Brooklands College

Report of the Members and Financial Statements

Year Ended 31 July 2018

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Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the Leadership Team and were represented by the following in 2017/18:

Gail Walker, Principal and CEO; Accounting Officer

Christine Ricketts, Deputy Principal

Shereen Sameresinghe, Vice Principal

David McLoughlin, Executive Director

Board of Governors

A full list of Governors is given on pages 14 to 17 of these financial statements. Josephine Carr acted as Clerk to the Corporation throughout the period.

Financial Statement and Regularity Auditors:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal Auditors:
RSM UK
Davidson House
Forbury Square
Reading
RG1 3EU

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

REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

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

Public Benefit

Brooklands College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14-17.

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
- Links with Local Enterprise Partnerships (LEPs)

Mission

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 in September 2016. The Strategic Plan covers the period 2016-2021 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.

REPORT OF THE GOVERNING BODY (continued)

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 investing in improving facilities and developing staff.

College Achievements

The College's achievements for 2017/18 are shown below:

- The College's overall achievement rate in 2017/18 at 85.4% continues to be above national rates
- Timely Apprenticeship completion is at 59.7% and above the national average of 58.7%, this is a decline from 2016/17 at 70.6%
- Achievement for Functional Skills is 84%, significantly above national rates of 62.8% and maintained from 2016/17 at 84%
- The College's provision for students with Special Educational Needs and Disabilities is outstanding
- An Ofsted inspection in November 2017 judged the College to be Good. Findings contributing to this judgement include;
  - Excellent functional skills mathematics and English achievement
  - An ambitious culture where staff and students are expected and are keen to do their best
  - Very positive and beneficial working relationships with local employers
  - Support for teachers to improve their teaching skills
- A monitoring visit in May 2018 found the College to be making Reasonable Progress in all aspects of how college leaders and managers meet their responsibilities under the 'Prevent' duty legislation and safeguard learners from radicalisation and extremism
- Students continue to be very successful in a range of skills competitions, winning accolades at both regional and national levels in Hair & Beauty, Construction and Catering.

Financial Objectives

The College's overarching financial objective is to:

- Manage the financial health of the College effectively, in order to maintain an ESFA Good rating.

REPORT OF THE GOVERNING BODY (continued)

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 ESFA.

FINANCIAL POSITION

Financial Results

The College generated a deficit before other gains and losses in the year of £561,000 (2017 – deficit of £156,000), which includes exceptional restructuring costs of £6,000 (2017 - £131,000). Total comprehensive income in the year was £1,562,000 (2017 – income of £4,233,000, after the disposal of the Ashford campus, with realised gains of £2,088,000). Total comprehensive income in 2017/18 is stated after accounting for the actuarial gain in respect to the LGPS pension scheme of £2,120,000 (2017 – actuarial gain of £2,301,000).

At 31 July 2018, the College had reserves of £14,537,000 (2017 - 12,975,000), cash balances of £3,445,000 (2017 - £4,670,000) and a balance of £3,483,000 remaining on the loan taken out to fund the Engineering, Art and Design (Barnes Wallis) new build and refurbishment (2017 - £3,708,000). 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 £597,000 (2017 - £3,535,000).

The College has significant reliance on the ESFA and HEFCE (Office for Students) for its principal funding source, largely from recurrent grants. In 2017/18, these organisations provided 87% (2017 - 89%) of the College's total income. Revenue from public funding in total (including local Government funding income) was 92%.

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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the financial memorandum.

Cash Flow

The College's net cash outflow from operating activities was £268,000 compared to an inflow of £923,000 in 2016/17.

REPORT OF THE GOVERNING BODY (continued)

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 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 £10.1m (2017 - £8.4m). 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

Financial Health

Student Numbers

In 2017/18 the College has delivered activity that has produced £17,210,000 in funding body main allocation funding (2017 - £21,778,000). The College had over 5,000 funded learner numbers.

Student Achievements

The overall achievement rate for students is currently 85.4% this year compared to 86.6% in 2016/17. 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 is responsive to the needs of the locality and offers programmes for the hardest-to-reach young people who face barriers to sustained participation. An innovative Transition programme enables hard to reach students to undertake a vocational programme which provides them with experience and skills in three different vocational areas. This meets the needs of this cohort and provides them with the skills they need to enable them to progress to other vocational routes within the College. The offer was extended in 2017/18 to include Supported Internships, working in partnership with the local authority and St Peter's Hospital.

REPORT OF THE GOVERNING BODY (continued)

The College continues to develop its curriculum offer, particularly Apprenticeship provision, in response to the needs of local employers and with LEP and government priorities.

Developments in 2017/18 include being a key contributor to the Heathrow Skills Task Force, and an innovative partnership with Kier construction to provide skills development for the local workforce and progression opportunities for students.

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%. During the accounting period 1 August 2017 to 31 July 2018, the College paid 69% of its invoices within 30 days of receipt of invoice (2017 – 60%). The College incurred only minimal 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 continues to invest in the development of the Property Strategy for the Weybridge campus.
- The College plays a key role in delivering the priorities of the EM3 LEP and works collaboratively with the other colleges to provide skills training and facilties for employers.
- The planned High Street facilities for our Hair and Beauty students in Ashford are now progressing with an expectation that the build will commence during 2018/19.
- A new level 3 qualification in Gaming has been developed, alongside investment in IT infrastructure, to meet the needs of local industry. This will run from September 2018.

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. The College has a new College facility in Ashford, on a site adjacent to the Thomas Kynvett College and has maintained the successful Hair & Beauty Academy at the Church Road site in Ashford. Further investment for developing a new facility for Hair & Beauty in Ashford will commence in 2018.

The College was successful in securing LEP funding to support infrastructure developments on the Weybridge campus. As a result refurbishment and remodelling of Construction to provide for increasing students numbers in this area was completed during the summer. In addition the facilities for our SEND students have been moved to a central location with redecoration of the new area.

REPORT OF THE GOVERNING BODY (continued)

Financial

The College has £14.5 million (2017 - £13.0 million) of reserves and long term debt of £3.3million (2017 - £3.5 million).

People

The College employs 317 people (on an average headcount basis), of whom 197 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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 further education sector funding bodies and through HEFCE (Office for Students). In 2017/18, 92% of the College's revenue was ultimately public funded and this level is expected to continue. 36% (2017 - 46%) of this funding was from Apprenticeship activity, a significant proportion of which is subcontracted. There are well established controls in place to manage the work with partners and subcontractors; however, the changes to Apprenticeship funding with the introduction of the levy, present both a risk and a potential opportunity. The College was successful during 2017/18 in being funded for additional activity in excess of its original allocation. 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:

REPORT OF THE GOVERNING BODY (continued)

Government Funding (continued)

- Lagged learner numbers, which means any growth in 16-18 numbers is funded the following year not in the same academic year,
- The continuing impact of the Apprenticeship Levy and how employers choose to utilise this
- ESFA policy relating to subcontracting.

This risk is mitigated in a number of ways:

- Ensure that where possible additional learner numbers are accommodated within existing resources,
- Close controls and good working relationships with subcontractors and employers, working with them to implement the levy,
- The College will continue to work with colleges across Surrey and the South East to share best practice, peer review and collaborate to improve efficiency and quality,
- Ensure the College is focused on those priority sectors which will continue to benefit from public funding.

Tuition Fee Policy

Ministers have confirmed that the fee assumption remains at 50% in 2018/19. 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. The provision of loans for learners aged 19 and over provides an opportunity for growth in income from individual learners via the Student Loan Company. In addition, the College welcomes the change in grant funding eligibility for adults with low income. 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.

This risk is mitigated by an agreed deficit recovery plan with the Surrey local authority.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as Good as described above. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis,
- Regular in year budget monitoring,
- Robust financial controls,
- Exploring ongoing procurement efficiencies.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Funding bodies
- Staff and trade unions
- Local employers
- Local authorities
- Local community
- Local schools
- Parents and carers
- Other FE institutions
- Professional bodies
- Local Enterprise Partnerships (LEPs)

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

Equality

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, disability, religion, belief, 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 is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. 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:

- 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.

REPORT OF THE GOVERNING BODY (continued)

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
4	4

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1% - 50%	4
51% - 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£9,351
Total pay bill	£8,477,035
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.1%

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 12 December 2018 and signed on its behalf by:

Mr Terry Lazenby
Chair of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have 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 Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The 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 Code 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 2017/18:

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 full Govering Body 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 to 18/9/18	19/09/14	4 years (2nd term)	18/09/18 Ceased to be a governor 18/09/18	Attends all Committees except Audit.	FGB 3/4 CPR 0/3 Resources 3/3 Joint 0/1 PRG 2/3 CSC 6/7 Total: 14/21 %: 67
Terry Lazenby* Chair from 18/9/18	16/07/18	4 years (2nd term)	15/07/22	Chair of Planning, Remuneration and Governance Audit Observer: Capital Strategy	FGB 4/4 Joint 1/1 Audit 3/3 PRG 3/3 Total: 11/11 %: 100
Steve Brice	05/04/18	1 year (in 4th term)	04/04/19	Chair of Resources Vice Chair of Capital Strategy Planning, Remuneration and Governance	FGB 4/4 Resources 3/3 Joint 1/1 PRG 3/3 CSC 5/7 Total: 16/18 %: 89

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 Ceased to be a governor 02/04/18	Resources Capital Strategy	FGB 1/2 Resources 2/3 Joint 0/1 CSC 2/4 Total: 5/10 %:50
Liz Lacovara	22/03/17	4 years	21/03/21 Ceased to be a governor 20/06/18	Audit	FGB 3/3 Audit 2/2 Joint 0/1 Total:5/6 %: 83
Jerry Loy	22/04/15	4 years	21/04/19	Chair: Audit Planning, Remuneration and Governance	FGB 2/4 Audit 3/3 Joint 1/1 PRG 2/3 Total: 8/11 %: 73
Jackie Pearson	16/07/14	4 years	15/07/20	Chair: Curriculum and Performance Review	FGB 4/4 CPR 3/3 PRG 3/3 Total: 10/10 %: 100
Richard Rawes	03/04/14	4 years	02/04/18	Chair: Capital Strategy Curriculum and Performance Review	FGB 3/4 CPR 3/3 CSC 6/7 Total: 12/14 %: 86
Richard Shaw	14/12/16	4 years	13/12/20	Resources	FGB 3/4 Resources 2/3 Joint 0/1 Total:5/8 %: 75
Barbara Spittle	22/03/17	4 years	21/03/21	Curriculum and Performance Review Capital Strategy	FGB 4/4 CPR 3/3 CSC 4/5 Total 11/12 % 92

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Name	Date of Current Appointment	Term of Office	Term of office ends	Committee membership	Attendance record
Paul Stedman	04.07.18	4 years	03/07/22	Resources Capital Strategy	FGB 3/3 Resources2/3 Joint 1/1 CSC 4/5 Total 10/12 % 83
Nick Vaughan - Barratt	28.03.18	4 years	27/03/22	Curriculum and Performance Review	FGB 4/4 CPR 3/3 Total 7/7 % 100
Marcus Youden	28/03/18	4 years	27/03/22 Ceased to be a governor 31/07/18	Resources	FGB 3/4 Resources 2/3 Joint 0/1 Total 5/8 %: 63
Principal					
Gail Walker	01/04/16	Ex officio	Ex officio	All except Audit and parts of Planning, Remuneration and Governance	FGB: 4/4 CPR 2/3 PRG 3/3 Resources 1/3 Joint 1/1 CSC 7/7 Total 18/21 %: 86
Staff Governors					
Teresa Roberts	07/14/	4 years (1st term)	End of academic year 2017/18	Curriculum and Performance Review	FGB 3/4 CPR 3/3 Total: 6/7 %: 86
Andrew Barrett	13/12/16	4 years (1st term)	12/12/2021	Resources	FGB 2/4 Resources 2/3 Joint 1/1 Total: 5/8 %: 63
Student Governors					
Ariphon Farrell	17/12/14	1 year	End of academic year 2017/18	Resources	FGB 2/3 CPR 1/2 Total: 3/5 %: 60

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Name	Date of Current Appointment	Term of Office	Term of office ends	Committee membership	Attendance record
Lauren Ward	13/12/16	1 year	End of academic year 2017-18	Curriculum and Performance Review	FGB 2/3 Resources 2/2 Total: 4/5 %: 80
Associate Governors					
Fiona Ryder	13/12/17	1 Year	12/12/18 Ceased to be a governor 12/06/18	Audit	FGB 2/3 Audit 2/3 Total 4/6 % : 67
Rupert Moor	28/03/18	1 Year	27/03/19	Resources	FGB 0/2 Resources 1/1 Total : 1/3 % 33

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 2017/18.

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 2017/18 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 Accounting Officer 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.

Governing Body performance

The Governing Body carried out a self-assessment of its own performance for the year ended 31 July 2017 and graded itself Good on the Ofsted scale.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 2018 this Committee comprised Jackie Pearson, Richard Rawes,Teresa Roberts, Gail Walker, Barbara Spittle, Marcus Youden, Nick Vaughan-Barratt, Ariphon Farrell and Jerry Tapp.

Planning, Remuneration and Governance Committee

Throughout the year ended 31 July 2018, this Committee comprised Terry Lazenby, Jerry Tapp, Steve Brice, Jackie Pearson and Jerry Loy. The Committee's responsibilities are to make recommendations to the Governing Body on the remuneration and benefits of the Principal and other key management personnel, 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 2018 are set out in note 8 to the financial statements.

Audit Committee

During the year ended 31 July 2018 the Audit Committee comprised Liz Lacovara, Terry Lazenby and Jerry Loy. The Committee operates in accordance with written terms of reference approved by the Governing Body and the Post 16 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Resources Committee

In the year to 31 July 2018 the Resources Committee comprised Steve Brice, Brian Harris, Richard Shaw, Lauren Ward, Marcus Youden, Andrew Barrett, Jerry Tapp, Gail Walker and Paul Stedman.

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 31 July 2018 it consisted of Steve Brice, Jerry Tapp, Richard Rawes, Brian Harris, Barbara Spittle, Paul Stedman, Gail Walker 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 2018 and up to the date of approval of the annual report and accounts.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 2018 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 ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the 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, the reporting accountant for regularity assurance and the appointed funding auditors (when applicable) 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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 Leadership Team receive 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, Leadership Team and the Audit Committee also receive regular reports from internal audit, 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 2018 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Leadership Team and internal audit, and taking account of events since 31 July 2018.

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

Going Concern

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. The period considered after the reporting date is at least twelve months from the date when the financial statements are authorised for issue.

Approved by order of the members of the Governing Body on 12 December 2018 and signed on its behalf by:

Mr Terry Lazenby	**Mrs Gail Walker**
Chair of Governors	**Principal and Accounting Officer**

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

We confirm on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Mr Terry Lazenby
Chair of Governors
12 December 2018

Mrs Gail Walker
Principal and Accounting Officer
12 December 2018

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE GOVERNING BODY

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

In preparing the financial statements, the Governing Body is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent:
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 a Report of the Governing Body, 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 ESFA are used only in accordance with the financial memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the 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 ESFA are not put at risk.

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE GOVERNING BODY (continued)

Approved by order of the members of the Governing Body on 12 December 2018 and signed on its behalf by:

Mr Terry Lazenby
Chair of Governors

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BROOKLANDS COLLEGE

Opinion

We have audited the financial statements of Brooklands College (the 'College') for the year ended 31 July 2018 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of its surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of members of the Governing Body, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

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

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Dated:

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY

To: The Governing Body of Brooklands College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency (ESFA) we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Brooklands College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Governing Body of Brooklands College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of Brooklands College and the Department 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 Governing Body of Brooklands College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Brooklands College and the reporting accountant

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

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

Approach

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all

Approach (continued)

significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw to our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across all of the College's activities;
- further testing and review of areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified, as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Buzzacott LLP
Reporting Accountants
130 Wood Street
London
EC2V 6DL

Date

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
INCOME			
Funding body grants	2	17,210	21,778
Tuition fees and education contracts	3	1,137	1,425
Other income	4	288	339
Investment income	5	7	4
Donations and endowments	6	1	—
Total income		18,643	23,546
EXPENDITURE			
Staff costs	7	8,917	9,499
Fundamental restructuring costs	7	6	131
Other operating expenses	9	8,771	12,616
Depreciation and amortisation	12 & 13	1,171	1,053
Interest and other finance costs	10	339	403
Total expenditure		19,204	23,702
Deficit before other gains and losses		(561)	(156)
Profit on disposal of assets	13	3	2,088
(Deficit)/Surplus before tax		**(558)**	**1,932**
Taxation	11	—	—
(Deficit)/Surplus for the year		**(558)**	**1,932**
Actuarial gain in respect of pensions	24	2,120	2,301
Total comprehensive income for the year		**1,562**	**4,233**
Represented by:			
Unrestricted comprehensive income		**1,562**	**4,233**

The statement of comprehensive income is in respect of continuing activites

STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31 July 2016	**3,990**	**4,752**	**8,742**
Surplus from the income and expenditure account	1,932	—	1,932
Other comprehensive income	2,301	—	2,301
Transfers between revaluation and income and expenditure reserves	170	(170)	—
Total comprehensive income for the year	4,403	(170)	4,233
Balance at 31 July 2017	**8,393**	**4,582**	**12,975**
Deficit from the income and expenditure account	(558)	—	(558)
Other comprehensive income	2,120	—	2,120
Transfers between revaluation and income and expenditure reserves	170	(170)	—
Total comprehensive income for the year	1,732	(170)	1,562
Balance at 31 July 2018	**10,125**	**4,412**	**14,537**

BALANCE SHEET AS AT 31 JULY 2018

	Notes	2018	2017
		£'000	**£'000**
Non-current assets			
Tangible fixed assets	13	26,116	26,688
Intangible fixed assets	12	23	14
Investments	15	—	—
		26,139	**26,702**
Current assets			
Trade and other receivables	14	2,344	1,629
Cash and cash equivalents	20	3,445	4,670
		5,789	**6,299**
Less: Creditors – amounts falling due within one year	16	(3,807)	(4,335)
Net current assets		**1,982**	**1,964**
Total assets less current liabilities		**28,121**	**28,666**
Creditors – amounts falling due after more than one year	17	(9,248)	(9,678)
Provisions			
Defined benefit obligations	19	(4,134)	(5,801)
Other provisions	19	(202)	(212)
Total net assets		**14,537**	**12,975**
Unrestricted reserves			
Income and expenditure account		10,125	8,393
Revaluation reserve		4,412	4,582
Total unrestricted reserves		**14,537**	**12,975**

The financial statements on pages 31 to 60 were approved and authorised for issue by the Governing Body on 12 December 2018 and were signed on its behalf by:

Mr Terry Lazenby
Chair of Governors

Mrs Gail Walker
Accounting Officer

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flows from operating activities			
(Deficit)/Surplus for the year		(558)	1,932
Adjustment for non-cash items			
Depreciation and amortisation		1,171	1,053
(Increase)/Decrease in debtors		(715)	610
(Decrease) in creditors due within one year		(542)	(327)
(Decrease) in creditors due after one year		(235)	(245)
(Decrease) in provisions		(18)	(406)
Pensions costs less contributions payable		300	(5)
Adjustment for investing or financing activities			
Investment income		(7)	(4)
Interest payable		339	403
Profit on disposal of asset		(3)	(2,088)
Cash (used in)/provided by operating activities		**(268)**	**923**
Cash flows from investing activities			
Investment income		7	4
Proceeds from sale of fixed assets		—	3,325
Payments made to acquire fixed assets		(608)	(3,535)
		(601)	**(206)**
Cash flows from financing activities			
Interest paid		(174)	(208)
Repayment of amount borrowed		(182)	(170)
		(356)	**(378)**
(Decrease)/increase in cash and cash equivalents in the year		**(1,225)**	**339**
Cash and cash equivalents at 1 August	**20**	**4,670**	**4,331**
Cash and cash equivalents at 31 July	**20**	**3,445**	**4,670**

NOTES TO THE ACCOUNTS

1. Accounting Policies

Statement of Accounting Policies and estimation techniques

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

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *“The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland”* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in sterling and rounded to the nearest thousand.

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 financial statements include the College only and are not consolidated as the College’s subsidiary, Brooklands Enterprises Limited, controlled by the Group was dormant in the period. 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 2018.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Governors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The College’s 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 £208,000. The College operates without any overdraft facilities and at the year-end had a positive cash balance of £3,445,000 (2017 - £4,670,000). The College’s forecasts indicate that it will be able to operate within the existing facility.

NOTES TO THE ACCOUNTS (CONTINUED)

Going Concern (continued)

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

Revenue grant funding

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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

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

Fee income

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

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

NOTES TO THE ACCOUNTS (Continued)

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 income and expenditure account 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.

The College also acts as an agent for Employer Incentives and End Point Assessments where the related payments received from the funding bodies and disbursements are excluded from the income and expenditure account of the College.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Local Government Pension Scheme (LGPS)

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

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

Short term employment benefits

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

Enhanced Pensions

The actual cost of any enhanced 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 income and expenditure account 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 as it is considered to have an indefinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. 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 income and expenditure account 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.

NOTES TO THE ACCOUNTS (Continued)

Non-current Assets - Tangible fixed assets (continued)

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.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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
- plant – 10 years
- heavy duty equipment – 7 years
- motor vehicles and general equipment - 5 years
- computer servers and infrastructure – 5 years
- computer equipment - 4 years
- software - 3 years

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of comprehensive income.

Non-current Assets – Intangible fixed assets

Intangible 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.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the statement of comprehensive income. Any lease premiums or incentives relating to leases signed after 1 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 1 August 2014.

NOTES TO THE ACCOUNTS (Continued)

Leased assets (continued)

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.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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 College 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 College 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.

NOTES TO THE ACCOUNTS (Continued)

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 sections 478-488 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.

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 College’s tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NOTES TO THE ACCOUNTS (Continued)

2. Funding body grants

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Recurrent grants		
Education and Skills Funding Agency (ESFA) 16-18	8,150	8,942
Education and Skills Funding Agency (ESFA) adult	1,757	1,839
Education and Skills Funding Agency (ESFA) apprenticeships	6,208	10,040
Higher Education Funding Council (Office for Students)	18	37
Specific grants		
Education and Skills Funding Agency (ESFA)	—	19
Local Government funding income	548	289
Releases of government capital grants	236	243
HE grant	293	369
Total	**17,210**	**21,778**

3. Tuition fees and education contracts

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Adult education fees	114	159
Apprenticeship fees and contracts	69	90
Fees for FE loan supported courses	336	520
Fees for HE loan supported courses	72	120
Fees for Full Cost course	368	320
Total tuition fees	959	1,209
Education contracts	178	216
Total	**1,137**	**1,425**

NOTES TO THE ACCOUNTS (Continued)

4. Other income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Other income generating activities	200	163
Miscellaneous income	89	176
Total	**289**	**339**

5. Investment income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Other interest receivable	7	4
Total	**7**	**4**

6. Donations

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Unrestricted donations	1	-
Total	**1**	**-**

NOTES TO THE ACCOUNTS (Continued)

7. Staff costs

The average number of persons (including key management personnel) employed by the College during the year, on a headcount basis, was:

	2018	2017
	No.	**No.**
Teaching staff	197	218
Non-teaching staff	120	117
	317	**335**

Staff costs for the above persons

	2018	2017
	£'000	**£'000**
Wages and salaries	6,404	6,901
Social security costs	578	634
Other pension costs	1,495	1,419
Payroll sub total	**8,477**	**8,954**
Contracted out staffing services	440	545
	8,917	**9,499**
Fundamental restructuring costs – Contractual	6	131
Total staff costs	**8,923**	**9,630**

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 Leadership Team which comprises of the Principal, Deputy Principal, Vice Principal, and Executive Director of Brooklands Business Solutions .

NOTES TO THE ACCOUNTS (Continued)

8. Key management personnel (continued)

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	**4**	**5**

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

	Key management personnel	
	2018 No.	**2017 No.**
£40,001 to £50,000 p.a.	-	1
£60,001 to £70,000 p.a.	1	1
£80,001 to £90,000 p.a.	2	2
£130,001 to £140,000 p.a.	1	1
	4	**5**

There were no other staff who received over £60,000.

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	372	419
Employers National Insurance	47	52
Benefits in kind	1	1
	420	**472**
Pension contributions	62	69
Total key management personnel compensation	**482**	**541**

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

NOTES TO THE ACCOUNTS (Continued)

8. Key management personnel (continued)

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

	2018 £'000	2017 £'000
Salaries	130	130
National Insurance	17	17
Benefits in kind	1	1
	148	148
Pension contributions	21	21
	169	**169**

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, detailed in note 25.

9. Other Operating Expenses

	2018 £'000	2017 £'000
Teaching costs	6,303	10,061
Non-teaching costs	1,121	1,033
Premises costs	1,347	1,522
Total	**8,771**	**12,616**

Other operating expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit and other services provided by the financial statements auditor	27	22
Internal audit	20	19
Subcontracting and partnering costs	5,659	9,215
Rental of Portakabins	—	9
Hire of assets under operating leases	72	93

NOTES TO THE ACCOUNTS (Continued)

10. Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	174	208
	174	208
Net interest on defined benefit pension liability (note 24)	165	195
Total	**339**	**403**

11. Taxation

The College is not liable for any corporation tax arising out of its activities during the year ended 31 July 2018 or the previous year.

12. Intangible Assets

	Software & Development Costs £'000	Total £'000
Cost		
At 1 August 2017	243	243
Additions	11	11
At 31 July 2018	**254**	**254**
Amortisation		
At 1 August 2017	229	229
Charge for the year	2	2
At 31 July 2018	**231**	**231**
Net book value at 31 July 2018	**23**	**23**
Net book value at 31 July 2017	**14**	**14**

NOTES TO THE ACCOUNTS (Continued)

13. Tangible fixed assets

	Freehold Land and Buildings	Equipment	Works In Progress	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	**33,625**	**8,108**	**18**	**41,751**
Transfer from WIP to additions	18	—	(18)	—
Additions	150	224	223	597
At 31 July 2018	**33,793**	**8,332**	**223**	**42,348**
Depreciation				
At 1 August 2017	**8,018**	**7,045**	**—**	**15,063**
Charge for the year	840	329	—	1,169
At 31 July 2018	**8,858**	**7,374**	**—**	**16,232**
Net book value at 31 July 2018	**24,935**	**958**	**223**	**26,116**
Net book value at 31 July 2017	**25,607**	**1,063**	**18**	**26,688**

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.

NOTES TO THE ACCOUNTS (Continued)

14. Trade and other receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	800	255
Prepayments and accrued income	318	123
Amounts owed by the ESFA	1,205	1,226
Other debtors	21	25
Total	**2,344**	**1,629**

15. 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 not been consolidated into the results of the College, as the company has not traded in the year.

16. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans (note 18)	194	180
Trade payables	268	428
Other taxation and social security	152	156
Accruals and deferred income	2,433	2,578
Deferred income - government capital grants	238	243
Deferred income - government revenue grants	—	166
Amounts owed to ESFA	247	401
Pensions contributions	147	155
Other creditors	128	28
Total	**3,807**	**4,335**

Accruals and deferred income include accrued payments to subcontractors and partners, accruals for capital works and invoices and fees received in advance for 2018/19.

NOTES TO THE ACCOUNTS (Continued)

17. Creditors: amounts falling due after one year

	2018	2017
	£'000	**£'000**
Bank loans (note 18)	3,333	3,528
Deferred income - government capital grants	5,915	6,150
Total	**9,248**	**9,678**

18. Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018	2017
	£'000	**£'000**
In one year or less	194	180
Between one and two years	204	391
Between two and five years	685	675
In five years or more	2,400	2,462
Total	**3,483**	**3,708**

At 31 July 2018, the College had one main loan facility of £5m repayable at 5.6% interest over 25 years, secured on the Arts and Engineering Building on the Weybridge campus.

19. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	**£'000**	**£'000**
At 1 August 2017	5,801	212	6,013
Expenditure in the period	(691)	(22)	(713)
(Reduction)/Increase in period	(976)	12	(964
At 31 July 2018	**4,134**	**202**	**4,336**

NOTES TO THE ACCOUNTS (Continued)

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:

	2018	2017
Inflation rate (CPI)	1.3%	1.3%
Interest rate	2.3%	2.3%

20. Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	4,670	(1,225)	—	3,445
Total	**4,670**	**(1,225)**	**—**	**3,445**

21. Capital and other commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	162	162
Commitments authorised but not contracted for at 31 July	—	50
	162	**212**

NOTES TO THE ACCOUNTS (Continued)

22. Lease Obligations

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

	2018 £'000	2017 £'000
Future minimum lease payments due		
Equipment		
Not later than one year	43	19
Later than one year and not later than five years	111	19
Total lease payments due	**154**	**38**

23. Events after the reporting period

There are no post balance sheet events.

24. 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.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year

		2018 £000		2017 £000
Teachers' Pension Scheme: contributions paid		569		645
Local Government Pension Scheme:				
Contributions paid	689		753	
FRS 102 (28) charge	300		(5)	
Charge to the Statement of Comprehensive Income		989		748
Enhanced pension charge to Statement of Comprehensive Income		(63)		26
Total pension cost for year within staff costs (note 7)		**1,495**		**1,419**

24. Defined benefit obligations (continued)

Contributions amounting to £147,088 (2017 - £149,689) 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

24. Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- 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 £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £569,000 (2017 - £645,000).

24. Defined benefit obligations (continued)

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 2018 were £838,000 (2017 - £893,000), of which employer's contributions totalled £691,000 (2017 - £753,000) and employees' contributions totalled £147,000 (2017 - £140,000). The agreed contribution rates for future years are 20% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2018	**At 31 July 2017**
Rate of increase in salaries	2.7%	2.8%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.5%
Commutation of pensions to lump sums for per-April 2008	25%	25%
Commutation of pensions to lump sums for post-April 2008	63%	63%

NOTES TO THE ACCOUNTS (Continued)

24. Defined benefit obligations (continued)

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 2018	At 31 July 2017
	years	years
Retiring today		
Males	22.5	22.5
Females	24.6	24.6
Retiring in 20 years		
Males	24.1	24.1
Females	26.4	26.4

Sensitivity Analysis

Increase (decrease) to net defined benefit liability as a result of a change in actual assumptions:

	At 31 July 2018 £'000	At 31 July 2017 £'000
Discount rate -0.5%	2,564	2,483
Salary increase rate +0.5%	202	207
Mortality assumption – 1 year increase	1,026	1,031
Mortality assumption – 1 year decrease	(1,026)	(1,031)
Pension increase rate +0.5%	2,346	2,254

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 2018	Fair Value at 31 July 2018 £'000	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000
Equity instruments	2.8%	15,727	2.7%	14,586
Debt instruments	2.8%	3,713	2.7%	2,797
Property	2.8%	1,529	2.7%	1,598
Cash	2.8%	874	2.7%	1,000
Total fair value of plan assets		**21,843**		**19,981**
Liabilities		**(25,977)**		**(25,782)**
Net liabilities		**(4,134)**		**(5,801)**

NOTES TO THE ACCOUNTS (Continued)

24. Defined benefit obligations (continued)

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

	2018	2017
	£'000	£'000
Fair value of plan assets	21,843	19,981
Present value of plan liabilities	(25,977)	(25,782)
Net pensions liability (Note 19)	(4,134)	(5,801)

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	989	750
Past service cost	—	3
Total	**989**	**753**
Amounts included in finance costs		
Net cost	702	636
Net interest cost	(542)	(446)
	160	**190**
Amount recognised in Other Comprehensive Income		
Changes in demographic assumptions	—	340
Experience gain on defined benefit obligations	997	(898)
Return on pension plan assets	1,130	855
Experience losses arising on defined benefit obligations	—	2,012
Amount recognised in Other Comprehensive Income	**2,127**	**2,309**

Movement in net defined benefit liability during year

	2018	2017
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(5,801)	(7,925)
Movement in year:		
Current service cost	(989)	(750)
Employer contributions	689	758
Past service cost	—	(3)
Net interest on the defined liability	(160)	(190)
Actuarial gain or loss	2,127	2,309
Net defined benefit liability at 31 July	**(4,134)**	**(5,801)**

NOTES TO THE ACCOUNTS (Continued)

24. Defined benefit obligations (contd)

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	25,782	26,403
Current service cost	989	750
Interest cost	702	636
Contributions by Scheme participants	147	140
Experience gains and losses on defined benefit obligations	—	(2,352)
Changes in financial assumptions	(997)	898
Estimated benefits paid	(646)	(696)
Past Service cost	—	3
Defined benefit obligations at 31 July	**25,977**	**25,782**
Changes in fair value of plan assets		
Fair value of plan assets at 1 August	19,981	18,478
Interest on plan assets	542	446
Return on plan assets	1,130	855
Employer contributions	689	758
Contributions by Scheme participants	147	140
Estimated benefits paid	(646)	(696)
Fair value of plan assets at 31 July	**21,843**	**19,981**

25. Related party transactions

Owing to the nature of the College's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a Governor 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.

Transactions with the funding agencies, HEFCE and the local authorities are detailed in notes 2, 14, 16 and 19.

The total expenses paid to or on behalf of the Governors during the year was £1,059 two Governors (2017 - £2,122; two Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and College events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

NOTES TO THE ACCOUNTS (Continued)

26. Amounts disbursed as agent

	2018 £'000	2017 £'000
Funding body grants – Bursary Support (ESFA)	141	149
Funding body grants – Vulnerable Young People	30	23
Funding body grants – Advanced Loan	63	63
	234	235
Disbursed to students	(160)	(180)
Administration costs	(10)	(9)
Balance unspent as at 31 July, included in creditors	64	46

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 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.

	2018 £'000	2017 £'000
Employer incentives received – Apprenticeships	113	—
End Point Assessments	53	—
Disbursed to employers	(53)	—
Balance unspent as at 31 July, included in creditors	113	—

Funds are provided for employers and providers to be paid an incentive for taking on apprentices as well as paying organisations to conduct End Point Assessments for apprentices. The College is only acting as a paying agent and therefore the funds received and the disbursements are excluded from the statement of comprehensive income. This is new for 2017/18.