



Brockenhurst College

Report and Financial Statements

for the year ended

31 July 2019

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Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as Senior Post Holders within the College Leadership Team and were represented by the following in 2018/19:

D Roberts Principal and CEO; Accounting Officer

L Feingold Vice Principal, Director of Finance

Board of Governors

A full list of the Board of Governors is given on pages **20-22** 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:

TIAA Ltd
Artillery House
Fort Fareham
Fareham
PO14 1AH

Bankers:

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

Solicitors:

Lamb Brooks
39 Winchester Street
Basingstoke
Hants
RG21 1EQ

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

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

Mission

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

The College Core Values are:

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

Public Benefit

Brockenhurst College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20-22.

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

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

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

Implementation of strategic plan

In June 2018 the College adopted a strategic plan for the period 1 August 2018 to 31 July 2021. 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 key sustainability and growth objectives for 2018/19 and achievement of those objectives are set out below.

TARGET	ACHIEVEMENT	ACTUAL
Budget Earnings before interest, tax, depreciation and amortisation (EBITDA) of £1,009k (4.7% of adjusted income)	Not Achieved	£833k (4.15% of adjusted income *)
Financial Health rating of "Requires Improvement" achieved (previously labelled "Satisfactory")	Achieved	ESFA health grade of "Requires Improvement" achieved (120 points)
Bank covenants met in full	Not Achieved	Both Debt Service and Operational Leverage covenants not achieved (see page 7)
Pay / total income to be no more than 61%	Achieved	59.5% Total income
Apprenticeship income of £1,500k	Not Achieved	£963k (see page 6)

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

Financial objectives

Following deterioration in the College's financial results in 2013/14, the College developed and successfully implemented a recovery plan which included a substantial cost savings exercise to rebalance the College's budget. The Education and Skills Funding Agency (ESFA) was closely involved in the monitoring of the recovery plan and the College continued to be supported by its main lender, Barclays Bank, whereby loans and covenants were renegotiated.

Over the last three years (from 2015/16 to 2017/18) the College's financial health has stabilised and the following key financial objectives have been achieved, namely:

- Achieving and maintaining the College's ESFA Financial Health rating of "Satisfactory" (this classification has now been re-designated as "requires improvement")
- Compliance with the College's bank covenants relating to Debt Service Cover (operating cashflow compared to debt servicing costs) and Operational Gearing (level of borrowings compared to operating cashflow)
- Lifting of the College's Financial Notice of Concern in May 2018 as a result of attaining a financial health rating of "Satisfactory" for two consecutive years.

The main challenges facing the College's strategic objective of financial sustainability comprise 16-18 learner demographics, which have seen a fall both locally and nationally over the last few years, and the national base funding rate for 16-18 learners, which has not increased since 2013.

The demographic-led reduction in learner numbers over the last few years has required the College to adjust its staffing levels in line with the resulting decreases in learner funding. The College is highly aware of the demographic issue, and has been able to manage the subsequent funding reductions through careful resource management. Following detailed curriculum planning for 2018/19, the College was once again forced to implement a College-wide staff restructure to align staffing levels to the anticipated level of students and the level of funding to be received. As a result of the staff reorganisations significant restructuring costs of £153k were incurred in the financial year 2017/18.

The national base funding level for 16-18 learners of £4,000 has remained unchanged since 2013. Through not increasing the funding rate, the College's main funding source is therefore subject to a reduction in real terms every year while costs increase through inflationary pressures.

Strategic Report (continued)

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

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

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

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

Were such an increase applied to the College’s main 16-18 funding contract for 2018/19, it would represent an increase in income of £1.9m.

Such a disparity should be borne in mind whilst reading this Annual Report.

Financial Summary – excluding pension accounting adjustments

	2018/19 (£'000)	2017/18 (£'000)
Total Income	20,412	20,481
Staff costs	Note 1 (12,145)	(12,760)
% total income	59.5%	62.3%
% adjusted income	Note 3 60.5%	63.0%
Non Staff costs	Note 2 (8,368)	(7,903)
Deficit	(101)	(182)
% income	0.5%	0.9%
Add back:		
Depreciation	1,086	1,013
Interest charges	Note 2 177	169
Release of capital grants	(329)	(235)
EBITDA (education specific)	833	766
% total income	4.08%	3.74%
% adjusted income	Note 3 4.15%	3.78%

Note 1: Excludes FRS102 pension charge of £710k (2017/18 £260k)

Note 2: Excludes interest on defined pension liability of £160k (2017/18 £170k)

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

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

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

Strategic Report (continued)

Total income in 2018/19 remained similar to last year, falling marginally by 0.3%. Funding body grants, of which the most significant is for 16-18 learners, represent 68.4% (69.8% last year) of total income and reflect the College's reliance on governmental funding.

Apprenticeship income fell short of its growth target due to fewer than planned new starts relating to a large, new contract. Actual income remained similar to the prior year.

Staff costs have reduced significantly in 2018/19 by £615k (4.8%). The staff restructuring implemented in 2017/18 generated savings in 2018/19, but incurred one-off reorganisation charges of £153k in 2017/18. At 60.5% of adjusted income, the staff costs ratio, a key sector benchmark, is an improvement on the prior year and remains very much in line with sector best practice.

The financial metric of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is now fully embedded as a key metric by the College in response to the requirements of its key financial stakeholders, namely the ESFA and its loan provider, Barclays Bank. Key criteria of the ESFA Financial Health Rating are EBITDA as a percentage of adjusted income and EBITDA as a percentage of borrowings. At 4.1% of adjusted income, the College's EBITDA remained above the key financial health rating benchmark of 4% of income.

It should be noted that the College's EBITDA in 2017/18 was moderated by the ESFA to exclude the restructuring costs incurred that year. The normalised prior year EBITDA equivalent was therefore £919k, being 4.5% of adjusted EBITDA.

Interest and other finance costs shown above comprise loan and overdraft interest of £177k (£169k in 2017/18). The Statement of Comprehensive Income also includes Interest on the College's defined pension liability of £160k (£170k in 2017/18).

The College has net assets of £8.2m, excluding the defined benefit pension obligations relating to the Local Government Pension Scheme which is offered to non-teaching staff, (2017/18 - £8.3m). The latest interim valuation of the College's share of the pension scheme deficit for 2018/19 has seen an increase of £2.4m, and now stands at £8.3m. The College's net assets therefore fall to zero once the pension obligations are taken into account.

Tangible fixed asset additions during the year amounted to £1.5m, mainly reflecting the roof improvement project and general building improvements and IT equipment.

Cash flows, liquidity and financing

The College generated an operating cashflow inflow of £66k in the year and had a net cash balance of £769k at the end of July 2019.

The overall cash position decreased in the year by £0.9m reflecting the operating cash inflow of £66k, capital grant funding from the M3 LEP of £0.8m and the new Barclays loan of £0.5m, offset by capital investment of £1.6m and loan repayments and interest payable of £0.7.

The £66k cash inflow from operating activities in 2018/19 largely reflects the College's EBITDA of £0.9m, offset by negative working capital movements in the year relating to operating payments from the prior year, notably reorganisation costs of £153k and transport related charges.

As a result of this year's low level of operating capital generation, the College was required to temporarily increase its overdraft from £0.75m to £2.0m to cover its seasonal peak working capital requirements during the last term of the academic year. Due to the unequal phasing of monthly funding payments from the ESFA, the College receives £0.6m less funding by March each year than would be case were each monthly payment to be the same. This phasing reduces the College's available cash and drives a seasonal peak cash requirement in April/May each year.

Strategic Report (continued)

During the year the College took out a loan of £0.5m with its existing bank, Barclays, to help fund the Roof Improvement Project. The College's indebtedness totalled £3.6m at the end of July 2019, being £2.8m loans and £0.8m overdraft. This represents £17.6% of income, below the ESFA's maximum recommended level of £40%.

As a condition of its loans, the College is required to comply with two specific banking covenants relating to debt service (payment of loans and interest) and operational gearing (level of indebtedness). Both covenants are tested in relation to operating cashflow. Due to the low level of operating cashflow generated this year, the College has not achieved its banking covenants.

The College has a very positive working relationship with Barclays, and on 23 July 2019 Barclays issued a letter of comfort stating that it would continue to support the College subject to receipt of an Independent Business Review (IBR). The IBR report was issued on 14 August 2019. The College has now agreed refinancing terms with Barclays Bank whereby the existing loans will be repaid and the existing covenant obligations will fall away.

As a result of the College being in breach of its covenants as at 31 July 2019, all loans have been restated to be payable within 1 year reflecting the theoretical right of Barclays Bank to demand immediate repayment at that date.

Going Concern

Detailed cashflow information has been prepared for the period ending 24 months from the date of approval of these financial statements. Such projections incorporate the latest trading forecasts which indicate a peak cashflow requirement of £1.7m in April due to the timing of income receipts against expenditure.

Barclays have confirmed that they will extend the College's overdraft through this period to allow the College to meet its payment obligations. In addition, the College has successfully completed negotiations with the bank for a new refinancing package for the College. In November 2019, the bank obtained credit committee approval and agreed the refinancing.

Subsequent to the year end the operational leverage covenant, has been replaced by a Minimum Adjusted Operating Surplus covenant for the July 2020 year end. All other banking covenants remain the same. Based on current projections the College is therefore able to meet its banking covenants for a period of at least 24 months from the date of approval of these financial statements.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Performance indicators

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

- 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.

Treasury policies and objectives

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

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

Student funding

In 2018/19 the College has delivered activity that has produced £14.0m in Funding Body grants (2017/18 – £14.3m). Main funding groups comprise 16-18 A level and vocational students, High Needs learners, Apprenticeships and Adult Education related activity.

Student Achievement

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

The College's overall headline achievement rate for 2018/19 of 91.4% is a decrease of 1.1% points against the prior year although the College remains significantly (over 5% points) above provider group and national averages. It should be noted that this is the second consecutive year that the College has recorded an achievement rate of over 90%. For 16-18 learners, the College provides learning at Levels 1, 2 and 3 and the achievement rate for 16-18 has declined by 3.9% points to 79.6% due to a fall in the retention rate across the two-year linear A level programme and a fall in the pass rate on Level 1 basic maths. 16-18 provision is now 3% points and 2.5% points respectively below provider group and national averages. The College also serves a large number of adult learners for whom achievement continues to improve and at 97.8% is significantly above provider group and national averages.

In 18/19 the College ran a Foundation Degree in Early Years and a BA (Hons) Top-up, both of which are validated by the University of Chichester. The continuation rate for the 73 learners on our HE provision is 91.8% which is high (16-17 rate 96.7%, 17/18 93.6%). On the BA (Hons) Top-up all learners passed with 50% achieving first-class degrees.

Curriculum developments

Sixth Form

The College has continued the development of its offer at all levels of learning. The first cohort of learners at the College to take the first tranche of reformed linear A levels received their results in 2019. The pass rate in 2018/19 was 97% with 39% high grades (A*/B), and 67% A* - C grades. Those learners taking the new reformed GCSEs received their results in the new number-based format. The academic year 19/20 sees reformed functional skills qualifications in English and mathematics been delivered to the first cohort of learners in both classroom and apprenticeship.

Adult

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

Apprenticeships

2018/19 was a year of ongoing change for the College's apprenticeship provision. With the aim of improving quality and sustainability, the range of provision was reduced to focus on marine, construction, business and hospitality. The College was successful in its application for Strategic College Improvement Funding, which funded support from Exeter College to share its expertise in apprenticeship provision.

The College was successful in its re-application to the Register of Apprenticeship Training Providers (RoATP) and has grown its level of End Point Assessment provision.

The overall achievement rate for apprenticeships has fallen from 67% to 63.5%.

SEN

The College delivers a large high needs learner programme and has increased its intake of learners with Education Health and Care Plans. In 2018/19 there were in excess of 145 students on Educational Health and Care Plans (EHCPs). Funding is obtained through both a central contract with the ESFA, and the learner's Local Authority.

Higher Education

The College has rationalised its higher education provision, focusing on specialist provision in Early Childhood and Health to supplement existing teacher training provision.

The College was successful in its registration with the new HE regulatory body, the Office for Students (OfS).

International

The College has continued to develop its international work and recruited in excess of 125 fee-paying international students in 2018/19. The College also delivers training and quality assurance to a school in Zhuhai, China. The College remains a Confucius Classroom, a prestigious programme which supports schools and colleges in strengthening their Chinese language and culture programme.

Strategic Report (continued)

Strategic Plan Targets

The College's key targets are linked directly to the priority areas as set out in the College's strategic plan:

Key Priority 1: Outstanding Learning

- All learning areas to be at least Grade 2; 30% achieving Grade 1
- 2 % increase in application conversion (from 77% in 2017/18)
- 1% improvement across all measures in learners' end of course survey from 2016/17 baseline (82%)
- 1% improvement in overall employer satisfaction survey from 2016/17 baseline (82%)
- 2% above the sample average in the annual staff survey (York College Survey) for all questions asked

Key Priority 2: Outstanding Outcomes

- Education and Training (E&T) achievement rate. From 2016/17 baseline:
 - 16-18 2% improvement (82% 16/17)
 - 19+ maintain 95% achievement (95% 16/17)
- 16-18 Level 3 (E&T). From 2016/17 baseline:
 - 1% improvement in retention (93% 16/17)
 - 4% improvement in pass rate (89% 16/17)
- 16-18 Level 3 Value Added : 80% of level 3 academic courses at average or above performance on national value added measure from a baseline of 74% in 2016/17
- Apprenticeship outcomes: From 2016/17 baseline (56% timely & 65% overall):
 - 4% improvement in timely achievement rate
 - 4% improvement overall achievement rate
- English and Maths
 - GCSE English:
 - Maintain DfE positive progress measure (0.17 v national rate of 0.02 in 16/17)
 - Maintain high grade achievement of 60%
 - Improve achievement rate by 2% (84% 16/17)
 - GCSE Maths:
 - Improve DfE positive progress measure by 0.01 (0.09 v national rate of 0.02 in 16/17)
 - Improve high grade achievement to 40% (33.5% 16/17)
 - Maintain achievement rate of 88%
 - Basic Maths and English:
 - 3% increase in achievement rates in both Maths and English (64% 16/17)
- Higher Education
 - Maintain 'Meets Requirements' status in Annual Provider Review
 - Successfully meet criteria for registration with Office for Students
- Develop careers guidance to work towards Gatsby standards
- 95% of leavers progressing into further study, employment or apprenticeship (from 90% in 16/17)
- Establish baseline for annual homestay learner satisfaction survey

Key Priority 3: Sustainability and Growth

- Budget EBITDA of £1,009k achieved (4.7 % income)
- 40 % budget contribution of each curriculum area
- Bank covenants met in full
- 61% Pay /Income
- Financial Health rating of 'Satisfactory' achieved
- 16-18 recruitment 1% better than underlying demographic
- 25% of income from non-government sources (excluding Levy & transport)
- Apprenticeship income of £1,500k (Levy & non-levy)
- Adult employability income of £600k (AEB) and £300k (ESF)
- Total International income £1.9m
- HE growth strategy developed for LEP priority areas
- Development of a Forest School pilot programme for September 2019 with at least two curriculum areas (Early Childhood and Health & Continuing Ed)

Strategic Report (continued)

Capital Projects

Roof Improvement Project

The College has continued major roof improvement works to address the ageing M Block roof at the main Brockenhurst campus. The overall project remains on budget at £1.0m and comprises two phases: Phase 1 being asbestos removal and encapsulation works in the M Block loft spaces, followed by Phase 2, being the external roof improvement and replacement works. The project represents a major step forward in the College's Asbestos Management Plan and will address the deteriorating state of the roof's exterior.

The College has been successful in its bid to the Enterprise M3 Local Enterprise Partnership (LEP) to secure match funding for the project. The College has received a grant of £0.5m, being 50% of the total project costs, and has raised additional loan financing of £0.5m from the College's bank, Barclays, to finance the College's investment in the project.

IT investment

At the start of 2018/19 the College made significant investment in its IT resources and classroom provision. The College has been successful in obtaining £300k of match funding for IT investment from the Enterprise M3 LEP as part of a joint bid through a Hampshire Colleges consortium. This has increased the number and capacity of computer equipped classrooms throughout the College and supports the refurbishment of computer rooms in the STEM Centre for Digital Media in line with LEP priorities.

Payment performance

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

Post-balance sheet events

The College has agreed terms for the refinancing of its 4 existing bank loans and overdraft facility through its current lender, Barclays Bank. Existing loans and indebtedness will be repaid and refinanced whereby the existing loan covenant obligations will fall away.

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 2019 was £23.0m (31 July 2018 - £22.6m), having increased in the year due to the investment in the Roof Improvement Project.

Financial

The College has £8.2m (2017/18 - £8.3m) of net assets before defined benefit obligations. These include debt and overdraft of £3.6m (2017/18 - £2.8m). Following an increase in the year of £2.4m the College's defined benefit pension obligations now stand at £8.3m (2017/18 - £5.9m).

People

The College employed 325 (2017/18 – 303) people during the year (expressed as full-time equivalents), of whom 157 (2017/18 – 145) 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 regular basis and update the register when necessary.

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

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

Strategic Report (continued)

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

Strategic Report (continued)

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

Strategic Report (continued)

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

Strategic Report (continued)

STAKEHOLDER RELATIONSHIPS

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

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

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

Equality

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

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

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

Disability statement

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

- The College has an appointed Equal Opportunities & Diversity Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in College prospectuses, and achievements are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure at induction.

Strategic Report (continued)

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 3 December 2019 and signed on its behalf by:



G Beards

Chair

Date: 3 December 2019

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in principle on 2 July 2015. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2018/2019
Mrs Z Karol	Nov 2007 Last re-elected July 2015	4 yrs	Resigned Dec 2018	External	Employment and Personnel Vice Chair from 2014 Chair from 2016 Remuneration Finance and Standards	0% 100% 100%
Mrs J Milone	March 2010 Last re-elected July 2017	4 yrs		External	Employment and Personnel Remuneration Standards and Finance	100% 100% 100%
Mrs D Roberts	Ex-officio Appointed Sept 2006			Principal	Governance and Search Employment and Personnel Finance and Standards Capital Project	100% 100% 100% 100%
Dr C Swan	Dec 2010 Last re-elected Dec 2014	4 yrs	Term ended Dec 2018	External	Governance and Search Finance and Standards Employment and Personnel (co-opted)	100% 100% 0%

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2018/2019
Mr D Yates	Nov 2000 Last re-elected July 2015	4 yrs	Term ended July 2019	External	Remuneration Finance and Standards Capital Project	100% 100% 100%
Mr G Beards	Sept 2014 Re-appointed March 2018	4 yrs		External	Corporation Chair from 2017 Employment and Personnel Finance and Standards – Chair from Dec 2017 Governance and Search Remuneration Capital Project	100% 100% 100% 100% 100% 100%
Prof A Neill	Sept 2014 Re-appointed March 2018	4 yrs		External	Finance and Standards Capital Project Remuneration	66.6% 50% 100%
Mr T Pearce	July 2015	4 yrs	Term ended July 2019	External	Audit	66.6%
Mr J Hiley-Jones	July 2015 Re-appointed July 2019	4 yrs		External	Governance and Search Audit	66.6% 100%
Mrs Davina Hawkins	Dec 2015 Re-appointed July 2019 from Dec 2019	4 yrs		External	Audit Employment and Personnel	100% 66.6%
Ms M Trinh	March 2017	4 yrs		External	Audit	33.3%

Governor	Date of Appointment	Term of office	Date of resignation /End of term	Status of appointment	Committees served	Attendance in 2018/2019
Dr John Blowers	Oct 2016	4 yrs		External	Employment and Personnel Finance and Standards Capital Project Chair from 2017	100% 100% 100%
Mr Gary Cooper	March 2018	4 yrs		External	Employment and Personnel Audit	50% 66.6%
Mr Ian Fry	March 2018	4 yrs		External	Audit	100%
Ms Rebekah Donawa	Dec 2017	4 yrs		Staff (Professional services)	Employment and Personnel G&S	33.33% 66.66%
Ms Hannah Coast	Dec 2018	4 yrs		Staff (Teaching)	None	n/a
Miss Laura Whitcher	Dec 2018	1 year		Student (16-19)	None	n/a
Ms Eleanor Stanbridge	Dec 2018	1 year		Student (Adult)	None	n/a
Mrs Jenny Pitman	July 2019	4 yrs		External	n/a for 2018-2019	

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

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

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

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

Statement of Corporate Governance and Internal Control (continued)

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

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

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

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

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

Appointments to the Corporation

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

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

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

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as "Overall grade 2 (Good)" on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

Audit Committee

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

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

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

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

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

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Brockenhurst College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Brockenhurst College for the year ended 31 July 2019 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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

Going concern

Detailed cashflow information has been prepared for the period ending 24 months from the date of approval of these financial statements. Such projections incorporate the latest trading forecasts which indicate a peak cashflow requirement of £1.7m in April due to the timing of income receipts against expenditure.

Barclays have confirmed that they will extend the College's overdraft through this period to allow the College to meet its payment obligations. In addition, the College has successfully completed negotiations with the bank for a new refinancing package for the College. In November 2019, the bank obtained credit committee approval and agreed the refinancing.

Subsequent to the year end the operational leverage covenant, has been replaced by a Minimum Adjusted Operating Surplus covenant for the July 2020 year end. All other banking covenants remain the same. Based on current projections the College is therefore able to meet its banking covenants for a period of at least 24 months from the date of approval of these financial statements.

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

Approved by order of the members of the Corporation on 3 December 2019 and signed on its behalf by:

Signed



G Beards

Chair

Signed



D Roberts

Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

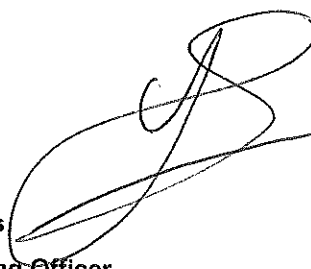
Signed



G Beards
Chair of Governors

Date: 3 December 2019

Signed



D Roberts
Accounting Officer

Date: 3 December 2019

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 3 December 2019 and signed on its behalf by:



Graham Beards

Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF BROCKENHURST COLLEGE

Opinion

We have audited the financial statements of Brockenhurst College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

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

Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease its operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the College's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model, including the impact of Brexit, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the College will continue in operation.

Other information

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

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 19, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Victoria Sewell

for and on behalf of KPMG LLP, Statutory Auditor

**Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG**

Date: 11 December 2019

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

In accordance with the terms of our engagement letter dated 28 June 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Brockenhurst College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Brockenhurst College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

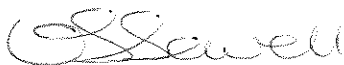
The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Victoria Sewell

For and on behalf of KPMG LLP, Reporting Accountant
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG

Date: 11 December 2019

Brockenhurst College **Statement of Comprehensive Income**

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		College £'000	College £'000
INCOME			
Funding body grants	2	13,967	14,298
Tuition fees and education contracts	3	3,475	3,101
Other grants and contracts	4	(15)	274
Other income	5	2,985	2,807
Total income		20,412	20,481
EXPENDITURE			
Staff costs	6	12,855	13,020
Other operating expenses	8	7,105	6,721
Depreciation	10	1,086	1,013
Interest and other finance costs	9	337	339
Total expenditure		21,383	21,093
Deficit before other gains and losses		(971)	(612)
Deficit for the year		(971)	(612)
Actuarial (loss)/gain in respect of pensions schemes	21	(1,500)	1,260
Total Comprehensive Income for the year		(2,471)	648
Represented by:			
Unrestricted comprehensive income		(971)	(612)
Restricted comprehensive income		(1,500)	1,260
		(2,471)	648
(Deficit)/Surplus for the year attributable to:			
College		(2,471)	648
Total Comprehensive Income for the year attributable to:			
College		(2,471)	648

Brockenhurst College

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation Reserve	Total excluding Non controlling interest
	£'000	£'000	£'000
College			
Balance at 1st August 2017	(4,715)	6,506	1,791
Deficit from the income and expenditure account	(612)	-	(612)
Other comprehensive income	1,260	-	1,260
Transfers between revaluation and income and expenditure reserves	151	(151)	-
Total comprehensive income for the year	<u>799</u>	<u>(151)</u>	<u>648</u>
Balance at 31st July 2018	(3,916)	6,355	2,439
Deficit from the income and expenditure account	(971)	-	(971)
Other comprehensive income	(1,500)	-	(1,500)
Transfers between revaluation and income and expenditure reserves	151	(151)	-
Total comprehensive income for the year	<u>(2,320)</u>	<u>(151)</u>	<u>(2,471)</u>
Balance at 31st July 2019	<u><u>(6,236)</u></u>	<u><u>6,204</u></u>	<u><u>(32)</u></u>

Brockenhurst College

Balance Sheet as at 31 July

	Notes	College 2019 £'000	College 2018 £'000
Fixed assets			
Tangible fixed assets	10	23,024	22,557
		<u>23,024</u>	<u>22,557</u>
Current assets			
Stocks		43	42
Trade and other receivables	11	1,199	1,780
Cash and cash equivalents	16	8	122
		<u>1,250</u>	<u>1,943</u>
Less: Creditors – amounts falling due within one year	12	(7,927)	(6,013)
Net current liabilities		<u>(6,677)</u>	<u>(4,070)</u>
Total assets less current liabilities		16,347	18,487
Less: Creditors – amounts falling due after more than one year	13	(8,014)	(9,990)
Provisions			
Defined benefit obligations	21	(8,270)	(5,900)
Other provisions	15	(95)	(158)
Total net assets		<u>(32)</u>	<u>2,439</u>
Unrestricted reserves			
Income and expenditure account		(6,236)	(3,916)
Revaluation reserve		6,204	6,355
Total unrestricted reserves		<u>(32)</u>	<u>2,439</u>

The financial statements on pages 32 to 55 were approved and authorised for issue by the Corporation on 3 December 2019 and were signed on its behalf on that date by:

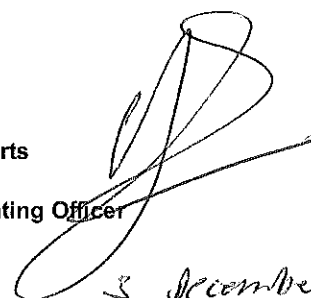


G Beards

Chair 3 December 2019

D Roberts

Accounting Officer



3 December 2019

Brockenhurst College

Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Deficit for the year		(971)	(612)
Adjustment for non cash items			
Depreciation		1,086	1,013
Releases of government capital grants		(329)	-
Increase in stocks		(1)	-
Decrease in debtors		580	(948)
(Decrease)/Increase in creditors due within one year		(1,283)	1,361
Increase/(decrease) in creditors due after one year		-	(235)
(Decrease)/Increase in provisions		(63)	(200)
Pensions costs less contributions payable		710	260
Adjustment for investing or financing activities			
Interest payable		177	169
FRS 102 pension finance cost		160	170
Net cash flow from operating activities		66	978
Cash flows from investing activities			
Receipt of government capital grant		796	-
Payments made to acquire fixed assets		(1,552)	(497)
		(756)	(497)
Cash flows from financing activities			
Interest paid		(177)	(169)
New loan		500	-
Repayments of amounts borrowed		(524)	(480)
		(201)	(649)
Decrease in cash and cash equivalents in the year		(891)	(168)
Cash and cash equivalents at beginning of the year	16	122	289
Cash and cash equivalents at end of the year	16	(769)	122
Decrease		(891)	(167)

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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

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

Going concern

At 31 July 2019 the college breached its banking covenants resulting in the loans being classified as current liabilities. The college has a very positive working relationship with Barclays and on 23 July 2019 Barclays issued a letter of comfort stating that it would continue to support the College subject to receipt of an Independent Business Review (IBR). The IBR report was issued on 14 August 2019.

Detailed cashflow information has been prepared for the period ending 24 months from the date of approval of these financial statements. Such projections incorporate the latest trading forecasts which indicate a peak cashflow requirement of £1.7m in April due to the timing of income receipts against expenditure.

Barclays have confirmed that they will extend the College's overdraft through this period to allow the College to meet its payment obligations. In addition, the College has successfully completed negotiations with the bank for a new refinancing package for the College. In November 2019, the bank obtained credit committee approval and agreed the refinancing.

Subsequent to the year end the operational leverage covenant, has been replaced by a Minimum Adjusted Operating Surplus covenant for the July 2020 year end. All other banking covenants remain the same. Based on current projections the College is therefore able to meet its banking covenants for a period of at least 24 months from the date of approval of these financial statements.

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

Notes to the Accounts (continued)

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under- or over-achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

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

Fees Income

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Notes to the Accounts (continued)

Hampshire Local Government Pension Scheme (LGPS)

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

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

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

Short-term Employment benefits

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

Enhanced Pensions

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

Tangible Fixed Assets

Land and Buildings

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

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

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

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

Notes to the Accounts (continued)

Subsequent expenditure on existing fixed assets

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

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

Equipment

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

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

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

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

Leased Assets

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

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

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

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.

Notes to the Accounts (continued)

Foreign Currency Translation

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

Taxation

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

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

Liquid Resources

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

Provisions

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

Agency Arrangements

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

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.

Notes to the Accounts (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions.

The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Brockenhurst College

Notes to the Accounts (continued)

2 Funding body grants

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	1,497	1,410
Education and Skills Funding Agency - 16-18	11,073	11,524
Education and Skills Funding Agency - Apprenticeships	523	816
Office for Students	7	22
Specific Grants		
ESFA - Adult	291	291
ESFA - 16-18	247	-
Releases of government capital grants	329	235
Total	13,967	14,298

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult education fees	830	769
Apprenticeship fees and contracts	449	172
Fees for FE loan supported courses	132	186
Fees for HE loan supported courses	292	212
European (excluding UK) students	114	129
International students fees	1,214	1,107
Total tuition fees	3,031	2,575
Education contracts	443	526
Total	3,475	3,101

4 Other grants and contracts

	2019 £'000	2018 £'000
European Commission	(15)	274
Total	(15)	274

Brockenhurst College

Notes to the Accounts (continued)

5 Other income

	2019 £'000	2018 £'000
Catering and residences	398	335
Other income generating activities	737	781
Other grant income	125	94
Miscellaneous income	1,725	1,597
Total	2,985	2,807

6 Staff costs

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

	2019 No.	2018 No.
Teaching staff	157	145
Non teaching staff	168	158
	325	303

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	9,410	9,866
Social security costs	825	831
Other pension costs (note 21)	2,276	1,886
Payroll sub total	12,511	12,583
Contracted out staffing services	287	284
	12,798	12,867
Fundamental restructuring costs - contractual	56	153
non contractual	-	-
	12,855	13,020

7 Staff costs

Key management personnel

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

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	2	2

Brockenhurst College

Notes to the Accounts (continued)

7 Staff costs (continued)

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

	<u>Key management personnel</u>		<u>Other staff</u>	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	4	4
£85,001 to £90,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£125,001 to £130,000 p.a.	-	1	-	-
£135,001 to £140,000 p.a.	1	-	-	-
	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Basic salary	233	218
Benefits in kind	3	2
Pension contributions	<u>39</u>	<u>35</u>
Total key management personnel compensation	<u>275</u>	<u>254</u>

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

	2019	2018
	£'000	£'000
Basic salary	135	128
Other including benefits in kind	2	1
Pension contributions	<u>22</u>	<u>21</u>
	<u>159</u>	<u>149</u>

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

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

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

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

The emoluments of the Principal and Chief Executive comprise a basic salary, employer pension contributions to the Teachers' Pension Scheme and benefits in kind relating to the payment of health insurance premiums. The salary has been set with regard to college sector data, and has been benchmarked to be in line with median quartile salary levels. It should be noted that as in previous years the Principal elected to defer an element of salary in recognition of the financial challenges of the College.

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

Brockenhurst College
Notes to the Accounts (continued)

7 Staff costs (continued)

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	6.1	6.1
Principal and CEO's total remuneration as a multiple of the median of all staff	6.2	6.1

The median salary of staff was calculated based on FTE pay for all staff on payroll as at 31 July 2019.

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

8 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	2,858	2,703
Non teaching costs	2,741	2,647
Premises costs	1,506	1,371
Total	7,105	6,721

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	25	25
Internal audit	7	13
Other services provided by the financial statements auditors	-	1
Other services provided by the internal auditors	-	2
Hire of asset under operating leases	443	431

9 Interest payable College

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	177	169
Net interest on defined pension liability (note 21)	160	170
Total	337	339

Brockenhurst College

Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	25,181	746	5,021	30,949
Additions	1,176	0	377	1,552
Disposals	0	0	(63)	(63)
At 31 July 2019	26,357	746	5,334	32,438
Depreciation				
At 1 August 2018	3,553	424	4,413	8,391
Charge for the year	719	44	323	1,086
Elimination in respect of disposals	0	0	(63)	(63)
At 31 July 2019	4,273	468	4,673	9,414
Net book value at 31 July 2019	22,084	278	662	23,024
Net book value at 31 July 2018	21,628	322	608	22,557

Land and buildings were re-valued in 2012 at depreciated replacement cost by a firm of independent chartered surveyors. The value of the land included in above is £1,099,000. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis.

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

	2019
	£'000
Cost	28,553
Aggregate depreciation based on cost	(12,341)
Net book value based on cost	16,212

Brockenhurst College

Notes to the Accounts (continued)

11 Trade and other receivables:

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	749	1,314
Prepayments and accrued income	251	424
Amounts owed by the ESFA	199	42
Total	1,199	1,780

12 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts (note 14)	3,593	487
Trade payables	902	971
Other taxation and social security	396	428
Accruals and deferred income	2,642	3,750
Deferred income - government capital grants	327	235
Amounts owed to the ESFA	67	143
Total	7,927	6,013

13 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans (note 14)	-	2,351
Other Loans	-	-
Deferred income - government capital grants	8,014	7,639
Total	8,014	9,990

Brockenhurst College

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	3,593	487
Between one and two years	-	382
Between two and five years	-	1,198
In five years or more	-	771
Total	3,593	2,838

The bank loans repayable by installments falling due between 1 August 2019 and 31 January 2029 totalling £2,814,000, are secured on the college property excluding the sports hall.

Covenants

Based upon these accounts, the College has breached both the debt service cover and operational leverage banking covenants linked to its long term loans with Barclays Bank.

The College has a very positive working relationship with Barclays, and on 23 July 2019 Barclays issued a letter of comfort stating that it would continue to support the College subject to receipt of an Independent Business Review (IBR). The IBR report was issued on 14 August 2019.

The College has now agreed refinancing terms with Barclays Bank whereby the existing loans will be repaid and the existing covenant obligations will fall away.

As a result of the College being in breach of its covenants as at 31 July 2019, all loans have been restated to be payable within 1 year reflecting the theoretical right of Barclays Bank to demand immediate repayment at that date.

(b) Finance leases

The College does not have any finance lease obligations.

15 Provisions

	Defined benefit Obligation £'000	Enhanced pensions £'000	Other provision £'000	Total £'000
At 31 July 2018	(5,900)	(108)	(50)	(6,058)
Expenditure in the period	(760)	8	-	(752)
Increase in period	(1,610)	-	-	(1,610)
Reductions in period	-	32	23	55
At 31 July 2019	(8,270)	(68)	(27)	(8,365)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.2%	3.2%
Discount rate	2.0%	2.8%

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

Brockenhurst College

Notes to the Accounts (continued)

16 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	122	(114)	-	8
Overdrafts	-	(777)	-	(777)
Loans	-	-	-	-
Total	122	(891)	-	(769)

17 Capital commitments

	College 2019 £'000	College 2018 £'000
Commitments contracted for at 31 July	39	201

18 Lease Obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	388	38
Later than one year and not later than five years	858	-
later than five years	1,135	-
	2,381	38
Other		
Not later than one year	338	391
Later than one year and not later than five years	531	403
Later than five years	5	-
Total lease payments due	874	794

19 Contingencies

There is a potential liability in respect of an ongoing HSE investigation into historical asbestos management at the College. The outcome of the investigation is currently unknown.

20 Events after the reporting period

The College has agreed terms for the refinancing of its 4 existing bank loans and overdraft facility through its current lender, Barclays Bank.

Existing loans and indebtedness will be repaid and refinanced whereby the existing loan covenant obligations will fall away.

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Hampshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Aon Hewitt Limited. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	846	946
Local Government Pension Scheme:		
Contributions paid	760	680
FRS 102 (28) charge	710	260
Charge to the Statement of Comprehensive Income	1,470	940
Enhanced pension charge to Statement of Comprehensive income	(40)	-
Total Pension Cost for Year within staff costs (note 6)	2,276	1,886

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

Contributions amounting to £175,988 (2018: £198,378) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £845,000 (2018: £946,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire Local Authority. The total contribution made for the year ended 31 July 2019 was £0.96m, of which employer's contributions totalled £0.76m and employees' contributions totalled £0.20m. The agreed contribution rates for future years for employers are set out below and for employees are from 5.5% to 12.5%, depending on salary.

2019/2020	18%	£209,100
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Principal Actuarial Assumptions

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

	2019	2018
Rate of increase in salaries	3.7%	3.6%
Future pensions increases	2.2%	2.1%
Discount rate for scheme liabilities	2.2%	2.8%
Inflation assumption (CPI)	2.2%	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:

	2019 years	2018 years
<i>Retiring today</i>		
Males	23.1	24.1
Females	25.8	27.2
<i>Retiring in 20 years</i>		
Males	24.7	26.2
Females	27.6	29.4

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equities	9,409	8,936
Bonds	3,220	3,400
Property	1,125	984
Cash	297	295
Other	1,579	436
Total market value of assets	15,630	14,050
Actual return on plan assets	970	1,270

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

	2019 £'000	2018 £'000
Fair value of plan assets	15,630	14,050
Present value of plan liabilities	(23,900)	(19,950)
Net pensions liability (Note 15)	(8,270)	(5,900)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	950	940
Past service cost	520	-
Total	1,470	940
Amounts included in Interest and Other Finance		
Net interest cost (Note 9)	160	170
	160	170
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	570	950
Experience gains arising on defined benefit obligations	(2,070)	310
Amount recognised in Other Comprehensive Income	(1,500)	1,260

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2019	2018
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(5,900)	(6,730)
Movement in year:		
Current service cost	(950)	(940)
Employer contributions	760	680
Past service cost	(520)	-
Net interest on the defined liability	(160)	(170)
Actuarial gain or loss	(1,500)	1,260
Net defined benefit (liability)/asset at 31 July	<u>(8,270)</u>	<u>(5,900)</u>

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	19,950	18,910
Current Service cost	950	940
Interest cost	560	490
Contributions by Scheme participants	200	200
Experience gains and losses on defined benefit obligations	2,070	(310)
Changes in financial assumptions	-	-
Estimated benefits paid	(350)	(280)
Past Service cost	520	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>23,900</u>	<u>19,950</u>

Reconciliation of Assets

Fair value of plan assets at start of period	14,050	12,180
Interest on plan assets	400	320
Return on plan assets	570	950
Employer contributions	760	680
Contributions by Scheme participants	200	200
Estimated benefits paid	(350)	(280)
Assets at end of period	<u>15,630</u>	<u>14,050</u>

Brockenhurst College

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

These accounts show a past service cost of £0.47m in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

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

Brockenhurst College

Notes to the Accounts (continued)

22 Related party transactions

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

Wessex Shared Services Limited - a joint venture of Brockenhurst College

During the year under review income to the College from its joint venture (WESS) amounted to £31,372 (2018 £19,048) relating to recharged expenses. Also during the year under review the College paid £848,000 to its joint venture (2018 £919,000). At the year end the College was owed £45,978 by WESS (2018 £49,802) and the College owed WESS nil (2018 £79,000).

	2019 £'000	2018 £'000
Share of assets		
Share of fixed assets	62	50
Share of current assets	58	73
	<u>120</u>	<u>123</u>
Share of liabilities		
Share of current liabilities	(133)	(130)
Share of pension liability	(1,216)	(831)
	<u>(1,349)</u>	<u>(961)</u>
Share of net liabilities	<u>(1,229)</u>	<u>(838)</u>

23 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Funding body grants – bursary support	298	286
Funding body grants – discretionary learner support	45	38
Funding body grants – residential bursaries	-	-
Other Funding body grants	31	42
Interest earned	-	-
	<u>375</u>	<u>366</u>
Disbursed to students	(345)	(318)
Administration costs	(13)	(13)
Balance unspent as at 31 July, included in creditors	<u>17</u>	<u>35</u>

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

24 Post Balance Sheet Events

The College has agreed terms for the refinancing of its existing bank loans and overdraft facility through its current lender, Barclays Bank. Existing loans and indebtedness will be repaid and refinanced whereby the existing loan covenant obligations will fall away.