Brockenhurst College

Report and Financial Statements

for the year ended

31 July 2016

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

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

Board of Governors

A full list of the Board of Governors is given on page 16 of these financial statements.

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:

Southern Internal Audit Partnership
Corporate Resources
The Castle
Winchester
SO23 8UB

Bankers:

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

Solicitors:

Lamb Brooks
39 Winchester Street
Basingstoke
Hants
RG21 1EQ

CONTENTS

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

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 the Part 3 of the Charities Act 2011 and is regulated by the Department for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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.

Implementation of strategic plan

In June 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's key priorities are:

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

Strategic Report (continued)

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 objectives for 2015/16 and achievement of those objectives are set out below.

- Recruitment of 2,725 16-18 students against a target of 2,799 (2014/15 achieved 2,785 against a target of 3,080)
- Total income of £21.1m in 2015/16 against a target of £22.0m (£21.4m in 2014/15)
- Delivery of 85% of the College's SFA funded Adult Skills Budget (ASB) target of £2.07m (95% in 2015/16)
- Recruitment of 114 overseas students – this was below the target of 120
- Successful compliance with bank loan covenants at the year-end

Financial objectives

Following deterioration in the College's financial results in 2013/14, the College developed a recovery plan which was formally agreed by the Corporation on 2 December 2014. The recovery plan includes 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 Skills Funding Agency (SFA) has been closely involved in the monitoring of the recovery plan, including regular performance indicator tracking, and continues to follow the College's progress.

The College has continued to be supported by its main lender, Barclays Bank. Loan covenants have been renegotiated based upon achievement of the financial recovery plan.

The key financial objectives of the recovery plan relating to 2015/16 are as follows:

- Compliance with the College's bank covenants relating to Debt Service Cover (available cashflow compared to debt servicing costs) and Operational Gearing (level of borrowings compared to Adjusted Operating Surplus)
- Improvement in the College's SFA Financial Health rating of "Inadequate" in 2014/15 to "Satisfactory" in 2015/16
- Operating surplus of £220,000 in 2015/16

The College's Debt Service Cover ratio is 298% (covenant minimum requirement 100%) and Operational Gearing Level is 471% (covenant maximum is 500%). The College's bank covenants have therefore been met for 2015/16.

The SFA Financial Health Rating criteria were amended in 2015/16 and are now based upon:
- Earnings before Interest, Depreciation and Amortisation (EBITDA) as a percentage of income
- Borrowings as a percentage of income
- Current Ratio (short term assets as a percentage of short term liabilities)

The College has achieved a score of 120 and therefore attained a rating of "Satisfactory" for the year.

The key financial recovery plan objectives relating to covenant compliance and being rated as financially satisfactory by the SFA have therefore been achieved.

The College has continued to successfully implement of a series of cost reduction initiatives. However, the shortfall in income against budget for the year has resulted in a deficit of £399,000 (before FRS102 pension adjustments). Whilst this is below the target set in the recovery plan, there is now greater focus on the College's operating results and cashflow which are more effectively represented through the key financial measures of EBITDA and Operating Cashflow.

Strategic Report (continued)

Performance indicators

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

- Success 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 and as part of the Recovery Plan, a series of Financial and Quality based performance measures were agreed and shared with the Corporation and the SFA, and monitored through the year.

FINANCIAL POSITION

Financial results

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Total income	20,361	21,446
Staff costs	(12,401)	(12,996)
% of Total income	*60.9%*	*60.6%*
Non staff costs	(8,564)	(8,934)
Surplus/(Deficit)	**(604)**	**(484)**
% income	*-3.0%*	*-2.3%*
Add back:		
Depreciation	994	830
Interest and other finance costs	419	199
Releases of government capital grants	(143)	(171)
EBITDA	**666**	**374**

(Earnings before Interest, Tax, Depreciation and Amortisation)

The College saw a 5% reduction in total income in the year, being mainly the result of a decrease in funding from its main funding bodies, the Education Funding Agency (EFA) and the SFA. This reflected reductions in student numbers, both 16-18 A-level and vocational students, and also apprentices.

In response to the funding reduction, the College continued to implement a policy of focussed cost control, with a 5% reduction in staff costs mirroring the fall in revenue. At 60.9% of total income, the staff costs ratio is very much in line with sector best practice.

The financial metric of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) has recently been adopted by the College in response to the requirements of its key financial stakeholders, namely the SFA and its loan providers, Barclays Bank. Key criteria of the SFA Financial Health Rating are EBITDA as a percentage of income and EBITDA as a percentage of borrowings, and likewise one of the College's bank covenants is Adjusted Operating Surplus (EBITDA) as a percentage of its borrowings. The College's EBITDA increased in the year by 78% to £666,000 reflecting strong cost control offsetting the reduction in total income.

Strategic Report (continued)

Depreciation increased in the year as a result of the College's investment in its "Exceptional Student Experience" in the form of a cutting edge intranet and student analytics system developed in partnership with IBM.

Interest and other finance costs comprise loan and overdraft interest of £209,000 (£159,000 in 2015) and pension finance costs of £210,000 (£40,000 in 2015).
The College has net assets of £8,480,000, excluding the defined benefit pension obligations (2014/15 - £8,829,000). Net assets fall to net liabilities of £250,000 once the pension obligations are taken into account.

Tangible fixed asset additions during the year amounted to £3,025,000, being the College's investment in a new Science, Technology, Engineering and Maths (STEM) Centre on its main Brockenhurst campus. The building came into use in September 2016 and was almost entirely funded by a grant from the M3 Local Enterprise Partnership.

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 2015/16 the bank has confirmed its willingness to continue its support of the College subject to its implementing and delivering the ongoing financial recovery plan 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 £1.5m during March 2017. 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 ongoing recovery plan, the Corporation are satisfied that the covenants will be met for the year to 31 July 2017 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, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The 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 SFA/EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the SFA/EFA.

Cash flows and liquidity

The £5,039,000 cash inflow from operating activities in 2015/16 (2014/15 £421,000) largely reflects the deficit of £609,000, offset by the increase in creditors of £3,351,000, decrease in debtors £824,000 and the depreciation charge of £995,000. The overall cash position increased by £1,402,000 in the year reflecting an operating cash inflow of £5,039,000, offset by capital investment of £2,932,000 and loan repayments and interest payable of £707,000.

Strategic Report (continued)

The College generated an operating cashflow inflow of £5,039,000 in the year and had a cash balance of £1,125,000 at the end of July. During 2015/2016 the liquidity of the College benefitted from timing of the capital grant funding relating to the new STEM centre which opened in September 2016. Given that substantially all funding was received prior to 1 August 2016, and there remain final stage payments to be made in 2016/17, this will reduce the liquidity of the College during this financial year. A 12-month cashflow forecast covering 2016/17 indicates that the College will therefore require an overdraft facility of £1.5m in March 2017, reflecting both the profile of EFA funding and the timing of the final STEM Centre capital payments. The College has an overdraft in place of £750,000. This will be extended to £1.5m for the months of February 2017 to April 2017 to address the forecast maximum overdraft requirements.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student funding

In 2015/16 the College has delivered activity that has produced £14.9 million in EFA and SFA main allocation funding (2014/15 – £15.6 million) including adult-related activity.

Student achievements

16-18 year olds
The majority of full-time students are aged 16-18. Most of these students take level 3 courses – AS-/A-level and BTEC programmes. The College has consistently achieved pass rates well above national averages for students aged 16-18 in further education and tertiary colleges. Overall achievement rates at 16-18 show the College sits above the provider group average for the previous year.

Adult Learners
The success rate on classroom based courses is again above provider group averages. They significantly improved in 2012/2013 and these improved rates have been maintained for the last three years. Framework achievement rates on apprenticeship programmes have been maintained and both overall and timely achievements are above national benchmarks.

Curriculum developments

The College has continued the development of its offer at all levels of learning.

Work is underway to move towards full implementation of reformed A-levels and vocational qualifications, as well as preparing for a new intake of learners with a different grading system for GCSE. The first cohort of revised AS completed in 2016, with results that held up well against the previous qualification.

The College offers a very wide range of programmes for adults with particular growth in apprenticeships and provision for the unemployed in recent years. Apprenticeships have largely replaced NVQ provision in most curriculum areas though individual learners are able to follow an NVQ programme or equivalent if an apprenticeship is not appropriate. Apprenticeships are offered in an increasing range of occupational areas with new frameworks introduced in September 2014 in Engineering and IT. The College is a major provider for Job Centre Plus in Southampton as well as the New Forest. The College delivers a large community-based programme for adults with learning difficulties and disabilities and also community-based Literacy and Numeracy. The College has maintained a significant adult learning programme funded through learner fees. The College has rationalised its higher education provision, focusing on specialist provision in Care and Early Years to supplement existing teacher training provision.

The College has continued to develop its international work and recruited over 110 fee-paying international students in 2015/16. The College remains a Confucius Classroom, a prestigious program 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.

Strategic Report (continued)

The College's key targets are linked directly to the priority areas as set out in the College's strategic plan. Targets relating to curriculum delivery include the following:

- All learning areas to be at least Grade 2; 20% achieving Grade 1
- 8% of delivery/assessment via eBrock
- Application conversion increase : 2% from 71%
- 1% improvement across all measures in end of course survey from 2015 baseline
- 1% improvement in overall employer satisfaction from 2015 baseline
- Education and Training outcomes – target 1.5% improvement from 2015 baseline
- Apprenticeship outcomes – target 2% improvement in timely and overall outcomes from 2015 baseline
- 1% improvement in retention (E&T) from 2015 baseline
- 50% of level 3 courses above average performance on national value-added measure
- 65% alignment with LEP priorities
- 95% of leavers progressing into further study, employment or apprenticeship
- 2% increase above national rates on achievement in L2 Maths & English courses, with same increase in high grades at GCSE

Capital Projects

IBM
In partnership with IBM, during 2014/15 the College developed an enhanced learning programme 'the Exceptional Student Experience'. This enables the College to gain deeper insight into student needs and learning styles, and use this information to shape a more immersive educational experience, from application to graduation. The College uses IBM predictive analytics and social portal solutions (eBrock Connect), underpinned by a cloud platform, to shape a more engaging and personalised student experience. The IBM project went live in September 2015.

Science, Technology, Engineering and Maths (STEM) Centre
Working in partnership with local employers, IBM and Southampton University, the College was successful in securing £3.9m of capital funding from the M3 Local Enterprise Partnership (LEP) to build a state-of-the-art STEM centre on the Brockenhurst campus. Construction commenced in November 2015 and was made available to students in September 2016, on time and on budget.

Payment performance

The College policy is to pay all invoices that have been authorised for payment on the 22nd day of the month following the month of invoice, as required under the ongoing Recovery Plan. This policy is displayed on all official College orders. 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 2017 inclusive.

Strategic Report (continued)

Area-Based Reviews
At the start of the year the government announced a series of "Area-Based Reviews" which are part of a national initiative which seeks to look at the shape of all post-16 education and training across the UK and how well this fits with local economic and educational needs. The College participated in the first wave of these reviews as part of the Solent LEP area which covered the local authority areas of Hampshire County Council (part of area), Isle of Wight, Portsmouth and Southampton. The Solent LEP Area Review resulted in the following outcome recommendation for the College:

"Brockenhurst College to develop and extend its collaborative shared services partnership with Bournemouth & Poole College and to establish an apprenticeships joint venture."

In response to this recommendation, the College has commissioned the AoC to provide consultancy support regarding the feasibility and implementation of an Apprenticeship Joint Venture with Bournemouth and Poole College. Brockenhurst College has been awarded transition funding of £50,000 for the project.

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 2016 was £22.9 million (31 July 2015 - £20.9 million), having increased in the year due to the construction of the new STEM Centre.

Financial
The College has £8.5 million (2014/15 - £8.8 million) of net assets before defined benefit obligations. These include long-term debt of £3.8 million (2014/15 - £4.6 million). Following an increase in the year of £2.8 million the College's defined benefit pension obligations now stand at £8.7 million (2014/15 - £5.9 million).

People
The College employs 340 (2014/15 – 355) people (expressed as full-time equivalents), of whom 172 (2014/15 – 199) 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.

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Senior Leadership Team 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.

Strategic Report (continued)

	Risk	Mitigation
1	Failure to address structural deficit	• Financial Recovery Plan prepared by Senior Management Team with assistance from Interim Finance consultant • College restructuring implemented during 2014/15 and embedded into 2015/16 budget • 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
2	Failure to ensure financial information and controls are sufficiently robust to allow Governors and SMT to make informed decisions	• Financial reporting systems and controls strengthened and improved following overhaul by Interim Financial consultant • Monthly Finance & Standards 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	In light of the recently announced "Area Reviews": • Failure to prepare, fully engage with and influence the most effective outcome for our key stakeholders. • Loss of autonomy to develop and deliver education and training in the best interests of our learners and community.	• Active participation in the review process and steering groups comprising Chairs of governors, Local Enterprise Partnerships (LEPs) and local authorities, FE & Sixth Form College Commission • Preparation of comprehensive "Area Review Information Pack" setting out key College data (financial, curriculum, quality) • Set out clearly and persuasively the preferred key options to support the best interests of our learners and community
4	Failure to forecast and deliver learner number targets	• Maintain robust procedure for student recruitment including targets for student numbers • 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 • Weekly Individualised Learner Record (ILR) reporting • Monitoring class sizes • Regular student application reports and forecasts • Development of Property Strategy • Implementation of 'keeping warm' strategy post interview • IBM project 'Exceptional Student Experience'
5	Failure to manage change effectively, including impact of curriculum changes, major systems projects (IBM) and major capital developments	• Develop and implement change activities • Staff awareness and behaviour change activity • Development of Change Management Plan for each key activity. • Contingency planning appropriate processes and legislation • Change management consultation and training • Development of Project Management skills
6	Failure to maintain cash flow in accordance with Financial Health Ratings	• Rigorous cash flow budget setting • Implement rigorous payment and cash collection procedures • Produce weekly cash flow forecast • Implement Treasury Management policy • Internal Audit review of debtors • Produce key indicators on debtor days

Strategic Report (continued)

	Risk	Mitigation
7	Failure to meet College income targets for new markets and products	• Developing and reviewing International Strategy • Developing and reviewing Local Community Strategy • Developing Commercial expertise • Developing robust business cases for new ventures including financial analysis • Prudent and accurate budget setting
8	Failure to develop existing markets	• Developing and reviewing 16-18 Strategy • Developing and reviewing International Strategy • Developing pre-Apprenticeship, Apprenticeship and Traineeship programs • Developing and reviewing plans to maximise income from all existing markets
9	Failure to deliver plan to mitigate Public Funding reductions	• Development of new Income Streams and Full Cost Income streams • Development of Fund Raising Strategy • Rigorous budget setting • Financial forecast sensitivity analysis • Timely Management Accounts including prompt key performance indicators • Benchmarking with other Colleges
10	Failure to recruit International students including in-country delivery, changes in visa requirements and to retain highly trusted status with the UKBA	• 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
11	Failure to maintain or improve Success Rates for all groups of learners	• Rigorous advice and guidance during enrolment process • Smooth start of the year process • Identification of 'at risk' students within three weeks of start of course • Provision of timely and accurate detailed data to ensure accountability at all levels • Timely monitoring of retention and other key performance indicators by all staff • Use of Insight management information system by all Curriculum Managers • Monitoring results and achievement through Self-Assessment and action planning at staff and departmental levels • Rigorous Self-Assessment Review (SAR) and Quality Improvement Development Plan (QIDP) process • Monthly reports reviewed at SLT KPI Group meeting
12	Failure to achieve Good or Outstanding OFSTED inspections	• Training Sessions held for all staff and Governors to ensure awareness of being prepared • Working Draft SAR prepared by mid-September • Introduce Mock Inspection Week to ensure the College is prepared • Draft SAR submitted to Governors in November • Regular SLT KPI Group meetings • Active OFSTED Inspector in College management

Strategic Report (continued)

	Risk	Mitigation
13	Failure to recruit quality staff	• Recruitment and selection procedures • Pay Policy including regular review of pay rates • Benchmarking with other Colleges • Resource planning • Utilising the appropriate recruitment mechanisms e.g. international staff
14	Failure to ensure that the start of year process runs efficiently	• Produce plan for start of year activities • Ensure relevant systems are up to date • Ensure staff are trained to use relevant systems and processes • Produce timetable for completion of plan and communicate to all staff • Develop process for providing advice and guidance to students impacted by need to pursue alternative options
15	Impact of College restructure on high quality teaching and learning and support for learners	• Continue to give full scrutiny to the implementation of the College QIDP • Ensure full regard is taken with the restructure to maintain strong educational provision • Monitor closely quality KPIs • Ensure Governors continue to give full scrutiny to quality improvement • Ensure College maintains Ofsted readiness • Establish and appoint two new senior middle manager posts: Director of Quality and Learning and Director of Learners
16	Failure to plan and develop existing resources and accommodation through lack of Capital Investment	• Updating Property strategy • Resourcing plans linked to curriculum requirements • Rigorous budget setting process • Fundraising strategy developed • Self-Assessment Review (SAR) process
17	Failure to maximise income generated from College activities	• Rigorous budget setting • Regular monitoring and corrective action • Regular financial forecasts with sensitivity analysis and contingency planning • Clear ownership of income targets • Robust financial regulations and procedures
18	Failure to deliver efficiency savings	• Rigorous budget setting • Identifying key strategies including procurement and shared service activities • Regular review of all departmental costs • Regular monitoring of class sizes • Ensuring monthly management accounts is provided timely and accurately • Regular financial forecasts with sensitivity analysis • Curriculum Planning is undertaken • Implement Restructuring Plan
19	Failure to achieve the Bank Covenants	• Rigorous budget setting • Regular financial forecasts with sensitivity analysis • Incorporate projection within the Monthly Management Accounts • Maintaining regular communication with the bank

Strategic Report (continued)

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.

Equal opportunities and employment of disabled persons

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 Single Equality Scheme 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 updated its access audit. Experts in this field conducted a full access audit during 2006/07, and the results of this identified that 98.5% 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.

- 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 29 November 2016 and signed on its behalf by:

G Beards

Acting Chair

Date:

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of Corporate Governance. This summary describes the manner in which the College has applied the principles set out in the Corporate Governance Code ("the Code") issued by the FRCF in June 2012. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College mainly complies with the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016.

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 account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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 below.

Clerk's Note: The Board has classified all Members as 'External' save for the Principal, and Staff and Student Governors.

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

Governor	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance % 2015-2016
Mr M Bussell	July 2009 Last re-elected Dec 2014	4 years		Staff (Support)	Audit Governance and Search – *Chair from 2014*	100% 100%
Dr P Butler	Dec 2007 Last re-elected Dec 2011 Term of Office ended Dec 2015	4 years		External	Governance and Search – *Chair from Nov 2011-2013, Vice-Chair from Nov 2013-2014* Finance and Standards Capital Project – *Chair Dec 2013-2014* Audit – *Vice Chair from 2014*	
Mr A Foreman	June 2012 Last re-elected June 2016	4 years		External	Audit – *Vice Chair from 2013 Chair from 2014*	100%
Mrs Z Karol	Nov 2007 Last re-elected July 2015	4 years		External	Employment and Personnel – *Vice Chair from 2014*	66.6%
Mr J Liu	Oct 2012	4 years	May 2016	External	Governance and Search Capital Project	50% 50%
Mr K Marshall	Dec 2012	4 years		Staff (Teaching)	Employment and Personnel	33.3%

Statement of Corporate Governance and Internal Control (cont'd)

Governor	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance % 2015-2016
Mrs J Milone	Mar 2010 Last re-elected Dec 2013	4 years		External	Employment and Personnel – *Chair from Oct 2011* Remuneration *Vice Chair from June 2013* Chair *from 2014*	100% 100%
Mrs D Roberts	Ex-officio Appointed Sep 2006			Principal	Governance and Search Employment and Personnel Finance and Standards Capital Project	33.3% 66.6% 100% 33.3%
Dr C Swan	Dec 2010 Last re-elected Dec 2014	4 years		External	Governance and Search Finance and Standards	66.6% 100%
Mr C Underhill	July 2013	4 years		External	Finance and Standards Remuneration Capital Project – *Chair from 2014*	33.3% 0% 100%
Mr D Yates	Nov 2000 Last re-elected July 2015	4 years		External	Corporation – *Chair from Jul 2011* Remuneration – Vice *Chair from Jun 2011-13* Governance and Search Employment and Personnel Finance and Standards – *Chair from Nov 2011* Capital Project	100% 100% 100% 66.6% 100% 100%
Mr S MacDonald	July 2014	4 years		External	Audit – *Vice Chair from Nov 2015.*	100%
Mr G Beards	Sept 2014	4 years		External	Employment and Personnel Finance and Standards – *Vice Chair from Nov 2015*	100% 100%
Prof A Neill	Sept 2014	4 years		External	Finance and Standards Capital Project	66.6% 66.6%
Mr T Pearce	July 2015	4 years		External	Finance and Standards	100%

Statement of Corporate Governance and Internal Control (cont'd)

Governor	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance % 2015-2016
Mr James Hiley-Jones	July 2015	4 years		External	Governance and Search Employment and Personnel	100% 100%
Mrs Davina Hawkins	Dec 2015	4 years		External	Audit Employment and Personnel	100% 100%
Miss J Hamill-Stewart	July 2015	1 year		Student (16-18)		
Mrs J Billings	Dec 2015	1 year		Student (Adult)		

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 at least once per 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.

Governors as a Board are able to take independent professional advice on any matters concerning the exercise of their power and responsibilities. Such matters include advice on their legal, accounting and regulating duties but exclude advice to individual Governors concerning their own respective personal interests in relation to the Corporation. A Governor who intends to seek advice under this procedure must give prior written notice to the Clerk and, on request, any advice which is obtained under the procedure must be made available to all Governors. The cost of any other professional advice is not at the expense of the Corporation. Governors also 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 also 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.

Statement of Corporate Governance and Internal Control (continued)

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 seven 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, save for Student Governors, are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised five Members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. Details for remuneration for year ended 31 July 2016 are set out in Note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair of the Board). The Committee operates in accordance with written Terms of Reference approved by the Corporation. The Audit Committee Members in the last year were:

Mr A Foreman (Chair)
Dr P Butler (term of Office ended Dec 2015)
Mr M Bussell
Mr S MacDonald
Mrs Davina Hawkins (from Dec 2015)

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 College 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, regularity and financial statements auditors and their remuneration for both 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.

Statement of Corporate Governance and Internal Control (cont'd)

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 2016 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 2016 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.

Brockenhurst College, at the request of its Audit Committee, employs the services of a third party internal audit service, The Southern Internal Audit Partnership, which operates in accordance with the requirements of the relevant funding bodies' *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 Audit Committee and 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.

Statement of Corporate Governance and Internal Control (cont'd)

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 regularity auditors (for colleges in plan-led funding), and the appointed funding auditors (for colleges outside plan-led funding) 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 November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the college, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 29 November 2016 and signed on its behalf by:

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

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. 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 Skills Funding Agency's 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 Skills Funding Agency.

Signed:

G Beards

Acting Chair

Signed:

D Roberts

Accounting Officer

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 Financial Memorandum agreed between the funding agencies and the Corporation of the College, the Corporation, through its Principal, 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 *Accounts Direction for 2015/16 financial statements* issued jointly by the Skills Funding Agency and the Education Funding Agency, 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 SFA/EFA are used only in accordance with the Financial Memorandum/Financial Agreement with the SFA/EFA and any other conditions that the relevant SFA/EFA may prescribe 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 by the SFA/EFA are not put at risk.

Approved by order of the members of the Corporation on 29 November 2016 and signed on its behalf by:

Signed:

G Beards

Acting Chair

Independent Auditor's Report to the Corporation of Brockenhurst College

We have audited the College financial statements ("the financial statements") of Brockenhurst College for the year ended 31 July 2016 set out on pages 28 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the Corporation, as a body, 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, as a body, 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Brockenhurst College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 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 United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Independent Auditor's Report to the Corporation of Brockenhurst College (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College 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.

Signature C Sewell **Date** 21/12/2016

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

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

In accordance with the terms of our engagement letter dated 6 October 2015 and further to the requirements of the financial memorandum with 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 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Brockenhurst College and the 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 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 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 Joint 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 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education 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.

Reporting Accountant's Assurance Report on Regularity (continued)

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 Joint 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signature CSSewell **Date** 21/12/2016

Victoria Sewell
for and on behalf of
KPMG LLP, Reporting Accountant
Gateway House, Tollgate, Chandlers Ford, Hampshire SO53 3TG

BROCKENHURST COLLEGE
Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
		College £'000	College £'000
INCOME			
Funding body grants	2	14,910	15,612
Tuition fees and education contracts	3	2,575	3,013
Other grants and contracts	4	0	0
Other income	5	2,876	2,818
Endowment and investment income	6	0	3
Total income		**20,361**	**21,446**
EXPENDITURE			
Staff costs	7	12,401	12,996
Other operating expenses	9	7,151	7,905
Depreciation	11	994	830
Interest and other finance costs	10	419	199
Total expenditure		**20,965**	**21,930**
(Deficit)/surplus before other gains and losses		**(604)**	**(484)**
Loss on disposal of assets	11	(4)	0
Gain/(loss) on investments		0	0
(Deficit)/surplus before tax		**(608)**	**(484)**
Taxation		0	0
(Deficit)/surplus for the year	11	**(608)**	**(484)**
Actuarial loss in respect of pensions schemes	22	(2,550)	(760)
Total Comprehensive Income for the year		**(3,158)**	**(1,244)**
Represented by:			
Unrestricted comprehensive income		**(609)**	**(484)**
Restricted comprehensive income		**(2,550)**	**(760)**
		(3,159)	**(1,244)**
Surplus for the year atributable to:			
Group		**(3,159)**	**(1,244)**
Non controlling interest		**0**	**0**
Total Comprehensive Income for the year attributable to:			
Group		**(3,159)**	**(1,244)**
Non controlling interest		**0**	**0**

BROCKENHURST COLLEGE
Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation Reserve £'000	Total excluding Non controlling interest £'000
College			
Restated balance at 1st August 2014	(2,805)	6,958	4,153
Deficit from the income and expenditure account	(484)	0	(484)
Other comprehensive income	(760)	0	(760)
Transfers between revaluation and income and expenditure reserves	150	(150)	0
	(1,094)	(150)	(1,244)
Balance at 31st July 2015	(3,899)	6,808	2,909
Deficit from the income and expenditure account	(609)	0	(609)
Other comprehensive income	(2,550)	0	(2,550)
Transfers between revaluation and income and expenditure reserves	151	(151)	0
Total comprehensive income for the year	(3,008)	(151)	(3,159)
Balance at 31st July 2016	(6,907)	6,657	(250)

BROCKENHURST COLLEGE
Balance Sheet as at 31 July

	Notes	College	College
		2016	2015
		£'000	£'000
Fixed assets			
Tangible fixed assets	11	22,863	20,931
Investments in joint venture		0	0
Pensions asset		0	0
		22,863	20,931
Current assets			
Stocks		36	34
Trade and other receivables	12	829	1,653
Investments		0	0
Cash and cash equivalents	17	1,125	0
		1,990	1,687
Less: Creditors – amounts falling due within one year	13	(4,893)	(4,578)
Net current liabilities		(2,903)	(2,891)
Total assets less current liabilities		19,960	18,040
Less: Creditors – amounts falling due after more than one year	14	(11,372)	(9,110)
Provisions			
Defined benefit obligations	16	(8,730)	(5,920)
Other provisions	16	(108)	(101)
Total net assets		(250)	2,909
Unrestricted reserves			
Income and expenditure account		(6,906)	(3,899)
Revaluation reserve		6,657	6,808
Total unrestricted reserves		(250)	2,909

The financial statements on pages 28 to 53 were approved and authorised for issue by the Corporation on 29 November 2016 and were signed on its behalf on that date by:

G Beards

Acting Chair

D Roberts

Accounting Officer

Brockenhurst College

BROCKENHURST COLLEGE
Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(608)	(484)
Adjustment for non cash items			
Depreciation		994	830
(Increase)/decrease in stocks		(2)	15
(Increase)/decrease in debtors		824	427
Increase/(decrease) in creditors due within one year		588	(1,478)
Increase/(decrease in creditors due after one year		2,763	953
Increase/(decrease) in provisions		6	(8)
Pensions costs less contributions payable		260	10
Adjustment for investing or financing activities			
Investment income		0	(3)
Interest payable		209	159
Loss on sale of fixed assets		6	0
Net cash flow from operating activities		5,040	421
Cash flows from investing activities			
Proceeds from sale of fixed assets		2	0
Disposal of non-current asset investments		0	0
Investment income		0	3
Withdrawal of deposits		0	0
New deposits		0	0
Payments made to acquire fixed assets		(2,932)	(1,657)
		(2,930)	(1,654)
Cash flows from financing activities			
Interest paid		(209)	(159)
Interest element of finance lease rental payments		0	0
New unsecured loans		0	319
Repayments of amounts borrowed		(498)	(449)
Capital element of finance lease rental payments		0	0
		(707)	(289)
Increase / (decrease) in cash and cash equivalents in the year		1,403	(1,522)
Cash and cash equivalents at beginning of the year	17	(278)	1,245
Cash and cash equivalents at end of the year	17	1,125	(277)
Increase/(decrease)		1,403	(1,522)

BROCKENHURST COLLEGE

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* 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.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in Note 26.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period when separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – as at 1st August 2014, the College has retained the carrying values of freehold properties previously held at fair value using the valuation undertaken at 2012 as being deemed cost

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 activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

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 2015/16 the bank has continued to support the College subject to its implementing and delivering the financial recovery plan. The College's 2015/16 covenants have both have been met.

Notes to the Accounts (continued)

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 £1.5m during March 2017. The bank has confirmed that it is willing to extend the College's overdraft facilities to a level which will be sufficient to meet this short-term peak requirement.

On the basis of the College's current recovery plan, the Corporation are satisfied that the covenants will be met for the year to 31 July 2017 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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from 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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accruals method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds, subject to any performance-related conditions being met.

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.

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.

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 a 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 valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. 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

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.

Notes to the Accounts (continued)

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. All leases inherited from the Local Education Authority have been treated as operating leases to be consistent with their policy before transfer to the College.

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

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

Stocks

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

Foreign Currency Translation

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

Taxation

The College is considered to pass the tests set out in paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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.

Notes to the Accounts (continued)

Liquid Resources

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

Provisions

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

Agency Arrangements

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

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 22, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 College £'000
Recurrent grants		
Skills Funding Agency	1,242	1,677
Education Funding Agency	11,959	12,212
Higher Education Funding Council	49	9
Specific Grants		
Skills Funding Agency	1,340	1,493
Education Funding Agency	177	50
Releases of government capital grants	143	171
HE grant	-	-
Total	14,910	15,612

3 Tuition fees and education contracts

	Year ended 31 2016 College £'000	Year ended 31 2015 College £'000
Adult education fees	805	664
Apprenticeship fees and contracts	33	41
Fees for FE loan supported courses	100	217
Fees for HE loan supported courses	91	165
European (excluding UK) students	92	65
International students fees	1,096	1,282
Total tuition fees	2,217	2,434
Education contracts	358	579
Total	2,575	3,013

4 Other grants and contracts

	Year ended 31 2016 College £'000	Year ended 31 2015 College £'000
Erasmus	0	0
UK-based charities	0	0
European Commission	0	0
Other grants and contracts	0	0
Total	0	0

Notes to the Accounts (continued)

5 Other income

	Year 2016 College £'000	Year 2015 College £'000
Catering and residences	372	393
Other income generating activities	718	672
Other grant income	158	94
Non government capital grants	0	0
Releases from deferred capital grants (non Funding Body)	0	0
Miscellaneous income	1,628	1,659
Total	2,876	2,818

6 Investment income

	Year 2016 College £'000	Year 2015 College £'000
Other investment income	0	0
Other interest receivable	0	3
Total	0	3

Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2016 No.	2015 No.
Teaching staff	172	199
Non teaching staff	168	156
	340	355

Staff costs for the above persons

		2016 £'000	2015 £'000
Wages and salaries		9,998	10,818
Social security costs		725	700
Other pension costs	(note 8)	1,590	1,346
Payroll sub total		12,313	12,864
Contracted out staffing services		88	132
		12,401	12,996
Fundamental restructuring costs -	contractual	-	-
	non contractual	-	-
		12,401	12,996

Key management personnel

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

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	3	3

Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£80,001 to £90,000 p.a.	2	1	0	0
£90,001 to £120,000 p.a.	1	1	0	0
	3	2	0	0

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	282	254
Benefits in kind	3	4
	285	258
Pension contributions	43	36
Total emoluments	328	294

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:

	2016	2015
	£'000	£'000
Salaries	112	112
Benefits in kind	1	1
	113	113
Pension contributions	18	16

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.

Notes to the Accounts (continued)

9 Other operating expenses

	Year 2016 College £'000	Year 2015 College £'000
Teaching costs	2,966	3,307
Non teaching costs	2,684	2,885
Premises costs	1,501	1,713
Total	7,151	7,905

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit	21	31
Internal audit	0	0
Other services provided by the financial statements auditors	0	0
Other services provided by the internal auditors	13	12
Losses on disposal of tangible fixed assets (where not material)	0	0
Hire of asset under operating leases	494	631

10 Interest payable College

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	209	159
	209	159
Pension finance costs (note 22)	210	40
Total	419	199

Notes to the Accounts (continued)

11 Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	21,085	981	5,202	0	27,268
Additions	2,940	3	82	0	3,025
Disposals	(269)	(238)	(263)	0	(770)
At 31 July 2016	**23,756**	**746**	**5,021**	**0**	**29,523**
Depreciation					
At 1 August 2015	1,844	525	3,968	0	6,337
Charge for the year	547	55	392	0	994
Elimination in respect of disposals	(161)	(238)	(272)	0	(671)
At 31 July 2016	**2,230**	**342**	**4,088**	**0**	**6,660**
Net book value at 31 July 2016	**21,526**	**404**	**933**	**0**	**22,863**
Net book value at 31 July 2015	19,241	456	1,234	0	20,931

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 they would have been included at the following historical cost amounts:

	£000
Cost	25,802
Aggregate depreciation based on cost	(9,432)
Net book value based on cost	16,370

Notes to the Accounts (continued)

12 Debtors

	College 2016 £'000	College 2015 £'000
Amounts falling due within one year:		
Trade receivables	577	485
Amounts owed by group undertakings:		
Prepayments and accrued income	252	1,168
Amounts owed by the Skills Funding Agency/EFA	-	-
Total	829	1,653

13 Creditors: amounts falling due within one year

	College 2016 £'000	College 2015 £'000
Bank loans and overdrafts	506	775
Trade payables	653	2,201
Other taxation and social security	423	396
Accruals and deferred income	2,754	867
Deferred income - government capital grants	239	143
Amounts owed to the Skills Funding Agency/EFA	318	192
Total	4,893	4,574

14 Creditors: amounts falling due after one year

	College 2016 £'000	College 2015 £'000
Bank loans	3,093	3,454
Other Loans	191	337
Deferred income - government capital grants	8,088	5,319
Total	11,372	9,110

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2016 £'000	College 2015 £'000
In one year or less	506	776
Between one and two years	933	952
Between two and five years	1,535	1,260
In five years or more	816	1,578
Total	3,790	4,566

The bank loan is repayable by installments falling due between 1 August 2016 and 31 December 2025.
The bank covenants have been reviewed in line with the recovery plan, and have been met during 2015/16.
The IBM loan was drawn down on 31 July 2015 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

16 Provisions

	Defined benefit Obligations £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2015	(5,920)	0	(101)	0	(6,021)
Expenditure in the period	(570)	0	(6)	0	(576)
Reductions in period	(2,240)	0	0	0	(2,240)
At 31 July 2016	(8,730)	0	(108)	0	(8,838)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

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:

	2016	2015
Price inflation	2.9%	3.2%
Discount rate	2.4%	3.6%

Notes to the Accounts (continued)

17 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	(278)	278	1,125	1,125
Overdrafts	(498)	498	0	0
Loans	(3,790)	0	0	(3,790)
Total	**(4,566)**	**776**	**1,125**	**(2,665)**

18 Capital commitments

	College 2016 £'000
Commitments contracted for at 31 July	57

19 Lease Obligations

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

	College 2016 £'000	College 2015 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	38	17
Later than one year and not later than five years	113	38
later than five years	-	297
	151	352
Other		
Not later than one year	375	294
Later than one year and not later than five years	664	632
later than five years	6	-
	1,045	926

20 Contingent liabilities

There are no contingent liabilities

21 Events after the reporting period

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

Notes to the Accounts (continued)

22 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 Wessex 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		**2016 £'000**		**2015 £'000**
Teachers Pension Scheme: contributions paid		915		846
Local Government Pension Scheme:				
Contributions paid	725		530	
FRS 102 (28) charge	(50)		(30)	
Charge to the Statement of Comprehensive Income		675		500
Total Pension Cost for Year within staff costs (note 8)		**1,590**		**1,346**

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 2013.

Contributions amounting to £192,206 (2015 £178,895) were payable to the scheme 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.

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.

Notes to the Accounts (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:

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

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.

The pension costs paid to TPS in the year amounted to £915,000 (2015: £846,000)

Notes to the Accounts (continued)

22 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 adminstered by Hampshire Local Authority . The total contribution made for the year ended 31 July 2016 was £0.74m, of which employer's contributions totalled £0.57m and employees' contributions totalled £0.17m. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.3%	3.6%
Future pensions increases	1.8%	2.1%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.8%	2.1%
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:

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	24.6	24.5
Females	26.4	26.3
Retiring in 20 years		
Males	26.7	26.6
Females	28.7	28.6

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016	2015
	£'000	£'000
Fair value of plan assets	12,480	10,670
Present value of plan liabilities	(21,210)	(16,590)
Net pensions liability (Note 16)	(8,730)	(5,920)

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	620	500
Past service cost	0	0
Total	620	500
Amounts included in investment income		
Net interest income	(210)	(40)
	(210)	(40)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	980	480
Experience losses arising on defined benefit obligations	(3,530)	(1,240)
Changes in assumptions underlying the present value of plan liabilities	0	0
Amount recognised in Other Comprehensive Income	(2,550)	(760)

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016 £'000	2015 £'000
Surplus/(deficit) in scheme at 1 August	(5,920)	(5,150)
Movement in year:		
Current service cost	(620)	(500)
Employer contributions	570	530
Past service cost	0	0
Net interest on the defined (liability)/asset	(210)	(40)
Actuarial gain or loss	(2,550)	(760)
Net defined benefit (liability)/asset at 31 July	(8,730)	(5,920)

Asset and Liability Reconciliation

	2,016 £'000	2,015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	16,590	14,340
Current Service cost	620	500
Interest cost	600	610
Contributions by Scheme participants	170	160
Experience gains and losses on defined benefit obligations	3,530	1,240
Changes in financial assumptions	0	0
Estimated benefits paid	(300)	(260)
Past Service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	21,210	16,590

Reconciliation of Assets

	2,016 £'000	2,015 £'000
Fair value of plan assets at start of period	10,670	9,190
Interest on plan assets	390	570
Return on plan assets	980	480
Employer contributions	570	530
Contributions by Scheme participants	170	160
Estimated benefits paid	(300)	(260)
Assets at end of period	12,480	10,670

Notes to the Accounts (continued)

23 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

Wessex Shared Services Limited - a joint venture of Brockenhurst College
Transactions in the year amounted to - Sales £2,524,505 and Purchases £1,058,145

	Year ended 2016 £'000	Year ended 2015 £'000
Share of assets		
Share of fixed assets	25	30
Share of current assets	80	88
	105	118
Share of liabilities		
Share of current liabilities	(123)	(131)
Share of pension liability	(1,413)	(717)
	(1,536)	(848)
Share of net liabilities	(1,431)	(730)

24 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – bursary support	404	370
Funding body grants – discretionary learner support	117	127
Funding body grants – residential bursaries	-	-
Other Funding body grants	104	60
Interest earned	-	-
	625	557
Disbursed to students	(467)	(390)
Administration costs	(19)	(21)
Balance unspent	(37)	-
Balance unspent as at 31 July, included in creditors	102	146

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

Notes to the Accounts (continued)

26 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014 College £'000	31st July 2015 College £'000
Financial Position			
Total reserves under previous SORP		4,189	2,945
Employee leave accrual		844	844
Release of non-government capital grants		808	808
Changes to measurement of net finance cost on defined benefit plans		-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		36	36
Total reserves under 2015 FE SORP		4,153	2,909

	Year ended 31st July 2015 College £'000
Financial Performance	
Deficit for the year after tax under previous SORP	484
Release of non-government grants received	-
Reversal of capital grants amortisation	-
Pensions provision – actuarial loss	760
Changes to measurement of net finance cost on defined benefit plans	-
Total effect of transition to FRS 102 and 2015 FE HE SORP	760
Total comprehensive income for the year under 2015 FE HE SORP	1,244

Notes to the Accounts (continued)

26 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 18 days unused leave for teaching staff and 10 days unused leave for non-teaching staff. Non-teaching employees are not entitled to carry forward unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £844k was recognised at 1 August 2014, and £784k at 31 August 2016. Following a re-measurement exercise in 2015/16, the movement on this provision of £60k has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.