Brooklands College

Report of the Members and Financial Statements

Year Ended 31 July 2016

KEY MANAGEMENT PERSONNEL, BOARD OR GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

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

Maureen Kilminster (to March 2016), Principal and CEO; Accounting officer
Gail Walker (from April 2016), Principal and CEO; Accounting officer
Christine Ricketts, Deputy Principal
Diana Pogson (to April 2016), Vice Principal Finance, Planning and Corporate Services
Shereen Sameresinghe (from May 2016), Vice Principal Finance, Planning and Corporate Services

Board of Governors

A full list of Governors is given on pages 14-16 of these financial statements.

Mr Ian Pocock (to December 2015) and Mrs Josephine Carr (from January 2016) acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial Statement and Regularity Auditors:

RSM UK Audit LLP
Davidson House
Forbury Square
Reading
RG1 3EU

Internal Auditors:

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Solicitors:

Stevens & Bolton LLP
Wey House
Farnham Road
Guildford
Surrey
GU1 4YD

Legal Advisers:

Eversheds LLP
Bridgewater Place
Water Lane,
Leeds
LS11 5DR

Bankers:

Barclays Bank PLC
London and South East Education Team
PO Box 544
54 Lombard Street
London
EC3V 9EX

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NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Brooklands College. The College is an exempt charity for the purposes of the Charities Act 2011.
The College's principal place of business is Heath Road, Weybridge, Surrey, KT13 8TT.

Public Benefit

Brooklands College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Education as Principal Regulator for FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14-16.

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

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

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce

Mission

The College reviewed the mission in 2010 and again in autumn 2016, with consultation throughout the College and Governing Body. The Governing Body have agreed that the Mission is still fit for purpose. The College's mission statement is as follows:

'Brooklands College will be an outstanding provider of education and training for every member of our community, every day'

Implementation of Strategic Plan

The College has reviewed and reaffirmed its strategic plan, which was agreed by the Governing Body at its meeting in September 2015. The Strategic Plan covers the period 2013-2016 and includes property and financial plans. The monitoring of the Strategic Plan takes place at the Planning, Remuneration and Governance Committee, which is made up of the Chairs of the Committees of the Governing Body, and is discussed at Governing Body meetings.

The Strategic Objectives within the plan are:

Aim One
To inspire students to achieve their full potential by delivering the highest quality guidance, support and teaching with outstanding learning and skills development opportunities.

Aim Two
To be highly regarded by business and the community as a successful College that is innovative, entrepreneurial and responsive to meeting local and regional skills needs, which maximises benefits to students and the organisation.

Aim Three
To be an efficient, effective, sustainable and forward looking College focused on improving facilities and developing staff.

College Achievements

The College's achievements for 2015/16 are shown below:

- The College has maintained a rating of "Good" that it received in the December 2013 OFSTED inspection
- The College has outstanding provision in Apprencticeships, Traineeships, Supported Learning, Princes Trust and Music
- The College's current overall achievement rate in 2015/16 is 84.8%, in 2014/15 it was 85.8% (2013/14 85.8%)
- The College's performance in 2015/16 for 16-18 Apprenticeship funding was £6.02m, against an original target of £5.2m, following a successful growth bid.
- The College moved into its new facilities at Ashford in August 2016 for the start of a new academic year

Financial Objectives

The College's financial objectives are to:

- Achieve a sound financial base within agreed targets and with a sense of commercial reality
- Improve financial management and review existing controls
- Fully utilise existing resources to the maximum benefit of our students

Performance Indicators

FE Choices (formerly, the 'Framework for Excellence') have four key performance indicators – success rates, learner destinations, learner satisfaction and employer satisfaction. The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual finance record for the SFA. The College also sets key performance indicators for success rates that are reported to Full Governing Body each term. These are set out in the table below.

Key Performance Indicators	2015/2016 target	2015/2016 actual
Overall College success rate	87%	84.8%
16-18 overall success rate	86.5%	84.4%
19+ overall success rate	89%	85.5%
Apprenticeship timely success	72%	81.1%

FINANCIAL POSITION

Financial Results

The College generated a surplus in the year of £224,000, which includes exceptional restructuring costs of £102,000.

At 31 July 2016, the College had reserves of £8,742,000, cash balances of £4,331,000 and a balance of £3,878,000 remaining on the loan taken out to fund the Engineering, Art and Design new build and refurbishment. This fixed term fixed interest loan was for £5.0 million and is repayable over 25 years.

Tangible fixed asset additions during the year amounted to £9,505,000.

The College has significant reliance on the SFA, EFA and HEFCE for its principal funding source, largely from recurrent grants. In 2015/16, these organisations provided 92 per cent of the College's total income.

The College has one subsidiary company, Brooklands Enterprises Limited, which is dormant.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Cash Flow

The College's net cash flow from operating activities was £7,590,000 compared to £2,992,000 in 2014/15.

Liquidity

The size of the College's borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was achieved.

Reserves Policy

The College is developing its reserves policy and recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. As at the balance sheet date, the Income and Expenditure account reserve stands at £4m, (2015: £4.9m). It is the Corporation's intention to increase reserves by the generation of annual operating surpluses as targeted in the financial plan.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015/2016 the College has delivered activity that has produced £19,515 000 in funding body main allocation funding (2014/2015 – £20,894,000). The College had approximately 5,200 funded learner numbers including 208 HE.

Student Achievements

The overall achievement rate for students is currently 84.8 per cent this year compared to 85.8 per cent in 2014/15. Achievement rates are defined as the number of students who have achieved based on the proportion of students who started on a course.

Curriculum Developments

The College offers a broad range of curriculum courses at all levels, including both learner and employer responsive programmes to both 16-18 year old students and adults through full-time, part-time and apprenticeship programmes.

The College has a range of courses aimed at students who are returning to education, including English, mathematics, basic IT and business skills programmes. Other courses and initiatives prepare students for university. In addition, the College has close links with universities including Oxford Brookes University and Kingston University and is continuing to develop its provision of higher education courses.

The College continues to develop its curriculum offer in line with the needs of local employers and with LEP and government priorities.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1988, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services, or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 60 per cent of its invoices within 30 days of receipt of invoice. The College incurred no interest charges in respect of late payment for this period.

Post-Balance Sheet Events

There were no post balance sheet events.

Future Performance

- The College will complete significant electrical infrastructure, refurbishment and building work on the Weybridge campus in the autumn term 2016,
- The College's curriculum strategy continues to prioritise English and mathematics,
- The College will continue to develop its Property Strategy during 2016/2017 to ensure that investment is able to bring all facilities to the level of those projects recently completed,
- The College will continue to prioritise collaboration with the other Surrey GFEs to develop shared services that will support the organisations involved,
- The College will continue to develop STEM provision in line with local and government priorities.

RESOURCES

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

Tangible resources include the Weybridge campus, which has modern engineering workshops and art and design studios. During 2015/2016, as part of the implementation of the property strategy, the College built a new College facility on a site adjacent to the Thomas Kynvett College in Ashford. Under the sale agreement the College continues to have use of part of the existing Ashford site for academic year 2016/2017. The new site opened, ahead of schedule, in August 2016.

Sale of the Ashford campus has also provided the opportunity to invest in the infrastructure and facilities on the Weybridge Campus during 2015/16, with a focus on improving the student experience and providing the infrastructure to meet both current and future curriculum needs.

Financial

The College has £8.7 million of reserves and long term debt of £3.8 million.

People

The College employs 209 people (expressed as full time equivalents), of whom 101 are teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES

The College recognises that reputation damage could be a serious risk and works hard to ensure that positive messages are widely circulated. As a result the College's reputation with particular sectors has improved, for example:

- The College is now considered to be the first-choice progression route for students across Surrey from special schools,
- The College has continued to raise its profile in the Ashford community with the opening of the new campus on the Thomas Knyvett school site.

The College has maintained efforts 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. Work has continued during 2015/2016 to develop the reporting and processes to maximise the benefit of the new finance system.

In relation to risk management, managers undertake a comprehensive review and scoring exercise of the risks to which the College is exposed. Systems and procedures are identified, including specific preventable actions, which should mitigate any potential impact on the College. The internal controls are then implemented and are reviewed throughout the year for progress against risk mitigation actions. In addition to the on-going review, the Leadership Team and the Governing Body will also consider any risks which may arise as a result of College operations and decision-making, or from the external environment.

A risk register is maintained at the College level which is reviewed every term 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.

Outlined below is a description of the principal risk factors 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.

Government Funding

The College has considerable reliance on continued government funding through the SFA, EFA and HEFCE. In 2015/16, 92% of the College's revenue was ultimately public funded and this level is expected to continue. 40% of this funding was from Apprenticeship activity, a significant proportion of which is subcontracted. There are good controls in place to manage the work with partners and subcontractors; however, the imminent changes to Apprenticeship funding with the introduction of the levy, present both a risk and a potential opportunity. The College was successful during 2015/2016 in being awarded a growth request for 19+ Apprenticeships of £1.5m. The College continues to be mindful of ensuring that resources are maximised and that new projects are able to maximise student number growth.

The College is aware of several issues which may impact on future funding, including:

- Lagged learner numbers, which means any growth in 16-18 numbers is funded the following year not in the same academic year,
- Apprenticeship growth funding is only available via bidding opportunities twice a year,
- The introduction of the Apprenticeship levy and SFA policy relating to subcontracting,
- The outcomes of Area Reviews.

This risk is mitigated in a number of ways:

- Ensure that where possible additional learner numbers are accommodated within existing resources,
- Dates for bidding for additional funding have been published. The College has noted the dates and shared them with partners. The College will not deliver beyond its contract but will be ready to bid for additional funding including ESF where relevant.
- Close controls and good working relationships with subcontractors and employers, working with them on the introduction of the levy,
- The College will continue to work with partners to develop all opportunities for future joint working including a shared service for HR and Finance,
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding,
- Regular dialogue with the SFA, EFA and HEFCE.

Tuition Fee Policy

The fee assumption remains at least 51 per cent in 2016/17. In line with the majority of other colleges, Brooklands College will seek to increase tuition fees in accordance with the rising fee assumptions. The risk for the College is that demand falls off as fees increase. However, loans have now been extended to learners aged 19 and over, which provides an opportunity for growth in income from individual learners via the Student Loan Company. The impact of this on the College's enrolment pattern is being monitored.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students,
- Close monitoring of the demand for courses as prices and access to loans change.

Maintain Adequate Funding of Pension Liabilities

The financial statements report the share of the local government pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Brooklands College has many stakeholders. These include:

- Students
- Funding bodies
- Staff and trade unions
- Local employers (with specific links)
- Local authorities
- Local community
- Local schools
- Other FE institutions
- Professional bodies
- Enterprise M3 LEP.

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

Equal Opportunities and Employment of Disabled Persons

Brooklands 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, ability, class and age. The College strives vigorously to remove conditions which place people at a disadvantage and the College will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equality and Diversity Policy is published on the College's website.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 are, as far as possible, identical to those for other employees. The College's Equality and Diversity plan is monitored by managers and governors.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010 (Disability) Regulations:

- All new and refurbished buildings are designed to enable full access by people with a physical disability, so that eventually most of the facilities will be suitable for disabled people;
- Specialist lecturers, assistants and support staff are employed to support students with learning difficulties and disabilities; and
- Specialist equipment is made available to students as required.

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 14 December 2016 and signed on its behalf by:

T Lazenby
Vice Chair
14 December 2016

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 1 August 2015 to 31 July 2016 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 English Colleges' Foundation Code of Governance ("the Foundation Code"), and its Annex on Audit and Accountability; and

iii. having due regard to the UK Corporate Governance Code ("the Code") 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 Foundation Code and its Annex. 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 all the provisions of the Foundation Code and its Annex, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

In July 2015 the College adopted the Code of Good Governance for English Colleges developed by the Association of Colleges.

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 purpses of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Governing Body

The members who served the Governing Body during the year and up to the date of signature of this report are listed in the table below. Those marked (*) also acted as directors of the College's wholly owned subsidiary, Brooklands Enterprises Ltd.

Notes: In accordance with the Foundation Code Annex on Audit and Accountability this table includes a column summarising the attendance of each governor at the full Governing Body and Committees of which they are a member for 2015/16:

1. Committees are abbreviated as follows: FGB = Full Governing Body, CPR = Curriculum and Performance Review, Joint = Joint Audit and Resources committee, PRG = Planning

Remuneration and Governance, Resources = Resources, CSC = Capital Strategy Committee.

2. The College recruits associate governors as either 'governors in training' or to provide specific expertise for a particular committee. Associates may attend full governing body meetings as non-voting members but attendance is not defined as part of the role. The information for associates is therefore on the basis of committees of which they were a full voting member.

3. The information on attendances is given for FGB and individual committees. 4/4 indicates four meetings were attended from a potential four possible attendances. A total of meetings attended and percentage figure is given for each governor.

Name	**Date of Current Appointment**	**Term of Office**	**Term of office ends**	**Committee membership**	**Attendance record**
Full Governing Body members - external appointments					
Jerry Tapp* Chair from 2/2/11	19/09/14	4 years (2nd term)	18/09/18	Planning, Remuneration and Governance Capital Strategy Attends all Committees except Audit.	FGB 4/4 CPR 2/3 Resources 3/3 Joint 0/1 PRG 1/3 CSC 6/7 Total: 16/21 %: 76
Terry Lazenby*	16/07/14	4 years (1st term)	15/07/18	Chair of Planning, Remuneration and Governance Audit Observer: Capital Strategy	FGB 4/4 Joint 1/1 Audit 3/3 PRG 2/3 Total: 10/11 %: 91
Chris Barlow	28/04/15	4 years (2nd term)	29/04/19	Resources Capital Strategy	FGB 3/4 Resources 2/3 Joint 1/1 CSC 3/7 Total: 9/15 %: 60
Steve Brice	17/07/16	1 year (in 4th term)	16/07/17	Chair of Resources Chair of Capital Strategy Planning Remuneration and Governance	FGB 4/4 CPR 3/3 Resources 1/3 Joint 1/1 PRG 1/3 CSC 5/7 Total: 15/21 %: 71

Name	Date of Current Appointment	Term of Office	Term of office ends	Committee membership	Attendance record
Brian Harris	03/04/14	4 years (1st term)	02/04/18	Resources Capital Strategy	FGB 2/4 Resources 2/3 Joint 1/1 CSC 5/7 Total: 10/15 %:67
Susan McCondochie	24/04/13	4 years (1st term)	Resigned 04/07/16	Audit	FGB 3/3 Audit 3/3 Joint 1/1 Total: 7/7 %: 100
Katie Normington	20/07/15	1 year (following one term as full governor)	19/07/16	Curriculum and Performance Review	FGB 3/4 CPR 3/3 Total: 6/7 %: 86
Jerry Loy	22/04/15	4 years	21/04/19	Resources Capital Strategy	FGB 4/4 Resources 2/3 Joint 1/1 CSC 5/7 Total: 12/15 %: 80
Jackie Pearson	16/07/14	4 years	15/07/18	Chair Curriculum and Performance Review	FGB 3/4 CPR 3/3 PRG 3/3 Total: 9/10 %: 90
Richard Rawes	03/04/14	4 years	02/04/18	Capital Strategy Curriculum and Performance Review	FGB 4/4 CPR 1/3 CSC 6/7 Total: 11/14 %: 79
Clare Watling	01/08/15	4 years (2nd term)	31/7/19	Audit Planning, Remuneration and Governance	FGB 4/4 Audit 3/3 Joint 1/1 PRG 2/3 Total: 14/15 %: 93

Name	Date of Current Appointment	Term of Office	Term of office ends	Committee membership	Attendance record
Principal					
Maureen Kilminster	06/06/11 to 31/03/2016	Ex officio	Ex officio	All except Audit and Planning, Remuneration and Governance	FGB 4/4 CPR 3/3 Joint 1/1 Resources 3/3 CSC 8/10 Total:19/21 %: 90
Gail Walker	01/04/16	Ex officio	Ex officio	All except Audit and Planning, Remuneration and Governance	FGB: 1/1 CPR 1/1 PRG 1/1 Resources 1/1 CSC 2/3 Total 6/7 %: 86
Staff Governors					
Teresa Roberts	16/07/14	4 years (1st term)	End of academic year 2017/18	Curriculum and Performance	FGB 3/4 CPR 2/3 Total: 5/7 %: 71
Ricky Zalman	24/04/13	4 years (1st term)	Left College employment 18/07/2016	Resources	FGB 0/4 Resources 1/3 Joint 0/1 Total: 1/8 %: 13
Student Governors					
Alex Cozens	17/12/14	1 year	End of academic year 2015/16	-	FGB 1/2 Total: 1/2 %: 50
Sandra Spicuzza	17/12/14	2 years	End of academic year 2015-16	-	FGB 1/2 Total: 2/2 %: 50
Associate Governors					
Richard Shaw	15/07/15	1 year (2nd term)	14/07/16	Audit	FGB 4/4 Total:4/4 %: 100
Frank Hanna	15/07/15	1 year (1st term)	14/07/16	Resources	FGB 2/4 %: 50
Sheryl Simon	15/07/15	1 year (1st term)	Resigned 18/02/16		FGB 2/2 %: 100

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

The Governing Body 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, human resources, health and safety, and corporate social responsibility. The Governing Body met four times during 2015/16.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. For 2015/16 these committees were the Audit Committee, the Curriculum and Performance Review Committee, Planning, Remuneration and Governance Committee, Resources Committee, and Capital Strategy Committee. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College website or from the Clerk to the Governing Body at: Brooklands College, Heath Road, Weybridge, Surrey, KT13 8TT.

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

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 Governing Body, who is responsible for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the clerk are matters for the Governing Body as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Governing Body and Principal of the College are separate.

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole.

Curriculum and Performance Review Committee

This Committee is particularly concerned with that responsibility of the Governing Body which is the determination of the educational character and mission of the College and the oversight of its activities. Throughout the year ending 31 July 2016 this Committee comprised Jackie Pearson, Katie Normington, Steve Brice, Teresa Roberts, Maureen Kilminster succeeded by Gail Walker in April 2016 and Jerry Tapp.

Planning, Remuneration and Governance Committee

Throughout the year ending 31 July 2016, this Committee comprised Terry Lazenby, Jerry Tapp, Steve Brice, Jackie Pearson and Clare Watling. The Committee's responsibilities are to make recommendations to the Governing Body on the remuneration and benefits of the Principal and other senior post holders, to plan the strategic agenda for the Governing Body, to manage recruitment and succession planning for the Governing Body, and keep the governance of the College under review through a governance quality improvement plan.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

During the year ended 31 July 2016 the Audit Committee comprised Clare Watling, Terry Lazenby, Susan McCondochie and Richard Shaw. The Committee operates in accordance with written terms of reference approved by the Governing Body and the Joint Audit Code of Practice. The Committee's purpose is to advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least once a term and provides a forum for reporting by the College's internal 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 further education funding bodies, as they affect the College's business.

The College's internal auditors monitor 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 Governing Body on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

Resources Committee

In the year to July 2016 the resources committee comprised Steve Brice, Chris Barlow, Brian Harris, Ricky Zalman, Jerry Loy, Maureen Kilminster succeeded by Gail Walker in April 2016 and Frank Hanna.

The Resources Committee meets at least once a term and provides a forum for reporting on the financial management and control of the College, health and safety, property matters and budgets. The Committee has access to the external auditors of the College and, in conjunction with the Audit Committee, receives the initial presentation of the financial statements.

Capital Strategy Committee

The Capital Strategy Committee oversees the property strategy for the College. In the year to July 2016 it consisted of Steve Brice, Jerry Tapp, Eric Read, Chris Barlow, Richard Rawes, Brian Harris, Maureen Kilminster succeeded by Gail Walker in April 2016 and Terry Lazenby as an observer.

Internal Control

Scope of responsibility

The Governing Body 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 Governing Body 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 the College and the funding bodies. She is also responsible for reporting to the Governing Body 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 on-going 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 Brooklands College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. The risk management process is regularly reviewed by the Governing Body.

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 Skill's Funding Agency (SFA) and Employment Funding Agency's (EFA) *Joint 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 governing body 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 the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As accounting officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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, regularity auditors and the appointed funding auditors in their management letters and other reports.

The Principal 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, other sources of assurance and risk management and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Principal and 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. The Principal, 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 governing body'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 2016 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the audit committee and the Principal, 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 "effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. Forecasts have been prepared which demonstrate that the College can continue to operate within its current facilities on its present basis. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 14 December 2016 and signed on its behalf by:

T Lazenby	**G Walker**
Vice Chair	**Principal**
14 December 2016	**14 December 2016**

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

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the college, or material non-compliance with the SFA's terms and conditions of funding under the college's financial memorandum.

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

T Lazenby
Vice Chair
14 December 2016

G Walker
Principal
14 December 2016

The members of the governing body of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the SFA, and the governing body of the College, the governing body, through its principal, is required to prepare financial statements for each financial year, in accordance with the *2015 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions* and with the College Accounts Direction for 2015/16 issued jointly by the SFA and the EFA, 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 Governing Body is required to:

- select suitable accounting policies then 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The governing body is also required to prepare an operating and financial review, which describes its activity, and the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation of College; the work carried out by auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since that 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 governing body are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the SFA are used only in accordance with the financial memorandum with the SFA and any other conditions that may be prescribed from time to time. Members of the governing body must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the governing body 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 SFA are not put at risk.

Approved by order of the members of the Governing Body on 14 December 2016 and signed on its behalf by:

T Lazenby
Vice Chair
14 December 2016

G Walker
Principal
14 December 2016

We have audited the Consolidated and College financial statements (the "financial statements") which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated and College Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 18 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 18 November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Brooklands College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 13 to 21 the Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 18 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of [the Groups' and] the College's affairs as at 31 July 2016 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Rsm UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated: 18\12\16

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	19,515	19,515	20,894	20,894
Tuition fees and education contracts	3	1,176	1,176	1,154	1,154
Other income	4	477	477	400	400
Investment income	5	20	20	2	2
Donations and Endowments	6	20	20	-	-
Total income		21,208	21,208	22,450	22,450
EXPENDITURE					
Staff costs	7	9,822	9,822	10,807	10,807
Fundamental restructuring costs	7	102	102	246	246
Other operating expenses	9	9,852	9,852	10,590	10,590
Depreciation and amortisation	12 & 13	753	753	770	770
Interest and other finance costs	10	455	455	467	467
Total expenditure		20,984	20,984	22,880	22,880
Surplus (deficit) before other gains and losses		224	224	(430)	(430)
Profit on disposal of assets		-	-	6,524	6,524
Surplus before tax		**224**	**224**	**6,094**	**6,094**
Taxation	11	-	-	-	-
Surplus for the year		**224**	**224**	**6,094**	**6,094**
Actuarial loss in respect of pensions schemes	24	(1,311)	(1,311)	(384)	(384)
Total Comprehensive Income for the year		**(1,087)**	**(1,087)**	**5,710**	**5,710**

These accounts do not reflect any restricted funds and only reflect relevant disclosure in the primary statements.

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1 August 2014	(973)	5,092	4,119
Surplus from the income and expenditure account	6,094	-	6,094
Other comprehensive income	(384)	-	(384)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	5,880	(170)	5,710
Balance at 31 July 2015	**4,907**	**4,922**	**9,829**
Surplus from the income and expenditure account	222	-	222
Other comprehensive income	(1,309)	-	(1,309)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	(917)	(170)	(1,087)
Balance at 31 July 2016	**3,990**	**4,752**	**8,742**
College			
Restated Balance at 1 August 2014	(973)	5,092	4,119
Surplus from the income and expenditure account	6,094	-	6,094
Other comprehensive income	(384)	-	(384)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	5,880	(170)	5,710
Balance at 31 July 2015	**4,907**	**4,922**	**9,829**
Surplus from the income and expenditure account	222	-	222
Other comprehensive income	(1,309)	-	(1,309)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	(917)	(170)	(1,087)
Balance at 31 July 2016	**3,990**	**4,752**	**8,742**

	Notes	Group	College	Group	College
		2016	**2016**	**2015**	**2015**
		£'000	**£'000**	**£'000**	**£'000**
Non-current assets					
Tangible Fixed assets	13	25,809	25,809	17,024	17,024
Intangible Fixed assets	12	39	39	71	71
Investments	15	-	-	-	-
		25,848	**25,848**	**17,095**	**17,095**
Current assets					
Trade and other receivables	14	2,239	2,239	5,730	5,730
Cash and cash equivalents	20	4,331	4,331	6,103	6,103
		6,570	**6,570**	**11,833**	**11,833**
Less: Creditors – amounts falling due within one year	16	(5,030)	(5,030)	(4,779)	(4,779)
Net current assets		**1,540**	**1,540**	**7,054**	**7,054**
Total assets less current liabilities		**27,388**	**27,388**	**24,149**	**24,149**
Creditors – amounts falling due after more than one year	17	(10,103)	(10,103)	(7,464)	(7,464)
Provisions					
Defined benefit obligations	19	(7,925)	(7,925)	(6,471)	(6,471)
Other provisions	19	(618)	(618)	(385)	(385)
Total net assets		**8,742**	**8,742**	**9,829**	**9,829**
Unrestricted Reserves					
Income and expenditure account		3,990	3,990	4,907	4,907
Revaluation reserve		4,752	4,752	4,922	4,922
Total unrestricted reserves		**8,742**	**8,742**	**9,829**	**9,829**

The financial statements on pages 26 to 57 were approved and authorised for issue by the Governing Body on 14 December 2016 and were signed on its behalf by:

Tim Lazenby

T Lazenby
Vice Chair

Gail Walker

G Walker
Accounting Officer

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 Restated £'000
Cash flow from operating activities			
Surplus for the year		224	6,094
Adjustment for non-cash items			
Depreciation and amortisation		753	770
Profit on disposal of asset		-	(6,483)
Decrease/(increase) in debtors		3,491	(179)
Increase in creditors due within one year		(31)	433
Increase/(decrease) in creditors due after one year		2,809	1,991
Decrease in provisions		(21)	(24)
Pensions costs less contributions payable		(70)	(75)
Adjustment for investing or financing activities			
Investment income		(20)	(2)
Interest payable		455	467
Net cash flow from operating activities		**7,590**	**2,992**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	6,425
Investment income		20	2
Payments made to acquire fixed assets		(9,006)	(3,772)
		(8,986)	**2,655**
Cash flows from financing activities			
Interest paid		(215)	(231)
Repayment of amount borrowed		(161)	(158)
		(376)	**(389)**
(Decrease) / Increase in cash and cash equivalents in the year		**(1,772)**	**5,258**
Cash and cash equivalents at beginning of the year	**20**	**6,103**	**845**
Cash and cash equivalents at end of the year	**20**	**4,331**	**6,103**

1. Accounting Policies

Statement of Accounting Policies

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

General information

Brooklands College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 4. The nature of the College's operations are set out in the Operating and Financial Review.

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where a separate statement for Consolidated Statement of Comprehensive Income were presented.

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

  The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

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.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary, Brooklands Enterprises Limited, controlled by the Group. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going Concern

The College management have prepared a three year financial plan, with a rolling 12 month forecast for the Governors.

The College currently has a fixed term loan with annual debt servicing costs of £215,000. The College operates without any overdraft facilities and at the year-end had a positive cash balance of £4,331,000. The College's forecasts indicate that it will be able to operate within the existing facility and covenants.

Accordingly, the College has continued to prepare the financial statements on a going concern basis, and the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Recognition of Income

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the statement of comprehensive income.

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

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

Recognition of Income (Contd)

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.

All income from short-term deposits is credited to the Consolidated Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pensions Scheme (SERPS).

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 quinquennial valuations using a prospective benefit method. As stated in Note 24, 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 scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of comprehensive income.

Enhanced Pensions

The actual cost of any enhanced on-going 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 on-going pension of a former member of staff is charged in full to the College's Consolidated Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provision in the balance sheet using the enhanced pension spreadsheet provided by the Funding Bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives of as follows:

- New buildings - 50 years
- Refurbishments – 15 years

Freehold land is not depreciated.

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Borrowing and finance costs, which are directly attributable to the acquisition, construction or production of land and buildings, are capitalised as part of the cost of those assets.

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 income account within creditors, and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Non-current Assets – Intangible fixed assets

In-tangible fixed assets such as software development are recognised based on section 18 of FRS 102 and are stated deemed cost less accumulated amortisation. Such assets are amortised on a straight line basis over their expected useful lives within five years from the day of purchased.

Equipment

Equipment costing less than £1,000 per individual item is written off to the Consolidated Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the LEA is included in the balance sheet at valuation (depreciated replacement cost) which has been treated as the deemed cost on transistion to FRS102.

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

- heavy plant – 15 years straight line
- plant – 10 years straight line
- heavy duty equipment – 7 years on a straight line basis
- motor vehicles and general equipment - 5 years on a straight line basis
- computer servers and infrastructure – 5 years on a straight line basis
- computer equipment - 4 years on a straight line basis
- software - 3 years on a straight line basis

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 income account within creditors, and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% 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 and services as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency Arrangements

The College acts as an agent in the collection and payment of learner support funds and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the statement of comprehensive income of the College and are shown separately in note 26, except for the 5 per cent of the grant issued which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education Funding Agency (EFA)	8,981	8,981	9,429	9,429
Skills Funding Agency (SFA)	9,403	9,403	10,304	10,304
Higher Education Funding Council	64	64	50	50
Specific grants				
Education Funding Agency (EFA)	17	17	-	-
Skills Funding Agency (SFA)	104	104	104	104
Local Government Funding Income	237	237	255	255
Releases of government capital grants	183	183	178	178
HE Grant	526	526	574	574
Total	**19,515**	**19,515**	**20,894**	**20,894**

3. Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	196	196	207	207
Apprenticeship fees and contracts	22	22	-	-
Fees for FE loan supported courses	127	127	143	143
Fees for HE loan supported courses	141	141	229	229
Fees for Full Cost course	434	434	389	389
Total tuition fees	920	920	968	968
Education contracts	256	256	186	186
Total	**1,176**	**1,176**	**1,154**	**1,154**

4. Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	127	127	158	158
Other grant income	-	-	-	-
Non-government capital grants	50	50	-	-
Miscellaneous income	300	300	242	242
Total	**477**	**477**	**400**	**400**

5. Investment Income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	16	16	-	-
Other interest receivable	4	4	2	2
Total	**20**	**20**	**2**	**2**

6. Donations

	Year ended 31 July	Year ended 31 July
	2016	2015
	£'000	£'000
Unrestricted donations	20	-
Total	**20**	-

7. Staff costs – Group and College

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

	2016	2015
	No.	No.
Teaching staff	101	132
Non-teaching staff	108	124
	209	**256**

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	7,367	8,607
Social security costs	577	608
Other pension costs	1,347	1,327
Payroll sub total	**9,291**	**10,542**
Contracted out staffing services	531	265
	9,822	**10,807**
Fundamental restructuring costs – Contractual	102	246
Total Staff costs	**9,924**	**11,055**

8. 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 Senior Leadership Team which comprises of the Principal, Deputy Principal, Vice Principal, Assistant Principal and Executive Director. Staff costs include compensation paid to key management personnel for loss of office.

Key management personnel (contd)

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	6

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	2	2	-	-
£80,001 to £90,000 p.a.	2	2	-	-
£120,001 to £130,000 p.a.	2	2	-	-
	6	6	-	-

Included above are two people who were only in post part of the year but have been included as if in role for the whole year.

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	419	416
Employers National Insurance	42	47
Benefits in kind	1	2
	462	**465**
Pension contributions	62	72
Total key management personnel compensation	**524**	**537**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

Key management personnel (contd)

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016	2015
	£'000	£'000
Salaries	127	125
National Insurance	16	15
Benefits in kind	1	-
	144	140
Pension contributions	26	21
	170	**161**

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's paid at the same rate as for other employees. The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 102.

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.

9. Other Operating Expenses (Group and College)

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Teaching costs	7,046	7,046	7,597	7,597
Non-teaching costs	1,066	1,066	1,040	1,040
Premises costs	1,740	1,740	1,953	1,953
Total	**9,852**	**9,852**	**10,590**	**10,590**

Other operating expenses include:

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Auditors' remuneration:				
Financial statements audit	19	19	25	25
Internal audit	38	38	45	45
Subcontracting and partnering costs	6,056	6,056	6,723	6,723
Renting of Portakabins	327	327	351	351
Losses on disposal of non-current assets	-	-	41	41
Hire of assets under operating leases	75	75	117	117

10. Interest Payable and other finance costs (Group and College)

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
On bank loans, overdrafts and other loans:	215	215	231	231
	215	215	231	231
On finance leases	-	-	-	-
Pension finance costs (note 24)	240	240	236	236
Total	**455**	**455**	**467**	**467**

11. Taxation

The College is not liable for any corporation tax arising out of its activities during the year ended 31 July 2016 or the previous year.

12. Intangible Assets (Group and College)

	Software Development Costs	Total
	£'000	£'000
Cost or valuation		
At 1 August 2015	235	235
Additions	-	-
At 31 July 2016	235	235
Amortisation		
At 1 August 2015	164	164
Charge for the year	33	33
At 31 July 2016	197	197
Net book value at 31 July 2016	39	39
Net book value at 31 July 2015	71	71

13. Tangible fixed assets (Group and College)

	Freehold Land and Buildings	Equipment	Works In Progress	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2015	**21,674**	**7,265**	**2,183**	**31,122**
Transfer from WIP to additions	1,911	52	(1,963)	-
Additions	465	186	8,854	9,505
At 31 July 2016	**24,050**	**7,503**	**9,074**	**40,627**
Depreciation				
At 1 August 2015	**7,575**	**6,523**	**-**	**14,098**
Charge for the year	429	291	-	720
At 31 July 2016	**8,004**	**6,814**	-	**14,818**
Net book value at 31 July 2016	**16,046**	**689**	**9,074**	**25,809**
Net book value at 31 July 2015	**14,099**	**742**	**2,183**	**17,024**

As stated in the policy note the College carries inherited assets. The assets were valued on incorporation at £10.3 million and the valuation has not been updated since. The historic costs of the assets are nil. As the valuation is pre-March 1999 this policy is in accordance with FRS102. If fixed assets had not been revalued before being deemed as cost on tranisition they would have been included at the following historical costs amounts.

14. Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	497	497	239	239
Prepayments and accrued income	188	188	3,238	3,238
Amounts owed by the funding agencies	1,522	1,522	2,151	2,151
Other debtors	32	32	57	57
Total	**2,239**	**2,239**	**5,730**	**5,730**

15. Non-current Investments

The College owns a £2 investment representing 100% of the issued ordinary shares and voting rights in Brooklands Enterprises Limited a company incorporated in England and Wales. The interest in Brooklands Enterprises Limited was effectively acquired on 1 April 1993 and has been consolidated into the results of the College, although the company has not traded in the year.

16. Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	170	170	161	161
Trade payables	911	911	353	353
Other taxation and social security	183	183	179	179
Accruals and deferred income	2,853	2,853	3,413	3,413
Deferred income - government capital grants	245	245	183	183
Deferred income - government revenue grants	8	8	46	46
Amounts owed to funding bodies	490	490	148	148
Pensions contributions	164	164	167	167
Other creditors	6	6	129	129
Total	**5,030**	**5,030**	**4,779**	**4,779**

17. Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	3,708	3,708	3,878	3,878
Deferred income - government capital grants	6,395	6,395	3,586	3,586
Total	**10,103**	**10,103**	**7,464**	**7,464**

18. Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	170	170	161	161
Between one and two years	180	180	160	160
Between two and five years	604	604	540	540
In five years or more	2,924	2,924	3,178	3,178
Total	**3,878**	**3,878**	**4,039**	**4,039**

A total bank loan of £5,000,000 was drawn down at 31 July 2009. The loan bears interest at 5.6% and is repayable by instalments falling due between July 2009 and June 2031.

19. Provisions

	Group and College			
	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	6,471	219	166	6,856
Expenditure in the period	(759)	(21)	-	(780)
Additions in period	2,213	27	227	2,467
At 31 July 2016	**7,925**	**225**	**393**	**8,543**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

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

The principal assumptions for this calculation are:

	2016	**2015**
Price inflation	3.74%	3.74%
Discount rate	2.5%	2.5%

The other provision includes £393,000 in respect of the College's rental agreement with Portakabin for temporary accommodation at the Ashford campus. The temporary accommodation is necessary as a result of the College's aborted property strategy pending the development of a revised property strategy. The provision is in respect of the estimated cost of decommissioning the temporary accommodation when the College implements the revised property strategy.

20. Cash and cash equivalents

	At 1 August 2015	**Cash flows**	**Other changes**	**At 31 July 2016**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	6,103	(1,772)		4,331
Total	**6,103**	**(1,772)**		**4,331**

21. Financial Instruments

The Group has the following financial instruments;

	Group and College 2016 £'000	2015 £'000
Financial assets		
Financial asset measured at fair value through profit and loss	2,047	5,523
Debt Instrument measured at amortised cost	-	-
	2,047	5,523

Financial liabilities		
Financial liabilities measured at fair value through profit and loss	8,132	7,953
Financial liabilities measured at amortised cost	-	-
	8,132	**7,953**

22. Capital and other commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	2,334	2,331
Commitments authorised but not contracted for at 31 July	2,748	282
	5,082	**2,613**

23. Lease Obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Equipment		
Not later than one year	19	21
Later than one year and not later than five years	38	57
Later than five years	-	-
	57	**78**

24. Events after the reporting period

There are no post balance sheet events

25. 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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. Both are multi-employer defined-benefit plans. All tables refer to both the

Total pension cost for the year

		2016		2015
		£000		£000
Teachers' Pension Scheme: contributions		684		647
Local Government Pension Scheme:				
Contributions paid	733		755	
FRS 102 (28) charge	(70)		(75)	
Charge to the Statement of Comprehensive		663		680
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff		**1,347**		**1,327**

25. Defined benefit obligations (contd)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contribution amounting to £164,160 (2015: £166,732) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

25. Defined benefit obligations (contd)

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;

- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £684,000 (2015: £687,000).

25. Defined benefit obligations (contd)

FRS 102 (28)

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Surrey Local Authority. The total contributions made for the year ended 31 July 2016 were £648,893, of which employer's contributions totalled £483,416 and employees' contributions totalled £165,477. The agreed contribution rates for future years are 17.1% for employers with additional contributions of £250,000 to make up the shortfall in the scheme, payable between 2015-16.

And employees contributions varying according to salary as follows;

£0 - £13,500	5.5%
£13,500.01 - £15,800	5.8%
£15,800.01 - £20,400	5.9%
£20,400.01 - £34,000	6.5%
£34,000.01 - £45,500	6.8%
£45,500.01 - £85,300	7.2%
Over £85,300	7.5%

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.4%	4.0%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	0.00%	0.00%
Commutation of pensions to lump sums for per-April 2008	25%	25%
Commutation of pensions to lump sums for post-April 2008	63%	63%

25. Defined benefit obligations (contd)

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

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.5	22.5
Females	24.6	24.6
Retiring in 20 years		
Males	24.5	24.5
Females	26.9	26.9

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £'000
Equity instruments	2.4%	13,943	3.6%	12,448
Debt instruments	2.4%	3,001	3.6%	2,656
Property	2.4%	1,112	3.6%	1,162
Cash	2.4%	422	3.6%	332
Total fair value of plan assets		**18,478**		**16,598**
Weighted average expected long term rate of return		**(26,403)**		**(23,069)**
Actual return on plan assets		**(7,925)**		**(6,471)**

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

	2016 £'000	2015 £'000
Fair value of plan assets	**18,478**	**16,598**
Present value of plan liabilities	**(26,403)**	**(23,069)**
Net pensions liability (Note 19)	**(7,925)**	**(6,471)**

25. Defined benefit obligations (contd)

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	656	680
Past service cost	33	-
Total	**689**	**680**
Amounts included in finance cost		
Net cost	836	837
Net interest cost	(604)	(601)
	232	**236**

Amount recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Experience gain on defined benefit obligations	315	175
Return on pension plan assets	886	802
Experience losses arising on defined benefit obligations	(2,493)	(1,342)
Amount recognised in Other Comprehensive Income	**(1,292)**	**(365)**

Movement in net defined benefit liability during year

	2016 £'000	2015 £'000
Net defined benefit liability in scheme at 1 August	(6,471)	(5,945)
Movement in year:		
Current service cost	(656)	(680)
Employer contributions	759	755
Past service cost	(33)	-
Net interest on the defined liability	232	(236)
Actuarial gain or loss	(1,292)	(365)
Net defined benefit (liability)/asset at 31 July	**(7,925)**	**(6,471)**

25. Defined benefit obligations (contd)

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	23,069	20,800
Current service cost	656	680
Interest cost	836	837
Contributions by Scheme participants	162	194
Experience gains and losses on defined benefit obligations	(315)	(175)
Changes in financial assumptions	2,493	1,342
Estimated benefits paid	(531)	(609)
Past Service cost	33	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**26,403**	**23,069**

	2016 £'000	2015 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	16,598	14,855
Interest on plan assets	604	601
Return on plan assets	886	802
Employer contributions	759	755
Contributions by Scheme participants	162	194
Estimated benefits paid	(531)	(609)
Fair value of plan assets at end of period	**18,478**	**16,598**

26. Related party transactions

Owing to the nature of the group and 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.

The total expenses paid to or on behalf of the governors during the year was £1,452; 1 governors (2015: £1,220; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

27. Amounts disbursed as agent

	2016 £'000	2015 £'000
Funding body grants – bursary support (EFA)	344	306
Funding body grants – discretionary learner support (SFA)	251	197
	595	503
Disbursed to students	(257)	(283)
Administration costs	(12)	(14)
Balance unspent as at 31 July, included in creditors	326	206

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. The income and expenditure consolidated in the College's financial statements relates to the payment of course fees, nursery fees and travel costs by the College on the student's behalf.

28. Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1 August 2014		31 July 2015	
		Group	**College**	**Group**	**College**
		£'000	**£'000**	**£'000**	**£'000**
Financial Position					
Total reserves under previous SORP		4,568	4,568	10,278	10,278
Employee leave accrual	(a)	(449)	(449)	(449)	(449)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(449)	(449)	(449)	(449)
Total reserves under 2015 FE HE		4,119	4,119	9,829	9,829

	Note	Year ended 31 July	
		Group	**College**
		£'000	**£'000**
Financial performance			
Surplus for the year after tax under		6,371	6,371
Release of non-government grants	(b)	-	-
Reversal of capital grants amortisation	(b)	-	-
Pensions provision – actuarial loss		(384)	(384)
Changes to measurement of net finance cost on defined benefit plans	(c)	(277)	(277)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(661)	(661)
Total comprehensive income for the year under 2015 FE HE SORP		(5,710)	(5,710)

28. Transition to FRS 102 and the 2015 FE HE SORP (contd)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st July each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 102 unused leave for teaching staff and 134 unused leave for non-teaching staff. In addition, employees are entitled to carry forward up to five days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £449,179 was recognised at 1 August 2014, and at 31 July 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £407,447k has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF BROOKLANDS COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 18 November 2015 and supplementary letter dated 25 November 2016 ('engagement letter') and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Brooklands College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

This report is made solely to the corporation of Brooklands College and the Secretary of State for Education acting through the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Brooklands College and the Secretary of State for Education acting through the 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 Brooklands College and the Secretary of State for Education acting through the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Brooklands College and the reporting accountant

The corporation of Brooklands College is responsible, under the financial memorandum and 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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 Consolidated Statement of Comprehensive Income.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated: 19/12/16