will cost £1.0m and comprise two phases: Phase 1 will be the 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 will address the deteriorating state of the roof's exterior.

The College has been successful in its bid to the Enterprise M3 Local Enterprise Partnership (LEP) to secure match funding for the project. The College will receive a grant of £0.5m, being 50% of the total project costs, and be required to complete the project by March 2019. The College has secured bank funding of £0.5m through its existing bank, Barclays, to finance the College's investment in the project.

IT investment

The College made significant investment over the summer break in its IT resources and classroom provision. The College has been successful in obtaining £300,000 of match funding for IT investment from the Enterprise M3 LEP as part of a joint bid through a Hampshire Colleges consortium. This has increased the number and capacity of computer equipped classrooms throughout the College and supports the refurbishment of computer rooms in the STEM Centre for Digital Media in line with LEP priorities.

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.

Post-balance sheet events

Barclays Bank has agreed to provide a temporary extension to the College's overdraft facility which will be increased from £750,000 to £1.5m for the months of February to April 2019 inclusive.

RESOURCES

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

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 2018 was £22.6 million (31 July 2017 - £23.1 million), having decreased in the year due to the net investment in the year being less than the annual depreciation charge.

Financial

The College has £8.3 million (2016/17 - £8.5 million) of net assets before defined benefit obligations. These include debt of £2.8 million (2016/17 - £3.3 million). Following a decrease in the year of £0.8 million the College's defined benefit pension obligations now stand at £5.9 million (2016/17 - £6.7 million).

People

The College employs 303 (2016/17 – 308) people (expressed as full-time equivalents), of whom 145 (2016/17 – 153) are teaching staff.

Reputation

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.

Operating and Financial Review

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 Key Performance Indicator (SLT KPI) Group 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 KPI Group 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 KPI Group will review the risk register on a quarterly 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 KPI Group 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.

Operating and Financial Review

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

Operating and Financial Review

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

Operating and Financial Review

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

Operating and Financial Review

	RISK	MITIGATION
18	Failure to achieve the Bank Covenants	<ul style="list-style-type: none"> • Rigorous budget setting • Regular financial forecasts with sensitivity analysis • Incorporate projection within the Monthly Management Accounts • Maintaining regular communication with the bank
19	Failure to manage change effectively, including impact of curriculum changes, major systems projects and major capital developments	<ul style="list-style-type: none"> • Develop and implement change activities • Staff awareness and behaviour change activity • Development of Change Management Plan for each key activity • Contingency planning appropriate processes and legislation • Change management consultation and training • Development of Project Management skills

Operating and Financial Review

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices / Local Enterprise Partnerships;
- The local community;
- Other Further Education institutions;
- 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.

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 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.

- As part of its accommodation strategy the College has previously conducted a full access audit and the results of this identified that a high proportion of the College is accessible to people with disabilities.
- 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.

Operating and Financial Review

- 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.

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 4 December 2018 and signed on its behalf by:



G Beards

Chair

Date: 4/12/18

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 2017 to 31st July 2018 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
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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.

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 2017/2018
Mr M Bussell	July 2009 Last re-elected Dec 2013	4 years	Term ended December 2017	Staff (Support)	Audit Governance and Search – Chair from 2014	100% 100% (until term ended)
Mr A Foreman	June 2012 Last re-elected June 2016	4 years	Resigned December 2017	External	Audit – Vice Chair from 2013 Chair from 2014	100% (until resignation)

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2017/2018
Mrs Z Karol	Nov 2007 Last re-elected July 2015	4 years		External	Employment and Personnel Vice Chair from 2014 Chair from 2016	100%
					Remuneration	100%
					Finance and Standards	66.6%
Mrs J Milone	March 2010 Last re-elected July 2017	4 years		External	Employment and Personnel	100%
					Remuneration	100%
Mrs D Roberts	Ex-officio Appointed Sept 2006			Principal	Governance and Search	100%
					Employment and Personnel	66.6%
					Finance and Standards	100%
					Capital Project	100%
Dr C Swan	Dec 2010 Last re-elected Dec 2014	4 years		External	Governance and Search Chair from 2017	100%
					Finance and Standards	66.6%
					Employment and Personnel (co-opted)	100%
Mr D Yates	Nov 2000 Last re-elected July 2015	4 years		External	Remuneration	100%
					Finance and Standards – Vice Chair from Nov 2017	66.6%
					Capital Project	100%
Mr S Macdonald	July 2014	4 years	Resigned 2017	External	Audit – Vice Chair from 2015	100% (until resignation)

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2017/2018
Mr G Beards	Sept 2014 Re-appointed March 2018	4 years		External	Corporation Chair from 2017 Employment and Personnel Finance and Standards – Chair from Dec 2017 Governance and Search Remuneration Capital Project	100% 100% 100% 100% 100% 100%
Prof A Neill	Sept 2014	4 years		External	Finance and Standards Capital Project Remuneration	66.6% 0% 100%
Mr T Pearce	July 2015	4 years		External	Audit	100%
Mr J Hiley-Jones	July 2015	4 years		External	Governance and Search Employment and Personnel Audit	100% 100% 100%
Mrs Davina Hawkins	Dec 2015	4 years		External	Audit Employment and Personnel – Vice Chair from 2016	100% 33.3%
Mr N Cousins	Dec 2016	4 years	Term of office ended July 2018 (no longer teaching staff)	Staff (Teaching)	Employment and Personnel	66.6%

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2017/2018
Ms M Trinh	March 2017	4 years		External	Audit	33.3%
Dr John Blowers	Oct 2016	4 years		External	Employment and Personnel Finance and Standards Capital Project Chair from 2017	66.6% 100% 100%
Ms Kim Benford	Dec 2017	4 years	Resigned January 2018	External	None	
Mr Gary Cooper	March 2018	4 years		External	Employment and Personnel (co-opted)	66.6%
Mr Ian Fry	March 2018	4 years		External	Audit	100%
Ms Rebekah Donawa	Dec 2017	4 years		Staff (Support)	Employment and Personnel (co-opted) G&S	50% 0%
Ms Anna Nguyen		1 year		Student (16-19)	F&S	0%
Ms Lindsey Knight	Dec 2017	1 year		Student (Adult)	None	

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 Finance and Standards, Capital project, Remuneration, Governance and Search, Employment and Personnel and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

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

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

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

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

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

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

Appointments to the Corporation

Any new 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 2018 and graded itself as "Overall grade 2 (Good)" on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2018 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 2018 are set out in note 7 to the financial statements.

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, 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 2018 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the 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 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Going concern

Projected cash flow information has been prepared for the 12 months from the date of the financial statements. This indicates that the College will have a maximum cash requirement of £1.5m during March 2019. The bank has confirmed that it is willing to review the College's overdraft facilities at a level which will be sufficient to meet this short-term peak requirement. The Corporation therefore considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:

Signed



G Beards

Chair

Signed



D Roberts

Accounting Officer

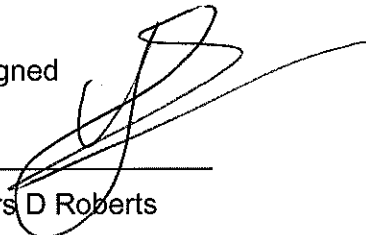
Statement of Regularity, Propriety and Compliance

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 college's financial memorandum. 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 able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Signed



Mrs D Roberts

Accounting Officer

Date: 4/12/18

Signed



Mr G Beards

Chair of Governors

Date: 4/12/18

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of



the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 4/12/18 and signed on its behalf by:

Graham Beards

Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF BROCKENHURST COLLEGE

Opinion

We have audited the financial statements of Brockenhurst College ("the College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the [Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 18, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair

view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG

Date 19 December 2018

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

In accordance with the terms of our engagement letter dated 28 June 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Brockenhurst College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Brockenhurst College and the reporting accountant

The 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Victoria Sewell

For and on behalf of KPMG LLP, Reporting Accountant

Gateway House

Tollgate

Chandlers Ford

Southampton

SO53 3TG

Date: 19 December 2018

Brockenhurst College Statement of Comprehensive Income

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		College £'000	College £'000
INCOME			
Funding body grants	2	14,298	14,941
Tuition fees and education contracts	3	3,101	3,207
Other grants and contracts	4	274	179
Other income	5	2,807	2,841
Total income		20,481	21,168
EXPENDITURE			
Staff costs	6	13,020	12,940
Other operating expenses	8	6,721	7,235
Depreciation	10	1,013	1,008
Interest and other finance costs	9	339	384
Total expenditure		21,093	21,567
Deficit before other gains and losses		(612)	(399)
Loss on disposal of assets		-	(0)
Deficit before tax		(612)	(399)
Taxation		0	0
Deficit for the year		(612)	(399)
Actuarial gain in respect of pensions schemes	21	1,260	2,440
Total Comprehensive Income for the year		648	2,041
Represented by:			
Unrestricted comprehensive income		(612)	(399)
Restricted comprehensive income		1,260	2,440
		648	2,041
Surplus for the year attributable to:			
College		648	2,041
Total Comprehensive Income for the year attributable to:			
College		648	2,041

Brockenhurst College

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation Reserve	Total excluding Non controlling interest
	£'000	£'000	£'000
College			
Balance at 1st August 2016	(6,907)	6,657	(250)
Deficit from the income and expenditure account	(399)	0	(399)
Other comprehensive income	2,440	0	2,440
Transfers between revaluation and income and expenditure reserves	151	(151)	0
Total comprehensive income for the year	2,192	(151)	2,041
Balance at 31st July 2017	(4,715)	6,506	1,791
Deficit from the income and expenditure account	(612)	0	(612)
Other comprehensive income	1,260	0	1,260
Transfers between revaluation and income and expenditure reserves	151	(151)	0
Total comprehensive income for the year	799	(151)	648
Balance at 31st July 2018	(3,916)	6,355	2,439

Brockenhurst College

Balance Sheet as at 31 July

	Notes	College 2018 £'000	College 2017 £'000
Fixed assets			
Tangible fixed assets	10	22,557	23,073
		22,557	23,073
Current assets			
Stocks		42	42
Trade and other receivables	11	1,780	832
Cash and cash equivalents	16	122	289
		1,943	1,163
Less: Creditors – amounts falling due within one year	12	(6,013)	(4,645)
Net current liabilities		(4,070)	(3,482)
Total assets less current liabilities		18,488	19,591
Less: Creditors – amounts falling due after more than one year	13	(9,990)	(10,712)
Provisions			
Defined benefit obligations	21	(5,900)	(6,730)
Other provisions	15	(158)	(358)
Total net assets		2,440	1,791
Unrestricted reserves			
Income and expenditure account		(3,916)	(4,715)
Revaluation reserve		6,355	6,506
Total unrestricted reserves		2,440	1,791

The financial statements on pages 33 to 56 were approved and authorised for issue by the Corporation on December 2018 and were signed on its behalf on that date by:



G Beards

Chair



D Roberts

Accounting Officer

Brockenhurst College

Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash inflow from operating activities			
Deficit for the year		(612)	(399)
Adjustment for non cash items			
Depreciation		1,013	1,008
Increase in stocks		0	(6)
Increase in debtors		(948)	(3)
Increase/ (Decrease) in creditors due within one year		1,361	(221)
Decrease in creditors due after one year		(235)	(214)
(Decrease)/Increase in provisions		(200)	250
Pensions costs less contributions payable		260	240
Adjustment for investing or financing activities			
Interest payable		169	184
FRS 102 pension finance cost		170	200
Net cash flow from operating activities		979	1,039
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	1
Payments made to acquire fixed assets		(497)	(1,220)
		(497)	(1,219)
Cash flows from financing activities			
Interest paid		(169)	(184)
Interest element of finance lease rental payments		0	0
New unsecured loans		0	0
Repayments of amounts borrowed		(480)	(472)
Capital element of finance lease rental payments		0	0
		(649)	(656)
Decrease in cash and cash equivalents in the year		(167)	(836)
Cash and cash equivalents at beginning of the year	16	289	1,125
Cash and cash equivalents at end of the year	16	122	289
Decrease		(167)	(836)

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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* 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.

During 2017/18 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 loan covenants.

Projected cash flow information has been prepared for the period ending twelve months from the date of the approval of these financial statements. This indicates that the College will have a maximum cash requirement of £1.3m during March 2019. The bank has confirmed that it is willing to renew the College's overdraft facilities at a level which will be sufficient to meet this short-term peak requirement.

On the basis of the College's 2018/19 budget, the Corporation are satisfied that the covenants will be met for the year to 31 July 2019 and that therefore the loan facility and overdraft should be available to the College for at least the next 12 months from the date of approval of these financial statements.

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

Notes to the Accounts (continued)

the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

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

Fees Income

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Hampshire Local Government Pension Scheme (LGPS)

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

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.

Notes to the Accounts (continued)

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

Short-term Employment benefits

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

Enhanced Pensions

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

Tangible Fixed Assets

Land and Buildings

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

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

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

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

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.

Notes to the Accounts (continued)

received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid Resources

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

Provisions

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

Agency Arrangements

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

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.

Notes to the Accounts (continued)

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 2017 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

Brockenhurst College

Notes to the Accounts (continued)

2 Funding body grants

	2018 £'000	2017 £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	1,410	1,294
Education and Skills Funding Agency - 16-18	11,524	11,887
Education and Skills Funding Agency - Apprenticeships	816	1,061
Higher Education Funding Council	22	24
Specific Grants		
ESFA - Adult	291	291
ESFA - 16-18	-	147
Releases of government capital grants	235	237
Total	14,298	14,941

3 Tuition fees and education contracts

	2018 £'000	2017 £'000
Adult education fees	769	754
Apprenticeship fees and contracts	172	23
Fees for FE loan supported courses	186	203
Fees for HE loan supported courses	212	135
European (excluding UK) students	129	120
International students fees	1,107	1,265
Total tuition fees	2,575	2,500
Education contracts	526	707
Total	3,101	3,207

4 Other grants and contracts

	2018 £'000	2017 £'000
European Commission	274	179
Total	274	179

Brockenhurst College

Notes to the Accounts (continued)

5 Other income

	2018	2017
	£'000	£'000
Catering and residences	335	358
Other income generating activities	781	764
Other grant income	94	95
Non government capital grants	0	0
Releases from deferred capital grants (non Funding Body)	0	0
Miscellaneous income	1,597	1,624
	<hr/>	<hr/>
Total	2,807	2,841
	<hr/>	<hr/>

6 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, expressed as full-time equivalents.

	2018	2017
	No.	No.
Teaching staff	145	153
Non teaching staff	158	155
	<hr/>	<hr/>
	303	308
	<hr/>	<hr/>
Staff costs for the above persons		
	2018	2017
	£'000	£'000
Wages and salaries	9,866	9,974
Social security costs	831	806
Other pension costs (note 21)	1,886	1,769
	<hr/>	<hr/>
Payroll sub total	12,582	12,549
Contracted out staffing services	284	391
	<hr/>	<hr/>
	12,866	12,940
Fundamental restructuring costs - contractual	153	-
non contractual	-	-
	<hr/>	<hr/>
	13,020	12,940
	<hr/>	<hr/>

Brockenhurst College

Notes to the Accounts (continued)

7 Staff costs

Key management personnel

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>2</u>	<u>3</u>

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

	<u>Senior post-holders</u>		<u>Other staff</u>	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000	-	-	4	0
£80,001 to £90,000	1	2	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
	<u>2</u>	<u>3</u>	<u>4</u>	<u>0</u>

The above numbers include 1 person who was in post for part of the year 2016-17. In accordance with accounting guidance they have been included within the salary bandings as if they had been in post for the whole year.

Key management personnel compensation is made up as follows:

	2018	2017
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	212	261
Employers National Insurance	27	33
Benefits in kind	<u>2</u>	<u>3</u>
	241	297
Pension contributions	<u>34</u>	<u>40</u>
Total emoluments	<u>275</u>	<u>337</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018	2017
	£'000	£'000
Salaries	122	112
Benefits in kind	<u>1</u>	<u>1</u>
	123	113
Pension contributions	<u>20</u>	<u>19</u>

There was no compensation paid for loss of office to former key management personnel

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

Brockenhurst College
Notes to the Accounts (continued)

8 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	2,703	2,917
Non teaching costs	2,647	2,682
Premises costs	<u>1,371</u>	<u>1,636</u>
Total	<u>6,721</u>	<u>7,235</u>

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	25	25
Internal audit	13	14
Other services provided by the financial statements auditors	1	1
Other services provided by the internal auditors	2	1
Losses on disposal of tangible fixed assets (where not material)	-	1
Hire of asset under operating leases	<u>431</u>	<u>403</u>

9 Interest payable College

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	169	184
Net interest on defined pension liability (note 21)	<u>170</u>	<u>200</u>
Total	<u>339</u>	<u>384</u>

Brockenhurst College

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 2017	24,821	746	5,024	30,591
Additions	360	0	137	497
Disposals	0	0	(140)	(140)
At 31 July 2018	25,181	746	5,021	30,949
Depreciation				
At 1 August 2018	2,886	382	4,250	7,518
Charge for the year	667	42	303	1,013
Elimination in respect of disposals	0	0	(140)	(140)
At 31 July 2018	3,553	424	4,413	8,391
Net book value at 31 July 2018	21,628	322	608	22,557
Net book value at 31 July 2017	21,935	364	774	23,073

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 £1,099,000. 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:

	<u>2018</u>	<u>2017</u>
	£'000	£'000
Cost	27,064	26,707
Aggregate depreciation based on cost	(11,319)	(10,446)
Net book value based on cost	15,745	16,261

Brockenhurst College

Notes to the Accounts (continued)

11 Trade and other receivables:

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	1,314	548
Prepayments and accrued income	424	227
Amounts owed by the ESFA	42	57
Total	1,780	832

12 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	487	480
Trade payables	971	601
Other taxation and social security	428	392
Accruals and deferred income	3,750	2,760
Deferred income - government capital grants	235	235
Amounts owed to the ESFA	143	177
Total	6,013	4,645

13 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	2,351	2,726
Other Loans	-	112
Deferred income - government capital grants	7,639	7,874
Total	9,990	10,712

Brockenhurst College

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	487	480
Between one and two years	382	487
Between two and five years	1,198	1,172
In five years or more	771	1,179
Total	2,838	3,318

The bank loan is repayable by installments falling due between 1 August 2017 and 31 December 2025.
The bank covenants have been reviewed in line with the recovery plan, and have been met during 2017/18.
The IBM loan was drawn down on 31 July 2015 and is repayable by installments over 5 years.
The bank loans are secured on the college property excluding the sports hall.

(b) Finance leases

The College does not have any finance lease obligations.

15 Provisions

	Defined benefit Obligation £'000	Enhanced pensions £'000	Other provision £'000	Total £'000
At 31 July 2017	(6,730)	(108)	(250)	(7,088)
Expenditure in the period	(680)	-	-	(680)
Increase in period	-	-	(50)	(50)
Reductions in period	1510	-	250	1760
At 31 July 2018	(5,900)	(108)	(50)	(6,058)

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:

	2018	2017
Price inflation	3.2%	3.1%
Discount rate	2.8%	2.6%

The other provision relates to the cost of managing and removal of asbestos from college premises.

Brockenhurst College

Notes to the Accounts (continued)

16 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	289	(337)	0	(48)
Overdrafts	0	0	0	0
Loans	(3,318)	480	0	(2,838)
Total	(3,029)	142	-	(2,887)

17 Capital commitments

	College 2018 £'000	College 2017 £'000
Commitments contracted for at 31 July	201	142

18 Lease Obligations

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

	2018 £'000	2017 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	38	38
Later than one year and not later than five years	-	75
	38	113
Other		
Not later than one year	391	385
Later than one year and not later than five years	403	532
Total lease payments due	794	917

19 Contingencies

There are no contingent liabilities

20 Events after the reporting period

There are no events after the reporting period that have a material impact on the College's results.

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the 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	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	946	939
Local Government Pension Scheme:		
Contributions paid	680	590
FRS 102 (28) charge	260	240
Charge to the Statement of Comprehensive Income	940	830
Total Pension Cost for Year within staff costs (note 6)	1,886	1,769

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 2012 and of the LGPS 31 March 2016.

Contributions amounting to £198,378 (2017: £186,135) 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' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, 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.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- An employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. There have been no subsequent changes to the scheme since this date.

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

FRS 102 (28)

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

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.

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 2018 was £0.88m, of which employer's contributions totalled £0.68m and employees' contributions totalled £0.20m. The agreed contribution rates for future years for employers are set out below and for employees are from 5.5% to 7.5%, depending on salary.

2017/2018	14.7%	£195,200
2018/2019	16.4%	£202,000
2019/2020	18%	£209,100

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	2018	2017
Rate of increase in salaries	3.6%	3.5%
Future pensions increases	2.1%	2.0%
Discount rate for scheme liabilities	2.8%	2.6%
Inflation assumption (CPI)	2.1%	2.0%
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:

	2018 years	2017 years
<i>Retiring today</i>		
Males	24.1	24.0
Females	27.2	27.0
<i>Retiring in 20 years</i>		
Males	26.2	26.0
Females	29.4	29.3

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equities	8,936	7,454
Bonds	3,400	3,155
Property	984	792
Cash	295	365
Other	436	414
Total market value of assets	14,050	12,180
Actual return on plan assets	1,270	(450)

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

	2018 £'000	2017 £'000
Fair value of plan assets	14,050	12,180
Present value of plan liabilities	(19,950)	(18,910)
Net pensions liability (Note 15)	(5,900)	(6,730)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	940	830
Total	940	830
Amounts included in Interest and Other Finance		
Net interest cost (Note 9)	170	200
	170	200
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	950	(750)
Experience gains arising on defined benefit obligations	310	3,190
Amount recognised in Other Comprehensive Income	1,260	2,440

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2018	2017
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(6,730)	(8,730)
Movement in year:		
Current service cost	(940)	(830)
Employer contributions	680	590
Net interest on the defined liability	(170)	(200)
Actuarial gain or loss	1,260	2,440
Net defined benefit (liability)/asset at 31 July	(5,900)	(6,730)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	18,910	21,210
Current Service cost	940	830
Interest cost	490	500
Contributions by Scheme participants	200	180
Experience gains and losses on defined benefit obligations	(310)	(3,190)
Changes in financial assumptions	0	0
Estimated benefits paid	(280)	(620)
Past Service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	19,950	18,910

Reconciliation of Assets

Fair value of plan assets at start of period	12,180	12,480
Interest on plan assets	320	300
Return on plan assets	950	(750)
Employer contributions	680	590
Contributions by Scheme participants	200	180
Estimated benefits paid	(280)	(620)
Assets at end of period	14,050	12,180

Brockenhurst College

Notes to the Accounts (continued)

22 Related party transactions

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

Wessex Shared Services Limited - a joint venture of Brockenhurst College

During the year under review income to the College from its joint venture (WESS) amounted to £19,048 (2017 £14,104) relating to recharged expenses. Also during the year under review the College paid £906,000 to its joint venture (2017 £878,000). At the year end the College was owed £59,314 by WESS (2017 £26,342) and the College owed WESS £79,000 (2017 £58,000).

	2018 £'000	2017 £'000
Share of assets		
Share of fixed assets	50	49
Share of current assets	73	37
	<u>123</u>	<u>86</u>
Share of liabilities		
Share of current liabilities	(130)	(81)
Share of pension liability	(831)	(1,120)
	<u>(961)</u>	<u>(1,201)</u>
Share of net liabilities	<u>(838)</u>	<u>(1,115)</u>

23 Amounts disbursed as agent

Learner support funds

	2018 £'000	2017 £'000
Funding body grants – bursary support	286	308
Funding body grants – discretionary learner support	38	54
Funding body grants – residential bursaries	-	-
Other Funding body grants	42	68
Interest earned	-	-
	<u>366</u>	<u>430</u>
Disbursed to students	(318)	(377)
Administration costs	(13)	(14)
	<u></u>	<u></u>
Balance unspent as at 31 July, included in creditors	<u>35</u>	<u>39</u>

Funding Body grants are available solely for students. In the majority of instances, the College only acts as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. Learner Support Funds have been accounted for in line with the College Accounts Direction Handbook 2018.

