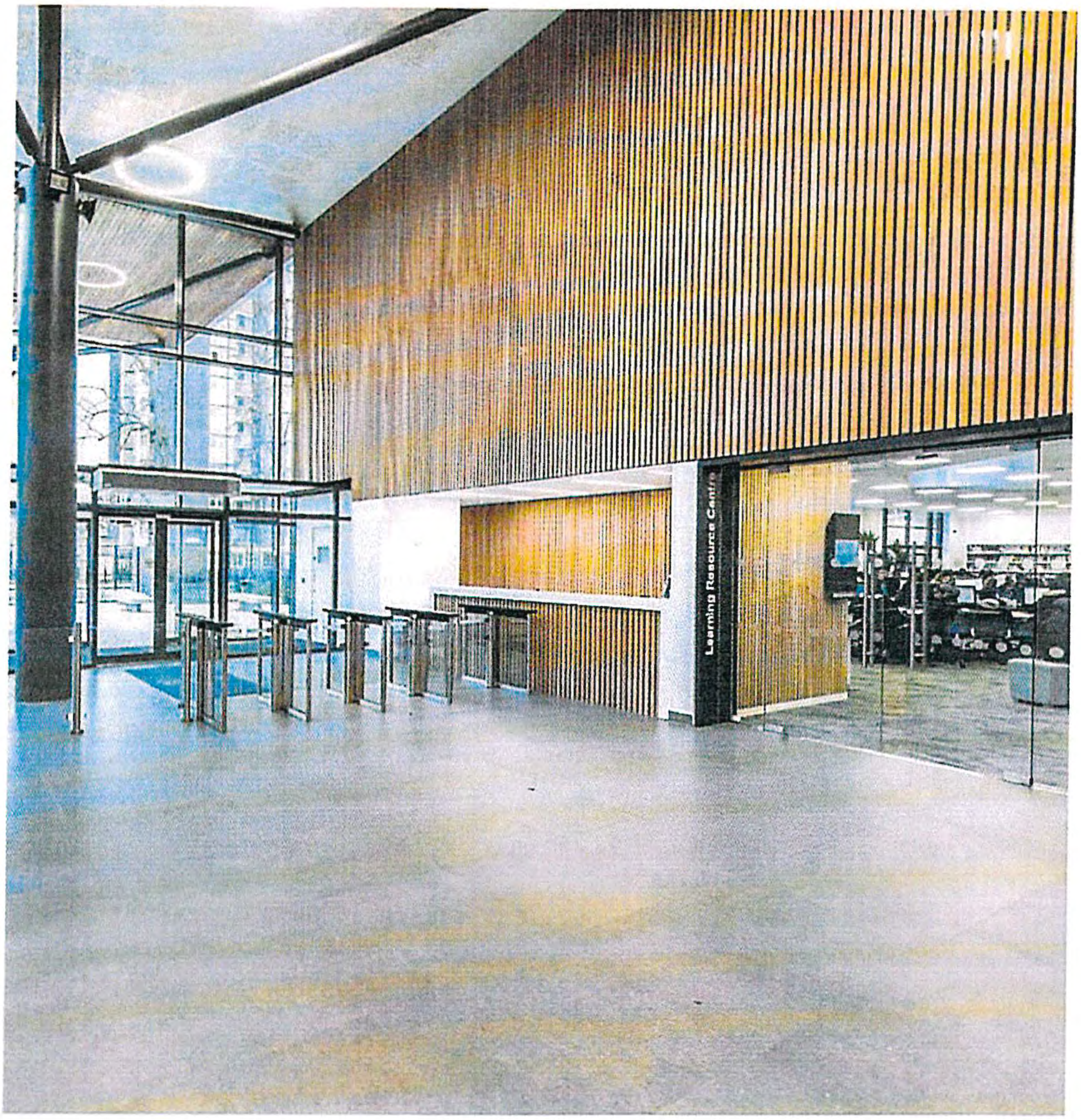

The Brooke House Sixth Form College

Annual report and financial statements for the year ended 31 July 2019

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2018-19:

Kevin Watson	Principal; Accounting Officer
Mohanned Khabbazeh	Vice Principal – Curriculum and Quality
Kishan Pithia	Vice Principal – Student Services
Adrian Cottrell	Vice Principal – Finance and Resources

In November 2018 a new senior management team was formed with the creation of three new vice principal posts. These are senior post-holders who, together with the Principal, form the key management personnel with effect from the dates of their appointments

Board of Governors

A full list of Governors is given on page 19 of these financial statements.

Mr Ralph Devereux acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial statement and regularity auditors:

MHA MacIntyre Hudson

New Bridge House

30-34 New Bridge Street

London

EC4V 6BJ

Internal auditors:

RSM

25 Farringdon Street

London

EC4A 4AB

Bankers:

Lloyds Bank Plc

Business & Corporate Service Centre
4th Floor, Hays Lane House
1 Hays Lane

London

SE1 2HA

Barclays Bank Plc

220 Stamford Hill
London
N16 6RA

Solicitors:

Archon Solicitors

Martin House

5 Martin Lane

London EC4R 0DP

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Members' Report

Strategic report

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

Legal Status

The Corporation was established under 'The Further and Higher Education Act 1992' on 15 October 2001 by the Secretary of State for the purpose of conducting education. The College was incorporated as The Brooke House Sixth Form College (also known as BSix Sixth Form College or simply BSix). It is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Mission

BSix: Character and Purpose

BSix Sixth Form College has one campus. It is located in the London Borough of Hackney within close walking distance of Clapton train station.

The College was established to address education needs, primarily of the 16 to 19 year old community in Hackney where at that time more than 50% of young people were travelling outside the Borough for their post 16 education.

The mission of the College is to develop in its students, and to demonstrate through its staff, the characteristic of being always "open to learning". It seeks to achieve this by means of a carefully tailored and suitably challenging individual programmme, underpinned by consistently strong teaching, comprehensive support services and a wide range of enrichment opportunities, set within a safe and inclusive learning environment.

Our staff and students aspire to be excellent teachers and students through demonstrating the following characteristics;

i. Regular attendance;
ii. Being punctual;
iii. Bringing equipment needed for learning;
iv. Completing preparatory work;
v. Participating readily in activities;
vi. Reading widely and going beyond the minimum standard needed;
vii. Responding positively to feedback;
viii. Supporting others to learn;
ix. Always producing the best possible work;
x. Being constantly open to learning.

The promotion of an openness to learning is at the heart of the College ethos and is a key factor in students acquiring the qualifications, and developing the skills and personal qualities, essential for their continuing success.

Typically, the College enrolls from all over London, with students coming from around 220 secondary schools. The student cohort reflects the diversity of the city. Female students account for 51% of the College cohort and male students 49%. The biggest ethnic groups represented are Black African (26%), White (20%), African Caribbean (11%), Bangladeshi (11%) and students of Multiple Heritage (8%).

Members' Report (continued)

Students come from a wide range of socio-economic backgrounds, with around 35% being eligible for free meals and/or student bursary. The College also receives additional funding to support the 45% of students who have yet to achieve a pass grade in GCSE English, mathematics or both. The College SEND register contains referrals for 226 students (17% of the total cohort), including 30 with Education & Health Care Plans. The embrace and celebration of diversity in all of its forms have become defining characteristics of the College.

This is combined with a commitment to comprehensive education, which takes four forms.

1. The College offers courses at all levels, from entry level to level 4. In 2018/19, 63% of students were studying at level 3, 21% at level 2 and 6% at level 1
2. The College is non-selective, with one of the lowest GCSE points on entry in the sixth form sector
3. The breadth of curriculum is unusually broad for a sixth form college including applied courses such as Sport and Music Performance and Production and ESOL as well as A Level and GCSE programmes
4. The College seeks to offer an all-round *education* in which the personal qualities and attributes, such as ambition and intellectual curiosity – essential to a successful career – are deliberately and consistently fostered and developed.

The College is following a post inspection strategic plan, which has the following objectives:

1. To strengthen the degree of scrutiny and challenge of management policy and activity exercised by the governing body.
2. To widen the prevalence of "quality teaching [which] involves maximising the time that students spend engaged with and being successful in the learning of important outcomes".
3. To improve the outcomes achieved by students, including those best qualified on entry.
4. To increase the proportion of students who make demonstrable progress in Functional Skills and GCSE English and Mathematics.
5. To establish, and successfully implement, the concept of a consistent- but - flexible, individually - tailored Study Programme for every student.
6. To ensure that all students who choose not to go to university receive a programme of careers advice and guidance of comparable quality to those who do pursue a place in higher education.
7. To design and implement, across the College, a comprehensive and coherent package of initiatives which raise students' awareness of, and competence in, both English and Mathematics.
8. To revitalise management structures, refine a college ethos and sharpen leadership effectiveness such as to consolidate a united institutional front in the drive to improve standards.
9. To manage a substantial development of the College's estate which brings benefits to the everyday experience of students and staff.
10. To illustrate the cumulative success of all of the above, in the form of higher levels of student attendance, punctuality, and attainment.

Members' Report (continued)

The College's financial objectives are:

i. To create a sound financial base to facilitate and enable the successful delivery of the College's ten strategic aims;

ii. To effectively resource study programmes and other academic and vocational provision to support the improvement of quality and student outcomes;

iii. To provide financial stability and to increase confidence in its planning;

iv. To generate confidence by the ESFA that the College shall be financially viable;

v. To provide for a planned maintenance programme;

vi. To generate surpluses for investment in:
- new technology and equipment
- the student experience
- the professional development of staff
- enabling the implementation of national pay awards
- favourable terms and conditions of staff to facilitate their recruitment and retention

Performance Indicators

A series of performance indicators had been agreed to monitor the successful implementation of the policies.

Key financial health targets	2018-19		2017-18
	Target	Actual	Actual
Adjusted current ratio	1.14	1.10	0.83
Earnings before interest, taxes, depreciation and amortisation (EBITDA) vs income (Education)	0.43%	(1.60)%	(9.64)%
Borrowings as % of income	1.04%	0.87%	1.14%
Financial health rating	Requires improvement	Requires improvement	Satisfactory*

** Previous terminology for 'Requires improvement'*

The Key Performance Indicators shown here have been calculated using the methodology adopted by the Education and Skills Funding Agency and are taken from the Finance Record.

Other KPIs	2018-19		2017-18
	Target	Actual	Actual
Current ratio	2.29	1.95	3.76
Unrestricted cash days	23.0	14.5	23.5
Dependence on ESFA funding	90.4%	90.9%	91.8%
Staff costs as % income (adjusted)	73.4%	72.0%	78.2%

The College is committed to observing the importance of sector measures and indicators and use of the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record provides the evidence for a financial health grading.

Members' Report (continued)

FINANCIAL POSITION

Financial results

The College met its funding allocations from the Education and Skills Funding Agency. The College incurred an operating deficit in the year of £763,000. In the prior year 2017-2018 the College incurred an operating deficit of £1,309,000, which after accounting for a gain on disposal of £3,964,000 produced a surplus for that year of £2,655,000.

The College significantly reduced its reliance on agency staffing, incurring a cost of £185,000, down from £803,000 in 2017-18. A significant proportion of small class sizes, resulting from low student numbers, reduced the efficiency of staffing and increased relative costs. Specific costs relating to the ending of employments added £255,000 to staff costs.

Moving forward, the College has significantly reduced its staff costs for 2019-20 through re-structuring and downsizing its workforce in March 2019. Unfortunately, the grant funding has fallen so sharply for 2019-20 that the reduced staff costs will not be sufficient to prevent a large deficit arising in that year. The deficit for 2019-20 is forecast to be £725,000.

The College has accumulated reserves of £6,445,000 and cash balances of £1,871,000. The reserves included a revaluation reserve of £4,115,000, a designated reserve of £1,813,000 and an income and expenditure account of £517,000. The College recognises that it faces a difficult financial future. The College suffered an underlying operational deficit for the reporting year. Grant funding allocations fell sharply for 2019-20 as the funding followed a correspondingly sharp drop in the numbers of 16-18 year-old students studying at the College in September 2018. This followed on from similar, but less sharp drops, in previous years. The College has suffered a reduction of income from 2016-17 to 2019-20 of 26%.

In 2017-18 the College faced dwindling cash reserves and the prospect of continuing deficits and net cash outflows. As a consequence the Corporation took the decision to sell its sports hall and its adjacent car park. The proceeds of this sale amounted to £5 million, which was received in April 2018. The Department for Education took the decision not to clawback any of the proceeds of the sale. However, the Education and Skills Funding Agency stated their expectation that the College should only apply the proceeds for the purpose of capital expenditure. The balance of the proceeds not yet applied for that purpose are shown as a designated reserve.

The Corporation approved a capital expenditure programme covering a four year period. The main application of the Sports Hall sale proceeds were to be applied in 2018 and 2019.

In March 2019 the Corporation approved a major refurbishment of the front of the College forming a new entrance foyer, Learning Resource Centre (LRC) and Student Services area. In addition, a new all-purpose outdoor pitch (MUGA pitch) has been built alongside the front of the College. This was accompanied by minor refurbishments of adjacent areas together with the IT suites and sciences area on the first floor over the summer of 2019. During 2018-29 stage 1 of the creation of a new Sports and Activities Centre was undertaken with the formation of two fitness suites and accompanying changing rooms. Stage 2, to be undertaken in 2019-20 will see the creation of enrichment rooms and will bring in sports and public services classrooms.

In addition to the building works, the College made a large investment in its IT infrastructure and is set to start its refresh programme for IT and AV equipment in 2019-20. Other works included a complete overhaul of the College's toilets.

Members' Report (continued)

The new English and Maths Hub came into full operation during 2018-19. It has proved to be a valuable resource and has contributed to the 10% and 5% increases in GCSE English and maths pass rates (at 9 to 4, formerly A* to C) in June 2019. The College is looking to develop the Hub as a community resource during 2019-20. The focus for this will be on the parents and other family members of our students.

The College has significant reliance on the Education and Skills Funding Agency as its principal funding source, largely from recurrent grants. In 2018-19 this funding body provided approximately 91% of the College's total income.

Reserves

When the Sports Hall and adjacent car park were sold, £5 million was transferred to an unrestricted, designated reserve. At July 2019 the designated reserve stood at £1,813,000. This amount represents that part of the College's cash reserves that are regarded as 'ring-fenced' by the Education and Skills Funding Agency. This is calculated as being the proceeds of the sale of the Sports Hall and car park less amounts expended on capital items of expenditure. The ESFA has verbally indicated that the College should aim for these funds to be expended on capital items.

£'000	Designated reserve
On sale of Sports Hall and car park	5,000
Capital expenditure in 2017-18	(593)
Balance at 31 July 2018	**4,407**
Capital expenditure in 2018-19	(2,594)
Balance at 31 July 2019	**1,813**

Over the period of the next few years, specific financial objectives are:

a) To produce a deficit of not more than £750k in 2019-2020 moving to the generation of surpluses from 2021-2022 onwards;

b) To create an unrestricted cash reserve that provides a buffer of at least £50,000 in late March / early April each year from 2021;

c) To move the College to a financial health rating of 'good' or better by 2020-2021;

d) To complete the substantial programme of capital investment over the year to support the growth and restoration of student numbers (partly by substantially enhancing student experience) to a minimum of 1,200 by 2019-2020 and to a recurring point of approximately 1,300 thereafter.

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 treasury management policy in place.

Members' Report (continued)

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 Funding Agreement.

Cash flows and liquidity

The College had a net cash outflow from its underlying operations of £441,000. In addition, the College invested £2,594,000 through capital expenditure and had a net cash outflow of £16,000 from other investing activities and financing activities. There was a resulting cash outflow of £3,051,000 for the reporting year.

The College had overdraft facilities of £500,000 which were not used during the year. The College has agreed with its Bankers to keep this facility as £500,000 for 2019-20.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student achievements

Achievement rates in respect of all qualifications taken by students for the year are shown below.

Qualification level	2016/17	2017/18	2018/19	All colleges average
Level 1	73.3%	74.2%	78.6%	79.1%
Level 2	83.8%	84.2%	81.8%	81.6%
Level 3 vocational	85.0%	85.0%	86.5%	86.6%
A level	74.0%	68.7%	85.0%	83.5%
Total	**79.8%**	**78.4%**	**83.1%**	**82.4%**

All colleges average
- *2017-18 National Achievement Rate tables*
- *Sixth form & GFE colleges only*
- *Excludes qualification types not offered by BSix*

Achievement rates are defined as the number of students who gained their qualifications expressed as a percentage of those who started their courses.

The achievement rates for students at the College showed a continuing upward trend to reach their highest level in three years, except for level 2. Achievement rates for students at BSix are now in line with the averages for sixth form and further education colleges. This is despite having a large proportion of students who come to BSix having failed or dropped out of their post 16 studies elsewhere. The College is gaining a growing reputation for providing these students with a second chance and those completing their level 3 studies at BSix mostly then go on to university.

At the start of 2018-19 the College's management and staff were rigorous in ensuring that students were placed on to appropriate study programmes. This, together with significant improvements in teaching and learning, lead to a 22% increase in achievement rates for students taking AS levels (a 25% increase in their exam pass rates).

In 2018-2019 students at BSix aged between 16 and 18 years who studied at level 3 (including A levels) achieved the highest value added scores of students at schools and colleges in Hackney. Positive value added scores show the extent to which a student has achieved above and beyond the level that would have been expected, given their prior exam results.

The College management and staff do recognise that achievement rates need to continue to improve and this remains a priority for the current academic year (2019-2020).

Members' Report (continued)

Student Numbers 2018/19

- In 2018/19 the College had 939 (2017-2018: 1,151) ESFA funded 16-18 year-old students against a target of 1,149. The ESFA provided grant funding of £6,151,333 (2017-2018: £6,770,777) for these students together with an additional £180,000 to fund 30 students with high needs.
- The College generated £453,065 of fundable activity in respect of 85 adult students against its Adult Education Budget funding allocation of £455,803. This meant that the College retained its allocation in full.
- The College also enrolled 30 students aged below 16, paid for by their home Local Education Authority (LEA).

Rising to the challenge

In April 2018 the governors embarked on a strategy to revitalise the College's finances. The first stage was to generate a substantial cash reserve in order to allow the College the time and resources needed to pursue a financial recovery plan. This was achieved through the sale of the College's Sports Hall and adjacent car park, which were under-utilised at the time.

The second stage was to reinvigorate the College's management and capacity to deliver an agreed, challenging strategy. The Corporation appointed a new Principal, Kevin Watson to lead the College. To assist him, the Corporation created a new senior management team of three Vice Principals. These posts are designated as senior postholder positions meaning that they report directly to the Corporation in respect of their remits and for them, together with the Principal, to be directly accountable for the delivery of the strategy set and agreed by the Corporation.

Next, the governors set the Principal and the Vice Principal – Finance & Resources (then Interim Director of Finance) the task of creating a stretching, but realistic recovery plan by the end of July 2018 for the years 2018 to 2022. The overarching aims of this plan were:

i. To significantly cut the financial deficit and then to bring the College to a breakeven position. This would then be built upon to generate future surpluses for reinvestment into College resources;
ii. To bring the College to outstanding financial health over the period of the plan, whilst avoiding inadequate ratings;
iii. To monitor and control cash flows to prevent financial failure and to allow the acquisition of resources;
iv. To increase student numbers to reach and retain a sustainable level;
v. To implement the recovery plan whilst maintaining the essential ethos of the College.

The governors set the Principal the objective of creating a comprehensive programme to significantly improve the quality of the College's provision. The Principal created this programme in 2018-19, securing the support of a partner college, King Edward VI College and a grant for £235,500 from the Strategic College Improvement Fund. There were four strands to the programme:

1. Better teaching and learning
2. Reform of the study programme
3. Tutors as advocates for their students
4. More effective management

Members' Report (continued)

These strands employed a variety of methods to achieve their objectives with their impact measured through set key performance indicators. The methods included: partner college staff and manager exchange visits, the sharing of good practice, research projects and dissemination, the development of a new curriculum, enhanced information reporting systems, a management development programme and a joint college conference.

Significant milestones in our journey

In January 2019 the College had an Ofsted monitoring visit. The inspectors formed a judgement on the College's progress against the weaknesses found at the last, full Ofsted inspection in March 2018. The inspectors found 'significant progress' had been made across two themes:

i. What progress have governors made to increase the level of support and challenge they provide to leaders and managers to help raise the quality of provision across the College?;

ii. What progress have governors, leaders and managers made in ensuring the College curriculum meets the full requirements of the 16 to 19 study programme, including extending students' mathematical skills and providing suitable careers information, advice and guidance to students?

The inspectors also found that 'reasonable progress' had been made across the third theme:

iii. What progress have leaders and managers made in following through with strategies to improve attendance, raise the quality of teaching, learning and assessment, and review the impact of this work?

There have been two FE Commissioner visits to the College, in July 2018 and in October 2019. The first visit stated that the Principal and Chair had made an impressive impact on changing the culture of the College. The visit report stated that the true current financial position had been largely revealed and that a realistic and pragmatic financial plan had been built. The report did note that significant risks remained.

The second FE Commissioner visit noted the good standard of college information reports. Improvements in quality were cited as being phenomenal in their timescale and the value added in student outcomes was good, particularly for a sixth form college. The FE Commissioner deputy and assistant noted the significant investment in capital and that costs had been significantly reduced. They determined that the College would become financially sustainable if student numbers increased and that the student growth forecasts, on which the financial plan was based, were reasonable.

Past and recent challenges

In previous years the College was issued with Financial Notices to Improve from its regulator, the Education and Skills Funding Agency. The categories of these notices were:

iv. Financial health (March 2017);

v. Financial control (June 2017, revised November 2017);

In addition, the Sixth Form Commissioner (a position now subsumed into the FE Commissioner role) undertook an Assessment of BSix in August 2017 and an Options Review in November 2017.

Previously, BSix took part in the Central London Area Review process, which reported in February 2017. The recommendation for BSix was that it should remain as a standalone college and that it should work to improve its financial position and its quality against an improvement plan agreed with its funding agency (ESFA). The recommendation was also made that if there was insufficient progress then the College should pursue options for further collaboration up to and including a merger.

The Options Review was instructed following a decline in student recruitment. Three potential colleges were identified as willing to participate in collaboration talks. The review concluded that BSix could continue as a standalone college if the following requirements were met for each year from 2017-18 to 2019-2020:

i. Show surplus 'Total comprehensive income'
ii. Show an increase in cash and cash equivalents
iii. Maintain a financial health rating of at least 'satisfactory' (under the new terminology this becomes 'requires improvement').

The Options report also recommended that the Corporation either received its expected exceptional income or implemented a cost reduction plan. At the time the exceptional income was expected to consist of the sale of future mobile mast rentals and a lease given over an existing car park.

In April 2018 agreements were completed and proceeds received in respect of the sale of the Sports Hall and adjacent car park together with the sale of future mobile mast rentals. The sums realised were £5 million and £0.45 million respectively. This has increased cash reserves and maintained the College's financial health rating at 'satisfactory' (now rates as 'requires improvement' under the new terminology).

During the course of 2017-2018 the governors discovered a worsening position in terms of its financial position and academic performance. Early sets of management accounts presented an overly-optimistic picture of its finances, showing a favourable position against the budget set by the governors. The management accounts for May 2018 revealed a significant underlying operational deficit largely derived from high staffing costs. The full Ofsted inspection carried out in March 2018 rated the College as 'requiring improvement' in all areas covered within the inspection report.

The FE Commissioner's team visited the College in April 2018 following up its stocktake visit undertaken in February 2018. They fed back to the governing body their concerns about the College, its management and governance.

The existing Chair of the Corporation and Principal departed the College in May 2018. A new Chair was elected and a new Principal was appointed shortly thereafter. Together with the governors, they have worked quickly on plans to bring rapid improvement and recovery to the College. The Corporation has set a new strategic plan for improvement and a new financial recovery plan (based on the financial plan for 2018-2022) has been agreed.

Post-balance sheet events

There were no major post balance sheet events.

Members' Report (continued)

Future prospects

The College has adopted a strategy and plan which assumes that student numbers will be restored to a level of 1,200 16-18 year-olds over the next three years. A further decline in the numbers of 16-18 year-olds recruited in September 2018 has meant that funding for 2019-2020 is lower than had been initially planned and significant reductions in staff costs were required for that year.

The College's 2019-2020 ESFA grant funding for 16-18 students has been confirmed at £4,934,108 (2018-19 £6,151,333).

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site and £1.1 million held in current assets.

Financial

The College has £6.4 million of net assets after deducting a pension liability of £2.5 million.

People

The College on average employed 116 people of whom 68 were teaching staff. Following a staff re-organisation and some downsizing the number of staff at September 2019 was 108 of whom 55 were teachers.

Reputation

The College is pursuing plans to bolster its reputation. Maintaining a reputation for high quality is essential for the College's success in attracting students and external relationships.

Members' Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The College worked over the summer 2018 to overhaul its risk management, health and safety and other procedures. This included a fresh review of the strategic risks faced by the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors were within the College's control. Other factors besides those listed below may have also adversely affected the College.

Principal risk	Status with existing controls	Comments
Failure to recruit sufficient students	High	The recruitment of students has a direct effect on the levels of grant funding available to the College. Recruitment has only recently increased having declined in recent years and remains a key focus for management.
Teaching and learning falls below good and better	High	This area had been assessed as 'Requires improvement' in the most recent Ofsted inspection. The College is following a post inspection action plan to bring about rapid improvement. This included a Strategic College Improvement Fund project that successfully allowed it to implement quality improvement and staff development initiatives. These measures have made a significant impact and this has been reflected by the improvements in student outcomes.
Financial health has declined and future deficits are forecast	High	The College's financial health is currently 'Requires improvement'. However, the College has suffered significant deficits, which are forecast to continue until July 2021.
Poor governance and management	Medium	This was assessed as 'Requires improvement' by Ofsted. However, it reported significant progress in this area in its recent monitoring visit.
A disaster causes business failure	Medium	The College is currently renewing its business continuity plans
Staffing does not meet the needs of the College	Medium	The College is in its second year of a major programme of staff and management improvement. Reliance on agency staffing decreased sharply in 2018-19.
Learners are not fully supported in their studies and with their overall college experience	Medium	There is a new focus on the work of tutors to oversee the study programmes of their tutees

Other risks include:

Government funding -

The College has considerable reliance on continued government funding through the further education sector funding body. In 2018/19, 90.9% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College has been aware of several issues which may affect future funding:

Following a national decline in the number of 16-18 year-olds over recent years, the College has from September 2019 begun to see an increase in its student catchment areas and age groups.

The 16-18 year-olds funding rate will increase by 4.7% in 2020-2021. Also in that year additional funding for science & technology subjects and for English and maths GCSEs for those students on level 3 (equivalent to A level) courses is expected to provide an additional 3.5% of funding for 16-18 year-old students.

Maintain adequate funding of pension liabilities -

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Parents, carers and guardians;
- Education and Skills Funding Agency;
- Department for Education;
- FE Commissioner;
- Staff;
- Local employers;
- London Boroughs;
- Greater London Authority;
- The local community;
- Other FE institutions and feeder schools;
- Trade unions;
- Professional bodies.

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

GOING CONCERN

The Corporation has carefully considered its financial plans for periods up to July 2022, together with detailed monthly cash flow projections for periods to July 2021. It has also reviewed the detailed underlying assumptions to those plans and projections and their associated risks. These assumptions include the income generation and savings plans needed for those plans to succeed, which are formally tracked and then reviewed and monitored by the Corporation.

On this basis, the Corporation considers that the College has the appropriate resources to continue in operational existence for the foreseeable future and has accordingly continued to adopt the going concern basis in the preparation of these financial statements.

Members' Report (continued)

Although the funds arising from the sale of the Sports Hall and adjoining car park are designated for capital projects, these funds can be used to ensure that the College has sufficient funds to operate and to pay liabilities as they fall due.

Equal opportunities

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

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

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

The College has a regularly updated Equality & Diversity training programme which all staff undertake. Refresher training and training for new starters is carried out on an ongoing basis.

Public benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 19. 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.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 1,200 students, including 30 students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and mathematics courses. The College adjusts its courses to meet the needs of local employers. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses or employment for as many students as possible regardless of their educational background.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

1. As part of its accommodation strategy the College updated its access audit and the results of this formed the basis of funding capital projects aimed at improving access.
2. The College has a Student Welfare Advisor, who provides information, advice and arranges support where necessary for students with disabilities.
3. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the Library.

Members' Report (continued)

4. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
5. The College has made a significant investment in the appointment of staff to support students with learning difficulties and/or disabilities. There are a number of Student Support officers who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
6. Specialist programmes are described in College prospectus, and achievements and destinations are recorded and published in the standard College format.
7. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College

Number of employees who were relevant union officials during the relevant period	FTE employee number
2	2

Percentage of time	Number of employees
0%	0
1-50%	2
51-99%	0
100%	0

Total cost of facility time	£19,798
Total pay bill	£5,930,147
Percentage of total bill spent on facility time	0.33%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, 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 was 95%. During the accounting period 1 August 2018 to 31 July 2019, the College paid 95% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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 of Brooke House Sixth Form College on 12 December 2019 and signed on its behalf by:

Stephen Blackshaw, Chair | **Kevin Watson - Principal**

Governance statement

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 year from 1 August 2018 to 31 July 2019 and up to the date of signing and approval of the members' report and financial statements.

The College endeavors to conduct its business:

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

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

iii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

Governance statement

The Corporation

The list of members who served on the Corporation during the year and up to the date of signature were as follows:

Corporation member	Appointment date	Term of office	Status of appointment	Committees served	Attendance in 2018-19
Stephen Blackshaw (Chair)	April 2016	4 years	External	F&GP Remuneration, Search, Standards	100%
Ali Abdi	July 2018	2 years	Staff	Standards	83%
Jonathan Beake	July 2018	4 years	External	F&GP	50%
Martin Buck	April 2018	4 years	External	Standards	50%
James Cross	January 2018	4 years	External	Audit	67%
Michael Desmond	January 2015	4 years	External		83%
Sally Townsend	January 2018	4 years	External	Remuneration, Search, F&GP	100%
Annie Gammon	December 2018	4 years	External	Standards	80%
Sheridan Mangal	December 2018	4 years	External	Audit	60%
Kevin Watson (Principal)	May 2018		Ex offico	F&GP, Standards, Search	100%
Joy Akintan	March 2018		Student		75%

Governance statement

During the reporting year the following persons served as members of the Corporation, but have since resigned

Former member of the Corporation	Appointment date	Resigned	Status of appointment	Committees served	Attendance in 2018-19
Olga Venosa	July 2018	May 2019	External	Audit	
Kola Gbadebo	July 2018	July 2019	Staff		
Victoria McMahon	March 2019	July 2019	Student		

For new Governors and for those whose term has ended, attendance is based on the number of meetings held during period of office.

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

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

The Corporation conducts its business during the year through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and are regularly reviewed. These committees were Finance and General Purposes, Remuneration, Search, Audit and Standards. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Brooke House Sixth Form College
Kenninghall Road
Hackney
London
E5 8BP

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

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

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

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

Governance statement

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years, after four years reappointment is required which takes into account contribution made and skill requirements of the Corporation.

Remuneration Committee

Throughout the year ending 31 July 2019, the College's remuneration committee comprised two members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2019 are set out in note 5 to the financial statements.

Audit Committee

The Audit Committee comprised two members of the Corporation (excluding the Accounting Officer and Chair) to 31 July 2019. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditor monitors 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 Audit Committee.

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

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

Search Committee

The Corporation has a Search Committee consisting of three members of the Corporation, including the Principal, which is responsible for the selection and nomination of any new member for the Corporation's consideration.

Governance statement

Standards Committee

The Standards Committee comprises of five members of the Corporation including the Principal and a staff member; other members of the Senior Management Team attend as required. The Committee scrutinises College data on success, achievement, retention and attendance. It also identifies areas for concern and holds managers and departments to account for their performance. The Committee analyses qualitative data, including presentations by students, in order to gauge the quality of the student experience at the College. A variety of other reports are also submitted to the Committee as a result of the College's internal quality processes. All the major conclusions and actions arising are reported to the full Corporation.

Finance and General Purposes Committee

The Finance and General Purposes Committee comprises four members of the Corporation (including the Principal) and meets at least once each term. The Committee operates to written terms of reference approved by the Corporation.

The remit of the Committee covers physical resources utilisation, implementation of best practice in management of health and safety, employment and management of finances.

The Corporation has delegated the Finance and General Purposes Committee to advise members on employment, financial and resources issues in the context of agreed College policies, practices and delegation. The Committee receives and considers the audited Annual Financial Statements for approval by the Corporation. It also monitors and advises the Corporation on the progress of the financial and resource aspects of the development and strategic plans of the College.

Internal Control

Scope of responsibility

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

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

Governance statement

The purpose of the system of internal control

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The process for identifying, evaluating and managing the College's significant risks operated on a formal basis for the year ended 31 July 2019. From July 2018 and up to the date of approval of the annual report and accounts there has been a strengthened, formal ongoing process for identifying, evaluating and managing the College's significant risks. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA Joint Audit Code of Practice. The internal audit service continues to be provided by RSM Risk Assurance LLP and their work is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. The Head of Internal Audit (HIA) provides the governing body with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Governance statement

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 and regularity auditors in their management reports and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place. A number of weaknesses were identified by the Internal Auditors during the year which are being addressed by management.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention. The senior management 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 Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

The Head of Internal Audit in his annual report stated his opinion that the organisation has an adequate and effective framework for risk management, governance and internal control. However, he noted that in the reporting year 2018-2019 although there had been progress in addressing prior years' management actions, there remained areas where no, or only partial, assurance could be taken by the Board. The areas of significant weakness seen in the year were in respect of procurement in the area of catering and in departmental level risk management.

From July 2018 the controls relating to agency staff were improved and the levels of agency staff used in 2018-2019 have since been low. The financial forecasting for 2019-2022 prepared in July 2019 and updated in November 2019 has been reviewed by the FE Commissioner and ESFA. They have agreed that the underlying assumptions used in preparing the forecast are reasonable. The financial plan is now updated every two months to reflect student numbers, income expectations and expenditure incurred.

The financial statements auditor in November 2019 informed the Audit Committee that the College's internal controls appeared to have recently improved and that all of its previous and current recommendations had been adopted and implemented.

The College has also implemented and cleared most of the recommended actions set by the ESFA and FE Commissioner. Some recommendations relating to financial performance and student recruitment are on-going.

Governance statement

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, which enables management to respond to identified weaknesses on a timely basis, accordingly it 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*".

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf:

Signed:

Stephen Blackshaw, Chair

Kevin Watson - Principal

Statement of regularity, propriety and compliance

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

We confirm, on behalf of the Corporation, that after due enquiry and to the best of its knowledge, it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's funding agreement.

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 Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf:

Signed:

Stephen Blackshaw, Chair | **Kevin Watson - Principal**

Statement of the responsibilities of members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period. In preparing the financial statements the Corporation is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Statement of the responsibilities of members of the Corporation

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

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf:

Stephen Blackshaw, Chair

Independent Auditor's Report to the Members of the Corporation of Brooke House Sixth Form College

Opinion

We have audited the financial statements of Brooke House Sixth Form College for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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 2019 and of the surplus for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have 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 Governors are 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.

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.

Independent Auditor's Report to the Members of the Corporation of Brooke House Sixth Form College

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report or operating and financial review or the statement of corporate governance and internal control.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued jointly by the Education and Skills Funding Agency (March 2018) requires us to report to you if our opinion:

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

Responsibilities of Governors

As explained more fully in the Governors' responsibilities statement, the Governors are 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 Governors determine 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 Governors are 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 Governors either intend to liquidate the College or to cease operations, or have 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.

Independent Auditor's Report to the Members of the Corporation of Brooke House Sixth Form College

- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Governors, 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 Governors, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 20/12/19

Reporting Accountant's Assurance Report on Regularity to the Corporation of Brooke House Sixth Form College and the Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum/funding agreement with the 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 Brooke House Sixth Form College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("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.

Respective responsibilities of Brooke House Sixth Form College and the reporting accountant

The Corporation of Brooke House Sixth Form 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 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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity

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

Basis of opinion

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.

Reporting Accountant's Assurance Report on Regularity to the Corporation of Brooke House Sixth Form College and the Secretary of State for Education acting through the Department for Education ("the Department")

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure. The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

Opinion

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 year 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 20/12/19

Statement of Comprehensive Income and Expenditure

	Notes	2019 College £'000	2018 College £'000
INCOME			
Funding body grants	2	7,403	7,675
Tuition fees and education contracts	3	409	344
Other grants and contracts		-	-
Other income	4	287	309
Endowment and investment income		16	2
Donations and Endowments		-	-
Total income		**8,115**	**8,330**
EXPENDITURE			
Staff costs	5	6,081	6,527
Other operating expenses	6	2,035	2,408
Depreciation	9	712	638
Interest and other finance costs	7	50	66
Total expenditure		**8,878**	**9,639**
(Deficit) / surplus before other gains and losses		**(763)**	**(1,309)**
Gain on disposal of assets	8	-	3,964
Surplus before tax		**(763)**	**2,655**
Taxation		-	-
(Deficit) / surplus for the year		**(763)**	**2,655**
Actuarial (loss) / gain in respect of pensions schemes		(868)	804
Total Comprehensive Income for the year		**(1,631)**	**3,459**

The Statement of Comprehensive Income is in respect of continuing activities

Statement of changes in reserves

	Income and Expenditure account	Designated Reserves	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
College				
Balance at 1st August 2017	(633)	-	5,250	4,617
Surplus/(deficit) from the income and expenditure account	2,655	-	-	2,655
Other comprehensive income	804	-	-	804
Transfer between designated and undesignated reserves	(4,407)	4,407	-	-
Transfers between revaluation and income and expenditure reserves	1,065	-	(1,065)	-
	117	4,407	(1,065)	3,459
Balance at 31st July 2018	(516)	4,407	4,185	8,076
Surplus/(deficit) from the income and expenditure account	(763)	-	-	(763)
Other comprehensive income	(868)	-	-	(868)
Transfer between designated and undesignated reserves	2,594	(2,594)	-	-
Transfers between revaluation and income and expenditure reserves	70	-	(70)	-
Total comprehensive income for the year	1,033	(2,594)	(70)	(1,631)
Balance at 31st July 2019	517	1,813	4,115	6,445

Balance Sheet as at 31 July 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	9	16,361	14,479
		16,361	14,479
Current assets			
Stocks		-	-
Trade and other receivables	10	478	235
Cash and cash equivalents		1,871	4,922
		2,349	5,157
Less: Creditors – amounts falling due within one year	11	(1,200)	(1,369)
Net current assets		1,149	3,788
Total assets less current liabilities		17,510	18,267
Less: Creditors – amounts falling due after more than one year	12	(8,550)	(8,804)
Provisions			
Defined benefit obligations	14	(2,515)	(1,387)
Other provisions		-	-
Total net assets		6,445	8,076
Restricted reserves		-	-
Unrestricted reserves			
Income and expenditure account		517	(516)
Designated reserve	20	1,813	4,407
Revaluation reserve		4,115	4,185
Total unrestricted reserves		6,445	8,076
Total reserves		6,445	8,076

The financial statements on pages 34 to 58 were approved and authorised for issue by the Corporation on 12 December 2019 and signed on its behalf on that date by:

Signed:

Stephen Blackshaw, Chair

Kevin Watson – Accounting Officer

Statement of cash flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(763)	2,655
Adjustment for non cash items			
Depreciation		712	638
(Increase)/decrease in debtors		(243)	(60)
Increase/(decrease) in creditors due within one year		(169)	563
Increase/(decrease in creditors due after one year		(230)	221
Increase/(decrease) in provisions		-	-
Pensions costs less contributions payable		218	147
Adjustment for investing or financing activities			
Investment income		(16)	(2)
Interest payable		50	66
Surplus on sale of fixed assets		-	(3,964)
Net cash flow from operating activities		(441)	264
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	5,000
Investment income		16	2
Payments made to acquire fixed assets		(2,594)	(592)
		(2,578)	4,410
Cash flows from financing activities			
Interest paid		(8)	(10)
New unsecured loans		-	-
Repayments of amounts borrowed		(24)	(11)
		(32)	(21)
Increase / (decrease) in cash and cash equivalents in the year		(3,051)	4,653
Cash and cash equivalents at beginning of the year		4,922	269
Cash and cash equivalents at end of the year		1,871	4,922

Notes to the accounts (continued)

1 Accounting Policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting in Further and Higher Education 2015* (the FEHE SORP), the College's Accounts Direction for 2018/19 Financial Statements and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). 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 judgment in applying the College's accounting policies.

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

At the Balance Sheet date the College had a Salix loan of £69,000 and has continuing overdraft facilities available.

In April 2018 the College disposed of its freehold interest in its sports hall and adjacent car park in order to raise cash reserves in order to continue its operations and to meet its strategic aims. The disposal generated £5 million. The Education and Skills Funding Agency have detailed that the proceeds should be applied for the purpose of capital expenditure. The College's forecasts and cash flow projections indicate that the College will be able to operate within its working capital facilities and covenants for the foreseeable future on the understanding that the funds derived from the disposal can be used, if needed, to meet working capital requirements.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of 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 at 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 income recognised is the allocation for the year.

Notes to the accounts (continued)

Income from Tuition Fees is recognised in the period for which it is received and includes all fees charged to students or their sponsors.

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

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.

Post retirement benefits

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Notes to the accounts (continued)

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at 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

Land and buildings inherited from the Local Education Authority (LEA) at incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost as open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of the assets and the actual charge for the year calculated on the revalued amount is released to the Statement of Comprehensive Income reserve on an annual basis. Buildings improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10-50 years depending on their estimated useful life.

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

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2002, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it increases the future benefits to the College and meets the criteria below, in which case it is capitalised and depreciated on the relevant basis:

Equipment

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

All assets are depreciated over their useful economic life as follows:

General equipment	four years;
Computer equipment	four years;
Furniture, Fixtures and Fittings	five 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 Statement of Comprehensive Income over the expected useful economic life of the related equipment. Capital grants financing equipment costing under £1,000 are fully released into the income and expenditure account in the period of acquisition.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

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

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.

Taxation

The College is not registered with HMRC for VAT purposes, nonetheless, the College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of Paragraph 1 schedule 6 Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

Notes to the accounts (continued)

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 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.

Notes to the accounts (continued)

- *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 14, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body Grants

	2019	2018
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – 16 -18	6,331	6,891
Education and Skills Funding Agency - adult	456	456
Specific Grants		
Releases of government capital grants	323	272
Releases of government capital grants on fixed asset disposals	0	40
Education and Skills Funding Agency - other grants	293	16
	7,403	**7,675**

3 Tuition Fees and Education Contracts

	2019	2018
	£'000	£'000
Education contracts with London Boroughs		
High needs students	185	201
14-15 year old students	224	143
	409	**344**

4 Other Income

	2019	2018
	£'000	£'000
Catering and residences	251	228
Other income generating activities	36	81
	287	**309**

Notes to the accounts (continued)

5 Staff Costs

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

	2019 No.	2018 No.
Teaching staff	68	69
Non teaching staff	48	50
	116	**119**

Staff costs for the above persons

		2019 £'000	2018 £'000
Wages and salaries		4,320	4,386
Social security costs		467	450
Other pension costs		854	777
Payroll sub total		**5,641**	**5,613**
Contracted out staffing services		185	803
		5,826	**6,416**
Fundamental restructuring costs -	contractual	227	61
	non contractual	28	50
		6,081	**6,527**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprised the Principal, Vice Principal – Curriculum and Quality, Vice Principal – Student Services and Vice Principal – Finance and Resources.

Notes to the accounts (continued)

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	4	8

The number of key management personnel (all) and other staff (> £60,000) who received annual emoluments, excluding pension contributions, employer's National Insurance and redundancy costs, but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£1 to £40,000	1	2		
£40,001 to £50,000	0	2		
£50,001 to £60,000	1	2		
£60,001 to £70,000	1	0	0	0
£70,001 to £80,000	0	1	0	1
£80,001 to £90,000	0	0	0	0
£90,001 to £100,000	0	0	0	0
£100,001 to £110,000	0	1	0	0
£110,001 to £120,000	1	0	0	0
	4	8	0	1

The annual emoluments analysed by band in the above table do not include compensation for loss of office, which is payable in the following year.

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	301	339
Employers National Insurance	37	41
Benefits in kind	0	0
	338	380
Pension contributions	23	39
Payments to third payments	33	0
Compensation for loss of office	-	111
Total emoluments	394	530

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)

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

	2019 £'000	2018 £'000
Salaries	120	176
Benefits in kind	0	0
	120	176
Pension contributions	0	16

The figures for 2018 include a period from May 2018 where a salary was paid to the former Principal in addition to that paid to the incoming Principal.

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

The remuneration package of the Principal is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal reports to the Chair of the Corporation, who undertakes an annual review of his performance against the College's overall strategic objectives using both qualitative and quantitative measures of performance.

Relationship of Principal's pay and remuneration expressed as a multiple:

Relationship of Principal's pay and remuneration expressed as a multiple:	
Principal's basic salary as a multiple of the median of all staff	3.34
Principal's total remuneration as a multiple of the median of all staff	3.34

Compensation for loss of office paid to former key management personnel

	2019 £	2018 £
Compensation payable to the former post-holder - contractual	-	61
Estimated value of other benefits, including provisions for pension benefits	-	50

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

Notes to the accounts (continued)

6 Other Operating Expenses

	2019	2018
	£'000	£'000
Teaching costs	390	398
Non teaching costs	1,116	1,512
Premises costs	529	498
Total	2,035	2,408

Other operating expenses include:	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	17	15
Internal audit	33	24
Other services provided by the financial statements auditors	0	6
Hire of assets under operating leases	35	36

7 Interest payable

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	8	10
	8	10
Net interest on defined pension liability (note 25)	42	56
Total	50	66

8 Gain on disposal of assets

In April 2018 the College disposed of freehold property comprising its sports hall and adjacent car park to the Department for Education for £5,000,000. The property will be used to establish free school site for The Olive School.

This property was held at a carrying value of £1,035,724 and the gain on disposal amounted to £3,964,276.

Notes to the accounts (continued)

9 Tangible Fixed Assets

	Land and buildings £'000	Equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2018	18,750	3,314	875	5	22,944
Additions	1,486	791	312	5	2,594
Disposals	-	(1,351)	(472)	(5)	(1,828)
At 31 July 2019	**20,236**	**2,754**	**715**	**5**	**23,710**
Depreciation					
At 1 August 2018	5,167	2,802	491	5	8,465
Charge for the year	319	268	125	0	712
Elimination in respect of disposals	-	(1,351)	(472)	(5)	(1,828)
At 31 July 2019	**5,486**	**1,719**	**144**	**0**	**7,349**
Net book value at 31 July 2019	**14,750**	**1,035**	**571**	**5**	**16,361**
Net book value at 31 July 2018	13,583	512	384	0	14,479

Inherited Land & Buildings

Inherited land and buildings were valued on transfer in 2002 at a value determined by the District Valuer at £7,000,000. During 2017-2018 a portion of the inherited assets with a net book value of £1,035,724 were disposed of (see note 8). The remaining inherited land and buildings have a net book value of £4,088,082 at 31 July 2019. Depreciation for the year on the inherited buildings was £56,000.

10 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	37	48
Prepayments and accrued income	441	187
Total	**478**	**235**

11 Creditors: Amounts Falling Due within One Year

	2019 £'000	2018 £'000
Other loans	11	11
Trade payables	124	181
Other taxation and social security	197	202
Other creditors	3	143
Accruals and deferred income	67	63
Accruals - holiday pay	163	201
Deferred income - government capital grants	323	269
Amounts owed to the ESFA	312	299
Total	**1,200**	**1,369**

The amounts owed to the ESFA include unspent Free Meal funding of £173,931 and unspent bursary funding of £97,268 allocated for 16-18 year-old students.

12 Creditors: Amounts Falling Due After One Year

	2019 £'000	2018 £'000
Other loans	57	81
Payments on account	412	427
Deferred income - government capital grants	8,081	8,296
Total	**8,550**	**8,804**

Notes to the accounts (continued)

13 Maturity of debt

The College had an overdraft facility of £500,000 in the period.

The College had a loan from Salix of £69,000 outstanding at the end of the period. The loan is repayable as follows:

	2019 £'000	2018 £'000
In one year or less	12	12
Between one and two years	12	12
Between two and five years	45	69
In five years or more	-	-
Total	**69**	**93**

The loan from Salix is payable in annual instalments falling due from August 2018 to September 2022. The loan is interest free and unsecured.

14 Pension and Similar Obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions 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 the London Pension Funds Authority (Hackney). Both are defined benefit schemes.

Total pension cost for the year		**2019**		**2018**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		376		388
Local Government Pension Scheme:				
Contributions paid	261		241	
FRS 102 (28) charge	218		147	
		479		388
Charge to the Statement of Comprehensive Income		**855**		**776**
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**855**		**776**

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

Contributions amounting to £72k (2018: £79k) were payable to the schemes at 31 July and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

Notes to the accounts (continued)

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

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

The pension costs paid to TPS in the year amounted to £376,000 (2018: £388,000)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the London Pension Funding Authority (LPFA). The total contributions made for the year ended 31 July 2019 were £335,000, of which employer's contributions totalled £261,000 and employees' contributions totalled £74,000. The agreed contribution rates for future years are 23.4% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Notes to the accounts (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the Fund at 31 March 2013 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.50%	3.50%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%
Commutation of pensions to lump sums	50%	50%

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 2019	At 31 July 2018
	years	years
Retiring today		
Males	21.30	22.20
Females	23.30	24.20
Retiring in 20 years		
Males	21.90	23.60
Females	24.30	25.70

Sensitivity analysis	At 31 July 2019	At 31 July 2018
	£'000	£'000
Discount rate -0.1%	274	219
Mortality assumption – 1 year increase	418	335
CPI rate +0.1%	240	190

Notes to the accounts (continued)

14 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	5,365	5,403
Bonds	1,341	1,081
Property	789	720
Cash	394	0
Total market value of assets	7,889	7,204

Weighted average expected long-term rate of return

Actual return on plan assets	493	550

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

	2019 £'000	2018 £'000
Fair value of plan assets	7,889	7,204
Present value of plan liabilities	(10,404)	(8,591)
Net pensions (liability)/asset	(2,515)	(1,387)

Notes to the accounts (continued)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	383	388
Past service cost	96	0
Total	479	388
Amounts included in investment income		
Net interest cost	42	56
	42	56
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	289	373
Changes in assumptions underlying the present value of plan liabilities	(1,157)	431
Amount recognised in Other Comprehensive Income	(868)	804

Movement in net defined (liability) during year

	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(1,387)	(1,988)
Movement in year:		
Current service cost	(383)	(388)
Employer contributions	261	241
Past service cost	(96)	-
Net interest on the defined (liability)/asset	(42)	(56)
Actuarial gain or loss	(868)	804
Net defined benefit (liability)/asset at 31 July	(2,515)	(1,387)

Notes to the accounts (continued)

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	8,591	8,454
Current Service cost	383	388
Interest cost	246	233
Contributions by Scheme participants	74	68
Experience gains and losses on defined benefit obligations		
Changes in financial assumptions	1,720	(431)
Changes in demographic assumptions	(563)	-
Estimated benefits paid	(143)	(121)
Past Service cost	96	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**10,404**	**8,591**

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	7,204	6,466
Interest on plan assets	204	177
Return on plan assets	289	373
Employer contributions	261	241
Contributions by Scheme participants	74	68
Estimated benefits paid	(143)	(121)
Fair value of plan assets at end of period	**7,889**	**7,204**

15 Events after the reporting period

There are no events after the reporting period that need to be included within the financial accounts.

16 Capital Commitments

	2019 £'000s	2018 £'000s
Commitments contracted for at 31 July	843	234

17 Financial Commitments

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Other		
Not later than one year	30	35
Later than one year and not later than five years	15	40
Later than five years	1	-
Total lease payments due	46	75

18 Contingent Liability

There are no contingent liabilities.

19 Related Party Transactions

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

Annie Gammon, a governor, is Hackney Borough Council's Director of Education and is the Head of the Hackney Learning Trust (HLT), which is part of the Children, Adults and Community Health Directorate of Hackney Borough Council. The College provides support to High Needs Students funded by and on behalf of HLT and procures education improvement services from HLT. These arrangements are made at arm's length and are in accordance with the College's educational objectives and in discharging its educational and funding obligations.

The total expenses paid to or on behalf of the governors during the year was £0 (2018: £0). Aside from the transaction reported below, no governor has received any remuneration or waived payments from the College during the year (2018: none).

One governor, Sheridan Mangal invoiced the College £750 in respect of a course organised by a third party on behalf of the College. The Corporation formally considered and approved the transaction on the recommendation of the College's key management personnel who had reported that it represented good value for money for the College and its students.

20 Reserves

At the end of the year £1,813,000 remained in an unrestricted, designated reserve. This amount represents that part of the College's cash reserves that is regarded as 'ring-fenced' by the Education and Skills Funding Agency. This is calculated as being the proceeds of the sale of the Sports Hall and car park less amounts expended on capital items of expenditure. The Corporation has duly designated this reserve for future expenditure on capital items.