

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**31 July 2022**

**The BROOKE HOUSE SIXTH FORM COLLEGE**

(known as BSix Sixth Form College)

## Letter from the Chair of the Corporation

Welcome to the 2022 Annual Report of BSix. Following last year's Good grading by Ofsted, we continue to make very positive progress on a number of fronts. Our examination results are now largely in line with pre-Covid levels; our A-level value added score is high, placing our students in the top 25% nationally for improvement over their GCSE grades; and the number of students securing places at Russell Group Universities for 2022 is up significantly by 14 percent.

The Department for Education's ESFA and the Sixth Form Commissioner have each made very positive comments about our progress over the year. Despite this, our recruitment figures in September were disappointing and that will lead to a fall in income during the 2023/24 financial year. However, we have seen excellent numbers of students joining our Back on Track programme with over 150 signing up to date. Back on Track, which helps students who are looking for a fresh start and which has been copied by a number of other institutions, is an example of the innovation that we are able to develop in a relatively small college like BSix.

This year has seen a renewed focus on staff professional development under the leadership of Principal Kevin Watson. We strongly feel that this is the best way to continue to raise the achievement levels of our students. At Board level, we have appointed a number of new, highly qualified Governors who are already making a very positive contribution to the Board's oversight of BSix.

Finally, I would like to thank all of our staff, under Kevin's expert leadership, for their continued hard work and dedication to the students of BSix. The high levels of approval for the strategic direction and working culture of the college evident once again in the responses of staff to our annual survey of opinion is extremely gratifying and their continued support for the College is well-recognised by the Board. We have also recently been successfully reviewed by a Further Education Commissioner team (FEC) who felt that the "college is an asset to potential learners, providing educational opportunity for many learners who have previously experienced disappointment".

Steve Blackshaw, Chair of the Corporation

”

# 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 2021-2022:

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

This senior management team was formed in November 2018. The Vice Principals are senior post-holders who, together with the Principal, form the key management personnel.

## Board of Governors

Sheza Afzal	James Cross	Adeshola Onakoya
Alex Adranghi	Michael Desmond	Alessia Podarau
Mmesoma Ben-Nwankwo	Annie Gammon	Kevin Watson
Stephen Blackshaw	Kyra Leyland	Alison Wong
Martin Buck	Mannat Malhi	
Sian Cooke	Adam O'Brien	

A full list of Governors who served during 2021-2022 is given on page 23 of these financial statements.

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

## Professional Advisers

### Financial statement and regularity auditors:

#### **Buzzacott LLP**

130 Wood Street

London

EC2V 6DL

### Internal auditors:

#### **TIAA Ltd**

Artillery House

Fort Fareham Industrial Site

Fareham

Hampshire

PO14 1AH

### Bankers:

#### **Barclays Bank Plc**

220 Stamford Hill

London

N16 6RA

### Solicitors:

#### **Kingsley Napley LLP**

Knights Quarter

14 St. John's Lane

London EC1M 4AJ

# Contents

	<b>Pages</b>
Members' report	4 - 21
Governance statement	22- 28
Statement of regularity, proprietary and compliance	29
Statement of the responsibilities of the members of the Corporation	30 - 31
Independent auditor's report to the members of the Corporation	32 - 35
Reporting accountant's assurance report on regularity	36 - 37
Statement of comprehensive income and expenditure	38
Statement of changes in reserves	39
Balance sheet	40
Statement of cashflows	41
Notes to the accounts	42 - 65

# Members' Report

## Strategic report

The members present their report and the audited financial statements for the year ended 31 July 2022.

### *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 (known as BSix Sixth Form College). 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 carefully tailored and suitably challenging individual study programmes, 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 over 200 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. In 2021-2022 around 31% of the 16-19 funded students were eligible for free meals and/or student bursary. The College also received additional funding to support the 47% of students who had yet to achieve a pass grade in GCSE English, mathematics or both. The College SEND register contained referrals for 182 students (17% of the total cohort) and 84 students had 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 3. In 2021/22, 68% of students were studying at level 3, 22% at level 2 and 10% at level 1 or below.
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, Health & Social Care 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 has the following strategic objectives:

1. To meet key financial and operating system targets required to satisfy external assurance frameworks, avoid reputational damage and strengthen the long-term sustainability of the College.
  - a. An overall rating of “Good” in our next Ofsted inspection.
  - b. A rating of “Good” for financial health.
  - c. A student body of 1,000+ full-time 16-18 year-olds.
  - d. All audit reports give unqualified assurance.
2. To expand and strengthen an institutional culture – for students and staff – of openness, fairness and respect where high expectation and ambition are underpinned by a strong commitment to personal wellbeing and care.
3. To demonstrate our belief in the vital importance of continuing personal and professional development and of being always “open to learning” through a comprehensive programme of training and enrichment opportunities for both students and staff.
4. To extend, formalise and communicate more fully than before, the College’s commitment to the principles of equality, diversity and social justice.
5. To provide an excellent educational experience for students which equips them with the skills, qualifications and qualities to facilitate a successful progression to higher education, training or employment.

## 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	2021-22		2022-23
	Target	Actual	Plan
Adjusted current ratio	1.53	0.61	1.28
Earnings before interest, taxes, depreciation and amortisation (EBITDA) vs income (Education)	5.87%	3.46%	3.17%
Borrowings as % of income	0.00%	0.94%	2.72%
Financial health rating	Good	Requires improvement	Good

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	2021-22		2022-23
	Target	Actual	Plan
Debt service cover	9.1	9.2	4.5
Cash generation from operations	3.1	3.9%	0.8%
Current ratio	0.78	0.40	0.72
Surplus vs income	(1.9)%	(7.8)%	(6.1)%
Staff costs vs income	71.8%	70.3%	73.8%
Non-ESFA/GLA income	8.0%	11.1%	9.6%



## Members' Report (continued)

New KPI targets have been added for 2021-2022 to reflect the proposed changes in ratios that have been proposed for use in calculating future financial health by the ESFA.

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"). This provides the evidence for a financial health grading.

# Members' Report (continued)

## FINANCIAL POSITION

### *Financial results*

The College met its young persons' funding allocations from the Education and Skills Funding Agency. The College incurred a deficit in the year of £700,000. In the prior year 2020-2021 the College incurred a deficit of £645,000.

The College continued its relatively low reliance on agency staffing, incurring a cost of £146,000, up from £77,000 in 2020-21. Class sizes remained last year at an average of 16, which is a significant improvement in efficiency from previous years.

The College has accumulated reserves of £7,695,000 and a bank overdraft of £85,000. The reserves included a revaluation reserve of £3,905,000 and a surplus on its income and expenditure account of £3,790,000. The College recognises that it still faces a difficult financial future. The College has suffered successive operational deficits in recent years. The College has steadily improved its financial position since suffering a reduction of income from 2016-17 to 2019-20 of 26%. In 2022-2023 however, the number of 16-18 year-olds declined and are less than those of the previous two years. This represents a set back to the College's plans to restore its student numbers to a more sustainable level.

In 2020-2021 the College completed its programme of investment in the College's estate and equipment funded through the £5 million sale of its former sports hall in April 2018. The funds had been shown as a designated reserve in previous years.

The College has continued to enjoy the results of the major refurbishment of the front of the College forming a new entrance foyer, Learning Resource Centre (LRC), Student Services area and an outdoor multi-use games area (MUGA) that were completed for September 2019.

In September 2020 the College opened the Herring Suite. This is a multifunction space that includes a café together with a large space used as a student social area, dance studio, exams hall and conference space.

The College has significant reliance on the Education and Skills Funding Agency as its principal funding source, largely from recurrent grants. In 2021-22 this funding body provided approximately 89% of the College's total income.

### *COVID-19*

Largely as a consequence of dealing with the learning disruption of COVID, new virtual remote desktop and cloud-based systems were either introduced or significantly expanded in 2020-21 for both students and staff. This was a major investment and has led to continuing high IT costs for the College. The virtual remote desktops allow users to have the same look and high level of processing power regardless of the device that they use. This has enabled the College to extend and enhance the use made of its aged stock of computers. It also enabled the College to procure relatively low cost laptops for students to use during the second national COVID lockdown at the beginning of 2021. The College was able to lend 335 new laptops to students. These laptops are now used in the learning Resource Centre, in other parts of the College and for students' home use.

In common with all educational institutions COVID-19 had a profound effect on the life of the College in 2019-2020 and 2020-2021. Whilst the College now suffers fewer direct COVID related issues, the students who were at the College in 2021-22 had their education significantly affected by COVID

## Members' Report (continued)

and this continues into 2022-2023. This means that teachers have needed to work hard to bring those students back to the levels that we would normally expect on entry to the College.

### *Reserves*

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

- a) To significantly reduce the deficits each year until move to the generation of surpluses (before notional pension costs) can be achieved;
- b) To plan to allow at least £100,000 of the bank overdraft facility to be unused in its period of peak usage in late March / early April 2023;
- c) To create cash reserves that progressively reduce the College's reliance on a bank overdraft facility;
- d) To ensure that the College does not fall into an 'Inadequate' financial health rating for any year;
- e) To complete the substantial programme of capital investment over the year to support the growth and restoration of student numbers (partly by continuing to enhance the student experience) to a recurring point between 1,000 and 1,100.

### *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.

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. All long-term borrowings have to be approved by the Corporation. The College has one small long-term SALIX loan in respect of an energy saving project.

### *Cash flows and liquidity*

The College had a net cash inflow from its underlying operations of £352,000. In addition, the College invested £351,000 through capital expenditure and had a net cash outflow of £38,000 from other investing activities and financing activities. There was a resulting cash outflow of £37,000 for the reporting year.

The College has an overdraft facility of £750,000. This is an agreed on-going facility, subject to an annual review. However, under the Department for Education's new commercial borrowing restrictions for colleges, only £550,000 is permitted for actual use.

## Members' Report (continued)

# 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	2018/19	2019/20	2020/21	2021/22	National average
Level 1 & entry	78.6%	67.7%	60.3%	67.3%	87.9%
Level 2	81.8%	93.5%	93.9%	72.6%	85.0%
Level 3 vocational	86.5%	89.5%	81.3%	67.1%	84.1%
A level	85.0%	96.3%	74.1%	70.1%	83.1%
<b>Total</b>	<b>83.1%</b>	<b>89.0%</b>	<b>83.0%</b>	<b>70.1%</b>	

*All colleges average*

- 2018-19 National Achievement Rate tables

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

For the first time in three years, qualifications were awarded on the basis of externally set and marked examinations where these were the normal forms of assessment. For many students, these were their first external examinations.

Whilst qualification pass rates were largely in line with those of 2018-2019, achievement rates fell markedly from the levels recorded in 2018-19. Student retention was the main factor in this decline. Our 2021-2022 cohort of leavers had been profoundly affected by COVID. The pandemic led to periods of lockdown with variable quality of remote teaching in feeder schools. This cohort suffered curtailed teaching of the curriculum in the previous two years and students often came to BSix with GCSE grades that reflected the national grade inflation resulting from teacher and institution assessed grades.

Only 30% of the College's students reside in Hackney and the student body has one of the most deprived profiles measured both nationally and across London. Household financial circumstances together with long and expensive journeys served to adversely affect attendance and ultimately led to withdrawals from the College.

Where students were retained, they typically improved upon the grades predicted for them given their prior qualifications (shown by valued added scores).

# Members' Report (continued)

## Student Numbers and funding in 2021/22

- In 2021/22 the College had 1,112 (2020-2021: 1,109) ESFA funded 16-18 year-old students against a target of 1,256. The ESFA provided grant funding of £6,724,000 against a determined figure of 1,162 funded students.
- The College educated and supported 63 high needs students. The support costs for 45 students were met £240,000 by the ESFA and £202,000 by local authorities. 18 students were on a supported internship programme with £119,000 of special support costs funded through the employment, skills and adult learning department of Hackney Borough Council.
- The College generated £580,000 of funded activity in respect of 143 adult students (2020-21 £587,000 and 101 adult students). For the first year in three years, both the ESFA and GLA did not allow COVID related tolerances in their adult funding. As a result, a clawback of £257,000 has been calculated for the year that will be need to be paid over in December 2022 and February 2023.
- The College also enrolled 17 students aged below 16, paid for by their home Local Education Authority (LEA).

## The challenge for BSix

One of the key targets for the Corporation and its senior management team has been to bring its 16-18 student numbers to a sustainable level whereby it could establish a strong financial position. The target level was formerly set as 1,200. The College's strategic and financial plans were predicated on striving towards and achieving this target at pace.

## Members' Report (continued)

16-18 year-olds	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
November census (R04)	1,321	1,263	1,158	921	929	1,113	1,029	998
January census (R06)	1,381	1,251	1,151	943	979	1,129	1,093	1,125
End of year (R14)	1,420	1,252	1,151	939	979	1,109	1,096	

In 2020-2021 enjoyed strong growth in its 16-18 student numbers. The growth slowed in 2021-2022 and the numbers actually fell at the November 2022 census point. Whilst the numbers have increased since and look to increase to around 1,060 by January 2023, they remain well below the former target of 1,200.

The senior management team and Corporation have agreed that BSix now needs to position itself to achieve a stable and sustainable operational and financial position with a 16-18 student body of between 1,000 and 1,100. This needs to be undertaken at pace in order for this position to be in place for the 2023-2024 academic year.

In order to reach this new sustainable position the Corporation has identified the following parts for creation and implementation of a new sustainability strategy.

- Create a curriculum plan that fits with the current student numbers and that does not incorporate a buffer to accommodate unachievable growth expectations.
- Have a base of teaching staff that fits more closely with the agreed, more focused curriculum plan.
- Structure a support base of non-teaching staff and resources that is affordable and that is focussed on the essentials of supporting teaching and learning and providing support to learners to achieve their study programmes.

The senior management team has developed the necessary, detailed plans needed to achieve the overall sustainability strategy and are moving to implement those plans. As at January 2023, the following progress has been made.

- The 2023-2024 curriculum plan has been developed and matched to teaching staff.
- The number and nature of the teaching posts for 2023-2024 has been determined.
- Pastoral and enrichment activities were reviewed and some re-organisation has been put in place.
- The teaching staff for 2023-2024 have been confirmed with some re-deployment to match skills to available posts. Agreements are being made with those staff who will be leaving the College.
- A organisational review of support services was undertaken and a number of posts are being removed for 2023-2024.

As a result of the review and organisational changes, some staff posts and roles have been removed from the staffing structure of the College. Whilst there has been some re-deployment, particularly where vacant posts enabled this, there has been an effect on staff who have been employed in 2022-2023. A few staff already had plans to leave, some others came forward to take voluntary redundancy. This has left only two posts where a selection process will need to take place early in 2023. Those staff without posts in the new organisational structure for 2023-3024 will have left the College by the end of the Summer term in 2023.

# Members' Report (continued)

A summary of the revised financial plan (January 2023) is set out below.

	2022-2023	2023-2024	2024-2025
<b>Income and expenditure</b>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Income	£9,451,000	£9,247,000	£9,450,000
Pay costs	£(6,574,000)	£(6,109,000)	£(6,321,000)
Non pay costs	£(2,332,000)	£(2,220,000)	£(2,235,000)
Depreciation and interest	£(927,000)	£(724,000)	£(724,000)
<b>Underlying (deficit) / surplus</b>	<b>£(382,000)</b>	<b>£194,000</b>	<b>£170,000</b>
Exceptional costs (LGPS adjustments)	£(445,000)	£(445,000)	£(445,000)
Transfer from revaluation reserve	£70,000	£70,000	£70,000
Actuarial gain / (loss) on pension valuation	£0	£0	£0
<b>(Deficit) / surplus</b>	<b>£(757,000)</b>	<b>£(181,000)</b>	<b>£(205,000)</b>
<b>EBITDA</b>	<b>£183,000</b>	<b>£556,000</b>	<b>£532,000</b>
<b>Balance Sheet</b>			
Fixed assets	£15,236,000	£14,886,000	£14,396,000
Current assets	£621,000	£631,000	£882,000
Current liabilities	£(1,143,000)	£(957,000)	£(896,000)
<b>Net current assets / (liabilities)</b>	<b>£(522,000)</b>	<b>£(326,000)</b>	<b>£(14,000)</b>
Long term liabilities and provisions	£(7,867,000)	£(7,964,000)	£(8,061,000)
<b>Net assets</b>	<b>£6,847,000</b>	<b>£6,596,000</b>	<b>£6,321,000</b>
<b>Financial health</b>			
Score	150	210	200
Rating	Requires Improvement	Good	Good
<b>Cash balances</b>			
31 July (end of year)	£(221,889)	£(68,714)	£333,702
Lowest month closing balance (Mar/Feb/Feb)	£(371,488)	£(85,483)	£60,714
Lowest daily balance (15 April/March)	£(501,488)	£(215,483)	£(69,286)
Minimum headroom against overdraft / loan facility	£48,512	£84,517	£230,714

# Members' Report (continued)

## Going concern

The financial plan is based upon a forecast of 1,090 16-19 funded learners for 2023-2024 based on the mid-year census point of 2022-2023 (1<sup>st</sup> January 2023, R06). This will generate a funding allocation of £6,564,348. This represents a drop of £218,648 from the current year's funding allocation. More importantly it represents an income drop of £825,531 in 2023-2024 from the financial plan that was agreed in July 2022.

The mid-year census (ILR R06) student numbers show an increase of 16-19 funded students to 1,125, which would lead to the funding for 2023-2024 being based on 1,125 16-19 funded students. This, together with the 2023-2024 BSix funding factors published in January 2023 by the ESFA, will lead to an increase of £269,000 in grant funding. This increase has not been incorporated into the main financial plan as it will be used as a buffer against any adverse contingency.

As described in the previous section, the senior management team and governors have developed a new financial plan in order to meet the following financial targets.

- Generate an EBITDA / adjusted income percentage of 3% for 2023-2024 rising to 5% in future years.
- Generate strong net cash inflows that exceed £100k to reduce the overdraft facility
- Maintain an unused buffer of at least £100k against the current overdraft facility of £750k
- Move to and maintain a positive cash at bank position at the year-end from 2024-2025
- To maintain an ESFA financial health rating that does not fall into the 'Inadequate' category.

On 26<sup>th</sup> November 2022, further education colleges (including sixth form colleges) were reclassified by the Office for National Statistics and brought into the central government sector. This brings colleges within the ambit of HM Treasury's 'Managing Public Money' principles. One immediate effect has been that colleges require consent from the Department of Education (DfE) for any increase in borrowings and should seek to eliminate commercial borrowings within a set time period. The DfE has given its consent for the College to utilise its existing commercial bank overdraft facility to a limit of £550,000 until 30 April 2023 and for the College to submit an updated cashflow to extend this until 31 July 2023. For the period 1 August 2023 to 31 July 2024, the DfE have earmarked a facility of £300,000 for which the College has submitted a formal request. There remains a degree of uncertainty as at the date of approval of these financial statements over this £300,000 facility as the DfE has not yet provided its formal consent to the facility at that date.

As part of the re-classification process, the DfE and ESFA will be smoothing the monthly profile of grant allocations with effect from 1 August 2023. For the 2022-2023 financial year, the ESFA will be making to two equal payments in February and March 2023 in the order of £207,000, which will be recouped by means of two equal deductions of the same amounts in April and May 2023. These payments and the re-profiling will significantly improve the cashflow position of the College. It reduces peak borrowings by some £250,000 but does have the effect of requiring overdraft/borrowings facilities throughout the year, albeit at a much more modest level.

The ESFA examined the College's cashflow forecast and its underlying assumptions prior to giving its consent for borrowings. The ESFA tested the robustness and reasonableness of the College's forecasts in arriving at its decision.



## Members' Report (continued)

The ESFA and FE Commissioner have met with the College to discuss its re-organisation plans approach to the future. They are satisfied that BSix has a reasonable approach and that implementing the plans will enable the College to operate as a standalone institution. The FE Commission has said that the governors should continue to consider options for future partnerships without ruling them out.

Senior managers and governors are aware that the financial stability of the College is dependent upon the successful implementation of the revised financial plan. They have been able to gain assurance from the progress made to date in securing the necessary steps and cost savings set out in the plan. The senior managers and governors have also identified further cost savings and operational changes that could be employed, if required, to ensure that the plan's financial objectives are met.

In preparing these financial statements, the Corporation has given careful and special consideration to the continuation of the College on a going concern basis. The basis of this judgement is set out in the Going Concern Accounting Policy note on pages 42 and 43. The Corporation is confident 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.

### **Quality of education and student outcomes –**

Ofsted undertook a full inspection of the College in October 2021. It rated the overall effectiveness of the College as 'Good'. Ofsted noted the ambitious improvement programme set by the governors and that the students now receive a good quality of education. Students were reported to be developing new knowledge and skills, producing high standards of work.

### **Safeguarding –**

In its 2021 full inspection, Ofsted found that the College's arrangements for safeguarding were effective.

### **Future prospects**

As previously noted, the Corporation has adopted a plan to achieve financial sustainability with a student body of between 1,000 and 1,100.

The College's 2022-2023 ESFA grant funding for 16-18 students has been confirmed at £6,782,996 (2021-2022 £6,723,938).

# Members' Report (continued)

## RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site offset by a £0.8 million deficit in net current assets.

### Financial

The College has £3.7 million of net assets after deducting a pension liability of £4.0 million.

### People

The College on average employed 125 people (expressed as full time equivalents) of whom 56 were teaching staff (2020-21 124 and 64 respectively).

### Reputation

The College continues to pursue its plans to raise its reputation. The governors and senior management have determined that maintaining a reputation for high quality is essential for the College's success in attracting students and external relationships. This continues to be achieved through measures that include:

- Relentless efforts to improve the academic and vocational outcomes for students;
- Curriculum provision that provides opportunities for young people to re-start their education and career prospects;
- Comprehensive, caring and supportive "wrap-around" services for students to enable them to study and to progress in the face of adverse circumstances common for many of our students;
- Development of the new online student careers portal;
- Continued development of the online student bursary system;
- Plans to develop more subject related enrichment activity choices within curriculum areas;
- A refresh of the management information available to curriculum managers and staff to enable a greater focus on improving teaching and learning.

## Members' Report (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to assign a high level of importance to 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 are faced by the College. Not all the factors lie within the College's control. Other factors besides those listed below might also adversely affect 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 remains a challenge.
Financial health declines and deficits continue in the future	High	The College's financial health is currently 'Requires improvement'. However, the College has suffered significant underlying deficits, which are forecast to continue until July 2023.
Teaching and learning falls below good and better	Medium	Quality of education has been assessed as 'Good' in the most recent Ofsted inspection. Managers are aware of aspects in which further improvement is needed and have developed plans accordingly.
Timely information is not available	Medium	College information staff are relatively inexperienced and are receiving training direct from Tribal the supplier of the student records system.
Computing services	Moderate	Colleges have subject to many cyber attacks and a few colleges have had their operations severely adversely impacted.
A disaster causes business failure	Moderate	The College has a business continuity policy and emergency plan in place. This is regularly updated.
Staffing does not meet the needs of the College	Moderate	The College continues to focus on the development of its staff and managers. Reliance on agency staffing is low.
Learners are not fully supported in their studies and with their overall college experience	Moderate	There is a continuing focus on the work of tutors to oversee the study programmes of their tutees
Poor governance and management	Moderate	Leadership and management is now rated as 'Good' by Ofsted who noted that the governors provide effective scrutiny of actions taken to improve provision.

## Members' Report (continued)

Other risks include:

### **Government funding -**

The College has considerable reliance on continued government funding through the further education sector funding body. In 2021/22, 88.9% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. As is always the case for post-16 education, there is 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.

Following a re-classification of further education colleges by the Office for National Statistics, colleges have been brought into the central government sector. This means that from 26<sup>th</sup> November 2023, Colleges will be within the ambit of HM Treasury's principles of 'Managing Public Money'. This has brought some new restrictions on the use of grant funding closer in line with those that currently apply to academies. The Department for Education, together with the Education and Skills Funding Agency, will be creating a new financial handbook (akin to the 'Academies Financial Handbook') that will apply to colleges in the future.

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

- The College continues to see fluctuations in its student recruitment.
- The government has stated that there will be a need to control future public spending as part of its budget strategy.

### **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;
- Hackney Learning Trust;
- The local community;
- Other FE institutions and feeder schools;
- Trade unions;

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.

## **COVID**

2021-2022 saw a significant reduction in the direct effects of the pandemic that had a severe effect on education in the two previous years. COVID risk assessments continued to be refreshed but preventative measures were scaled down. However, some direct effects continued:

- The College continued to provide on-site testing for students and staff;
- There was a higher than normal absence of both teachers and support staff

The main continuing impact of COVID was that students started their courses at the College with a reduced level of prior knowledge and skills. Although many new students had achieved GCSEs,

## Members' Report (continued)

their grades were based on reduced levels of teaching and learning and this was exacerbated by grade inflation that had been seen nationally. This meant that teachers needed to bring these students up to a level where they could begin to develop knowledge and skills appropriate to their new level of study.

### **Equal opportunities**

Equality and discrimination continues to be a 'hot' topic. The past shocking incidents that occurred in both the USA and UK that gave rise to the Black Lives Matter movement continue to impact on student lives and their outlook. This therefore continues to be a major area of concern for students and staff who live, learn and work in Hackney and its surrounding boroughs. Many of our students and staff continue to describe discrimination and prejudice that continue in their everyday lives.

The College, its staff and pupils have looked to address equality and to tackle discrimination within education and life at the College. This has included raising awareness of issues, celebrating the work of black and minority ethnic individuals in the UK and across education to looking at the curriculum itself.

Our staff and students were profoundly shocked by reports of the events concerning 'Child Q', which had taken place in a nearby school within Hackney. Senior managers studied the report of the local child safeguarding practice review and agreed various actions and reinforcement of existing practice. This included additional staff training and clarification and strengthening of practice within the College's Security Policy. BSix students themselves played a prominent role in the Student Commission on Consent and Sexual Violence run by 'Leaders Unlocked'. They also featured in a video created by the commission that has been used as a teaching aid in many schools and colleges.

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 continues to embed awareness, discussion and the College's own processes within its pastoral process. 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.

# Members' Report (continued)

## 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 23. 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 over 1,350 students of all ages, including 70 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 enrolls 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 LRC.
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.

## Members' Report (continued)

### 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	1.4

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

Total cost of facility time	£17,000
Total pay bill	£6,149,000
Percentage of total bill spent on facility time	0.28%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

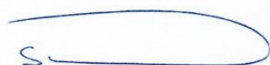
### Payment performance

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 2021 to 31 July 2022, the College paid 91% 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 The Brooke House Sixth Form College on 24<sup>th</sup> January 2023 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 2021 to 31 July 2022 and up to the date of signing and approval of the members' report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- 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 2022. 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 2019-20
Stephen Blackshaw (Chair)	April 2016 April 2020	4 years	External	F&GP Remuneration, Search, Standards, Equality & Diversity	100%
Alex Adranghi	April 2022	4 years	External	F&GP	100%
Sheza Afzal	December 2021	4 years	External		66%
Mmesoma Ben-Nwankwo	December 2021	1 year	Student		66%
Martin Buck (Vice Chair)	April 2018	4 years	External	Standards, Equality & Diversity	75%
Sian Cooke	April 2022	4 years	External	F&GP	100%
James Cross	January 2018	4 years	External	Audit	75%
Michael Desmond	January 2015 January 2019	4 years	External		75%
Annie Gammon	December 2018	4 years	External	Standards	50%
Kyra Leyland	April 2022	4 years	External	Standards	100%
Mannat Malhi	April 2022	4 years	External	Audit	100%
Adam O'Brien	September 2020 & 2022	2 years	Staff	Standards	25%
Adeshola Onakoya	December 2022	2 years	Staff	Standards	50%
Kevin Watson (Principal)	May 2018		Ex officio	F&GP, Standards, Search, Equality & Diversity	100%

## 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 2019-20
Jonathan Beake	July 2018	December 2021	External	F&GP	0%
Sheridan Mangal	December 2018	November 2022	External	Audit, Equality & Diversity	75%
Sally Townsend (Vice Chair)	January 2018	January 2022	External	Remuneration, Search, F&GP, Equality & Diversity	100%
Kanishk Syal	December 2021	July 2022	Student		66%

Since her resignation from the Corporation, Sally Townsend has continued to act as a co-opted member of the Finance and General Purposes Committee (F&GP) and is the Chair of that committee. A new Corporation member, Alison Wong was appointed on 7<sup>th</sup> November 2022. She also serves as a member of the Audit Committee.

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:

The 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.

## Governance statement

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.

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 2022, 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 2022 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 2022. 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.

# Governance statement

## **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.

## **Standards Committee**

The Standards Committee comprises of six members of the Corporation including the Principal and two staff members; 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 2022 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 2022. The College operates a formal ongoing process for identifying, evaluating and managing the College's significant risks. This process and the risks themselves are 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 Post 16 Audit Code of Practice. The internal audit service is provided by TIAA Ltd 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 January 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

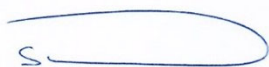
The Head of Internal Audit in his annual report stated that TIAA is satisfied that, for the areas reviewed during the year, BSix Sixth Form College has reasonable control and governance processes in place. However, a number of improvement matters have been identified and brought to the attention of the College.

The financial statements auditor in his external audit management report had noted a very small number of minor control issues that are currently being addressed by the College. None of these had made an impact on the Financial Statements.

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 24 January 2023 and signed on its behalf:

Signed:



**Stephen Blackshaw, Chair**



**Kevin Watson - Principal**

## Statement of regularity, propriety and compliance

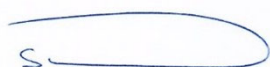
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education 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 24 January 2023 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 24 January 2023 and signed on its behalf:

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a horizontal line that loops back to the start of the 'S'.

**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 (the 'College') for the year ended 31 July 2022 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

### In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of its surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In auditing the financial statements, we have concluded that the members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members of the Corporation with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. 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.

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

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

course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

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

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

## **Responsibilities of the Corporation**

As explained more fully in the statement of responsibilities of members of the Corporation, the members of the Corporation 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 members of the Corporation 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 members of the Corporation 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 members of the Corporation 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings; and
- enquiring of management as to actual and potential litigation and claims

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

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

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

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



Buzzacott LLP  
Statutory Auditor  
130 Wood Street, London  
EC2V 6DL

Date: 31 January 2023

# 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 The Brooke House Sixth Form College during the period 1 August 2021 to 31 July 2022 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 2021 to 31 July 2022 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 2022 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 2021 to 31 July 2022 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.



Buzzacott LLP  
Statutory Auditor  
130 Wood Street, London  
EC2V 6DL

Date: 31 January 2023

# Statement of Comprehensive Income and Expenditure

	Notes	2022 College £'000	2021 College £'000
<b>INCOME</b>			
Funding body grants	2	7,819	7,103
Tuition fees and education contracts	3	1,035	967
Other grants and contracts	4	79	66
Other income	5	387	296
Donations and Endowments	7	-	105
<b>Total income</b>		<b>9,320</b>	<b>8,537</b>
<b>EXPENDITURE</b>			
Staff costs	8	6,717	6,093
Other operating expenses	9	2,315	2,100
Depreciation	11	912	918
Interest and other finance costs	10	76	71
<b>Total expenditure</b>		<b>10,020</b>	<b>9,182</b>
<b>Deficit before other gains and losses</b>		<b>(700)</b>	<b>(645)</b>
Gain on disposal of assets		-	-
<b>Deficit before tax</b>		<b>(700)</b>	<b>(645)</b>
Taxation		-	-
<b>Deficit for the year</b>		<b>(700)</b>	<b>(645)</b>
Actuarial gain / (loss) in respect of pensions schemes		4,136	(32)
<b>Total Comprehensive Income for the year</b>		<b>3,436</b>	<b>(677)</b>

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
<b>College</b>				
<b>Balance at 1st August 2020</b>	692	199	4,045	4,936
Deficit from the income and expenditure account	(645)	-	-	(645)
Other comprehensive income	(32)	-	-	(32)
Transfer between designated and undesignated reserves	199	(199)	-	-
Transfers between revaluation and income and expenditure reserves	70	-	(70)	-
	(408)	(199)	(70)	(677)
<b>Balance at 31st July 2021</b>	<b>284</b>	<b>-</b>	<b>3,975</b>	<b>4,259</b>
Deficit from the income and expenditure account	(700)	-	-	(700)
Other comprehensive income	4,136	-	-	4,136
Transfer between designated and undesignated reserves	-	-	-	-
Transfers between revaluation and income and expenditure reserves	70	-	(70)	-
<b>Total comprehensive income for the year</b>	<b>3,506</b>	<b>-</b>	<b>(70)</b>	<b>3,436</b>
<b>Balance at 31st July 2022</b>	<b>3,790</b>	<b>-</b>	<b>3,905</b>	<b>7,695</b>

# Balance Sheet as at 31 July 2022


	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	15,908	16,469
		<u>15,908</u>	<u>16,469</u>
<b>Current assets</b>			
Trade and other receivables	12	416	528
Cash and cash equivalents		5	4
		<u>421</u>	<u>532</u>
<b>Less: Creditors – amounts falling due within one year</b>	13	(1,193)	(1,263)
<b>Net current liabilities</b>		<u>(772)</u>	<u>(731)</u>
<b>Total assets less current liabilities</b>		<b>15,136</b>	<b>15,738</b>
Less: Creditors – amounts falling due after more than one year	14	(7,441)	(7,788)
<b>Provisions</b>			
Defined benefit obligations	16	-	(3,691)
<b>Total net assets</b>		<u><u>7,695</u></u>	<u><u>4,259</u></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		3,790	284
Designated reserve	22	-	-
Revaluation reserve		3,905	3,975
<b>Total unrestricted reserves</b>		<u>7,695</u>	<u>4,259</u>
<b>Total reserves</b>		<u><u>7,695</u></u>	<u><u>4,259</u></u>

The financial statements on pages 38 to 65 were approved and authorised for issue by the Corporation on 24 January 2023 and signed on its behalf on that date by:

Signed:



**Stephen Blackshaw, Chair**



**Kevin Watson – Accounting Officer**

# Statement of cash flows

	2022 £'000	2021 £'000
<b>Cash inflow from operating activities</b>		
Deficit for the year	(700)	(645)
<b>Adjustment for non cash items</b>		
Depreciation	912	918
Decrease / (increase) in debtors	112	(89)
(Decrease) / increase in creditors due within one year	(84)	279
(Decrease) / increase in creditors due after one year	(351)	(308)
Pensions costs less contributions payable	383	244
<b>Adjustment for investing or financing activities</b>		
Investment income	-	-
Interest payable	76	71
	<u>348</u>	<u>470</u>
<b>Net cash flow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Investment income	-	-
Payments made to acquire fixed assets	(351)	(564)
	<u>(351)</u>	<u>(564)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(14)	(22)
New unsecured loans	-	-
Repayments of amounts borrowed	(24)	(24)
	<u>(38)</u>	<u>(46)</u>
<b>Decrease in cash and cash equivalents in the year</b>	<u>(41)</u>	<u>(140)</u>
Cash and cash equivalents at beginning of the year	(44)	96
<b>Cash and cash equivalents at end of the year</b>	<b>(85)</b>	<b>(44)</b>

# 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* (the FEHE SORP), the College's Accounts Direction for 2021-2022 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 financial statements are prepared on a going concern basis which assumes that the College will continue in operational existence. 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 an overdraft facility of £750,000. The overdraft facility is secured by a legal charge taken over the College's land and property. The facility agreement has no end date but there is provision for annual reviews. Although there are no financial covenants on the facility, there are requirements for providing quarterly management accounts, annual financial statements and annual budgets by set deadlines.

As a result of bringing the College into the central government sector, the Department for Education (DfE) from 26 November 2022 restricted the ability of colleges to use commercial borrowings. On 16 January 2023 the DfE gave consent for the commercial overdraft facility to be used to a limit of £550,000 until 30 April 2023 and for the College to submit an updated cashflow to extend this until 31 July 2023. For the period 1 August 2023 to 31 July 2024, the DfE has invited the College to make a formal request for the facility of £300,000 that the DfE has determined will be required. The Corporation has no reason to suppose that this request will not be granted.

## Notes to the accounts (continued)

In September 2022 the College had not recruited sufficient 16-18 funded students to meet its recruitment target as set out in the financial plan created in July 2022. This meant that the corresponding grant funding for the following year, 2023-2024 would have been some £871,000 lower than had been anticipated in that plan. Without mitigating actions, this would place considerable pressure on the finances for that year, especially as pay and non-pay expenditure continues to increase. However, senior managers and governors are implementing a revised financial plan that incorporates savings plans and organisational changes intended to place the College into a sustainable financial position base upon a new assumption for 16-18 student numbers of between 1,000 and 1,100 on a recurring basis.

Senior leaders and the Corporation reviewed and updated the College's financial plan in November 2022. The plan incorporates changes to the curriculum and other organisational structures together with changes to staffing that will reduce the staffing cost by some £800k and non-pay costs by some £85k. The resulting plan is set out in the going concern section of the Members' report.

This financial plan will mean that the College remains outside of the regulator's formal intervention process. Financial health ratings, as determined by its regulator, the Education and Skills Funding Agency, will improve to 'Good' in 2023-2024. There is appreciable headroom available up to at least July 2025 before the College would trigger the intervention process.

The Corporation has determined that the financial statements should be drawn up under the assumption that the College will remain as a going concern. This opinion is based on the following reasons:

- i. the College has an on-going agreement in place for an overdraft facility of £550k and there is no reason to believe that the bank will withdraw this facility;
- ii. The financial plans show that the College has an expectation of not suffering a financial health rating that is worse than 'Requires improvement'. This will avoid BSix moving into formal intervention;
- iii. The monthly cash flow forecast shows that the College will have an acceptable and appreciable headroom against its overdraft position at its lowest point in April 2023.
- iv. Sensitivity and risk analysis shows that the financial plan is robust and that the risk of moving to a position that adversely affects going concern is reasonably low;
- v. Financial forecasts and plans will not longer be dependent upon having to achieve high levels of growth in order to attain 16-18 student numbers of 1,200 that had previously been identified as the financial sustainability threshold;
- vi. External stakeholders are supportive of the College. These include the ESFA and FE Commissioner. These parties are supportive of the needs that the College meets in its community. They support the College remaining as on a standalone basis;
- vii. In the event that the College were to experience major adverse factors in the future that upset its financial stability or that increase risks to a significant point, the Corporation has time to re-structure its status and governance structure in a way that would enable the continuance of its educational operations and retain a high level of autonomy.

Having considered these factors and assumptions, the Corporation is of the opinion that there are no material uncertainties regarding the assumption that the College is a going concern.

## Notes to the accounts (continued)

### *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.

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*

Central and local 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.

## Notes to the accounts (continued)

### *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.

### *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 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.

## Notes to the accounts (continued)

### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the 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	five years;
Computer equipment	five years;
Software development projects	five 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.



## Notes to the accounts (continued)

### *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.

### *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.

## Notes to the accounts (continued)

### *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.

- ***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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the accounts (continued)

### 2 Funding Body Grants

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency – 16 -18	6,965	6,311
Education and Skills Funding Agency - adult	10	13
<b>Specific Grants</b>		
16-19 Tuition Fund grant	186	142
Teacher Pension Scheme contribution grant	168	203
Releases of government capital grants	361	383
Education and Skills Funding Agency - other grants	129	51
	<u>7,819</u>	<u>7,103</u>

### 3 Tuition Fees and Education Contracts

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Tuition fees</b>		
Fees for examination registration	-	9
<b>Education contracts</b>		
Adult skills grant (GLA)	599	574
High needs students	321	245
14-15 year old students	115	119
Skills for Londoners COVID-19 response fund (GLA)	-	20
	<u>1,035</u>	<u>967</u>

### 4 Other Grants and Contracts

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
COVID-19 testing grants (ESFA)	25	37
Coronavirus Job Retention Scheme grant	-	16
COVID Workforce Grant (ESFA)	24	13
Other grants and contracts	30	-
	<u>79</u>	<u>66</u>

## Notes to the accounts (continued)

### 5 Other Income

	2022 £'000	2021 £'000
Catering and residences	324	243
Other income generating activities	63	53
	<u>387</u>	<u>296</u>

### 6 Endowment and Investment Income

	2022 £'000	2021 £'000
Other interest receivable	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 7 Donations and Endowments

	2022 £'000	2021 £'000
Unrestricted donations	<u>-</u>	<u>105</u>
<b>Total</b>	<u>-</u>	<u>105</u>

## Notes to the accounts (continued)

### 8 Staff Costs

The average number of persons (including key management personnel) employed by the College during the year was:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	67	67
Non teaching staff	58	64
	<u>125</u>	<u>131</u>

**Average number of staff**

	<b>2022</b>	<b>2021</b>
	<b>FTE</b>	<b>FTE</b>
Teaching staff	59	58
Non teaching staff	50	52
	<u>109</u>	<u>110</u>

**Average full time equivalent staff**

Staff costs for the above persons

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,683	4,334
Social security costs	513	467
Other pension costs	1,336	1,193
	<u>6,532</u>	<u>5,994</u>
<b>Payroll sub total</b>	<b>6,532</b>	<b>5,994</b>
Contracted out staffing services	146	77
	<u>6,678</u>	<u>6,071</u>
Fundamental restructuring costs - contractual	39	22
non contractual	-	-
	<u>6,717</u>	<u>6,093</u>

#### 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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	4	4

The number of key management personnel (senior post-holders) and other staff (with the required disclosure starting at £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	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	3	3	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

The salary band comparisons for senior post-holders in the previous year reflect the varying appointment start dates for the Vice Principals in that year.

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries - gross of salary sacrifice and waived emoluments	312	306
Employers National Insurance	39	37
Benefits in kind	-	-
	<u>351</u>	<u>343</u>
Pension contributions	39	40
Payments to third payments	-	-
Compensation for loss of office	-	-
<b>Total emoluments</b>	<u>390</u>	<u>383</u>

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

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

## Notes to the accounts (continued)

	2022 £'000	2021 £'000
Salaries	90	91
Benefits in kind	-	-
	<u>90</u>	<u>91</u>
Pension contributions	-	-

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

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	2.60
Principal's total remuneration as a multiple of the median of all staff	2.60

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)

### 9 Other Operating Expenses

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	461	365
Non teaching costs	1,249	1,157
Premises costs	605	578
<b>Total</b>	<b>2,315</b>	<b>2,100</b>

<b>Other operating expenses include:</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Auditor's remuneration:		
Financial statements audit	19	19
Internal audit	10	6
Hire of assets under operating leases	93	32

### 10 Interest payable

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	14	22
	14	22
Net interest on defined pension liability (note 16)	49	49
<b>Total</b>	<b>63</b>	<b>71</b>



## Notes to the accounts (continued)

### 11 Tangible Fixed Assets

	Freehold land and buildings £'000	Equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2021	21 460	3 298	814	5	25 577
Additions	55	272	24	-	351
Disposals	-	-	-	(5)	(5)
<b>At 31 July 2022</b>	<b>21 515</b>	<b>3 570</b>	<b>838</b>	<b>-</b>	<b>25 923</b>
<b>Depreciation</b>					
At 1 August 2021	6 247	2 382	476	3	9 108
Charge for the year	410	350	150	1	911
Elimination in respect of disposals	-	-	-	(4)	(4)
<b>At 31 July 2022</b>	<b>6 657</b>	<b>2 732</b>	<b>626</b>	<b>-</b>	<b>10 015</b>
<b>Net book value at 31 July 2022</b>	<b>14 858</b>	<b>838</b>	<b>212</b>	<b>-</b>	<b>15 908</b>
Net book value at 31 July 2021	15 213	916	338	2	16 469

The College's overdraft facility of £750,000 is secured by way of a legal charge over the College's land and buildings in favour of Barclays Bank Plc, who are the College's bankers.

The College commissioned a valuation of its land and buildings, which was completed in February 2021 by GeraldEve, for the purpose of setting up the security provided to Barclays. The market value was placed at £19,600,000. The College has not updated the carrying value of land and buildings for the purpose of these financial statements.

#### 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. The remaining inherited land and buildings have a net book value of £3,919,500 at 31 July 2022. Depreciation for the year on the inherited buildings was £56,000.

## Notes to the accounts (continued)

### 12 Debtors

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Amounts falling due within one year:		
Trade receivables	4	107
Other debtors	237	163
Prepayments and accrued income	175	258
<b>Total</b>	<b>416</b>	<b>528</b>

### 13 Creditors: Amounts Falling Due within One Year

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Bank loans and overdrafts	85	48
Other loans	-	23
Trade payables	76	120
Other taxation and social security	240	234
Other creditors	14	8
Accruals and deferred income	45	35
Accruals - holiday pay	140	139
Deferred income - government capital grants	361	361
Amounts owed to the ESFA and GLA	232	295
<b>Total</b>	<b>1,193</b>	<b>1,263</b>

The amounts owed to the ESFA and GLA comprise the clawback of unused Adult Education Budget grant funding for 2021-2022.

## Notes to the accounts (continued)

### 14 Creditors: Amounts Falling Due After One Year

#### 17 Creditors: amounts falling due after one year

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Payments on account	367	382
Deferred income - government capital grants	7,074	7,406
<b>Total</b>	<b><u>7,441</u></b>	<b><u>7,788</u></b>

### 15 Maturity of debt

The College had an overdraft of £85,000 at 31 July 2022. The College's overdraft facility was increased to £750,000 in April 2021.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	85	48
<b>Total</b>	<b><u>85</u></b>	<b><u>48</u></b>

The College had no loans outstanding at the end of the period. The loan is repayable as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	-	23
<b>Total</b>	<b><u>-</u></b>	<b><u>23</u></b>

## Notes to the accounts (continued)

### 16 Pension and Similar Obligations

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

<b>Total pension cost for the year</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Teachers Pension Scheme: contributions paid	573	580
Local Government Pension Scheme:		
Contributions paid	380	369
FRS 102 (28) charge	383	244
	<u>763</u>	<u>613</u>
Charge to the Statement of Comprehensive Income	<u>1,336</u>	<u>1,193</u>
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year</b>	<u><b>1,336</b></u>	<u><b>1,193</b></u>

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 2016 and the LGPS 31 March 2016.

Contributions amounting to £105k (2021: £103k) 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, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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.

## Notes to the accounts (continued)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £573,000 (2021: £580,000)

### **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 2022 were £465,000, of which employer's contributions totaled £380,000 and employees' contributions totaled £85,000. The agreed contribution rates for future years are 29.4% for employers and range from 5.5% to 9.9% for employees, depending on salary according to a national scale.

## Notes to the accounts (continued)

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the Fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
Rate of increase in salaries	3.00%	3.10%
Future pensions increases	2.70%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	3.00%	2.80%
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:

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
	<b>years</b>	<b>years</b>
<i>Retiring today</i>		
Males	21.10	21.30
Females	23.60	23.80
<i>Retiring in 20 years</i>		
Males	22.50	22.80
Females	25.60	25.80

The table below summaries the estimated impact of changes in the principal actuarial assumptions on the reported net liability. A positive figure indicates an increase in the reported net liability.

<b>Sensitivity analysis</b>	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
	<b>£'000</b>	<b>£'000</b>
Discount rate -0.1%	206	320
Mortality assumption – 1 year increase	346	527
CPI rate +0.1%	191	290

## Notes to the accounts (continued)

### 16 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 2022 £'000	Fair Value at 31 July 2021 £'000
Equities	5,782	6,265
Bonds	2,409	2,183
Property	964	854
Cash	481	190
<b>Total market value of assets</b>	<b><u>9,636</u></b>	<b><u>9,492</u></b>

Weighted average expected long-term rate of return

<b>Actual return on plan assets</b>	<b><u>(158)</u></b>	<b><u>1,538</u></b>
-------------------------------------	---------------------	---------------------

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

	2022 £'000	2021 £'000
Fair value of plan assets	9,636	9,492
Present value of plan liabilities	<u>(9,636)</u>	<u>(13,183)</u>
<b>Net pensions (liability)/asset</b>	<b><u>-</u></b>	<b><u>(3,691)</u></b>

## Notes to the accounts (continued)

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

	2022 £'000	2021 £'000
<b>Amounts included in staff costs</b>		
Current service cost	763	613
Past service cost	0	-
<b>Total</b>	<b>763</b>	<b>613</b>
<b>Amounts included in investment income</b>		
Net interest cost	62	49
	<b>62</b>	<b>49</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	(312)	1,429
Changes in assumptions underlying the present value of plan liabilities	4,448	(1,461)
Amount recognised in Other Comprehensive Income	<b>4,136</b>	<b>(32)</b>

### Movement in net defined (liability) during year

	2022 £'000	2021 £'000
Surplus/(deficit) in scheme at 1 August	(3,691)	(3,366)
Movement in year:		
Current service cost	(763)	(613)
Employer contributions	380	369
Past service cost	-	-
Net interest on the defined (liability)/asset	(62)	(49)
Actuarial gain or loss	4,136	(32)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>-</b>	<b>(3,691)</b>



## Notes to the accounts (continued)

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	13,183	11,058
Current Service cost	763	613
Interest cost	216	158
Contributions by Scheme participants	85	83
Experience gains and losses on defined benefit obligations		
Changes in financial assumptions	(4,439)	1,447
Changes in demographic assumptions	(44)	171
Changes in other experience assumptions	35	(157)
Estimated benefits paid	(163)	(190)
Past Service cost	-	-
<b>Defined benefit obligations at end of period</b>	<b><u>9,636</u></b>	<b><u>13,183</u></b>
<b>Reconciliation of Assets</b>		
<b>Fair value of plan assets at start of period</b>	9,492	7,692
Interest on plan assets	154	109
Return on plan assets	(312)	1,429
Employer contributions	380	369
Contributions by Scheme participants	85	83
Estimated benefits paid	(163)	(190)
<b>Fair value of plan assets at end of period</b>	<b><u>9,636</u></b>	<b><u>9,492</u></b>

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs.

## Notes to the accounts (continued)

### 17 Events after the reporting period

On 29<sup>th</sup> November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions and this has prompted the Department for Education to introduce new rules for colleges that will take effect during the 2022-2023 financial year.

These new rules include approval processes for new borrowings and on certain transactions deemed to fall outside of normal operations.

### 18 Capital Commitments

	2021	2020
	£'000s	£'000s
Commitments contracted for at 31 July	0	62

### 19 Financial Commitments

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

	2022	2021
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Other</b>		
Not later than one year	245	24
Later than one year and not later than five years	875	83
Later than five years	-	-
Total lease payments due	<u>1,120</u>	<u>107</u>

## Notes to the accounts (continued)

### 20 Contingent Liability

There are no contingent liabilities.

### 21 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 (2021: £0). No governor has received any remuneration or waived payments from the College during the year (2021: none).

### 22 Amounts disbursed as agent

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
(Over) / Unspent funds brought forward	( 54)	( 6)
16-18 bursary grants	233	283
Other Funding body grants	85	68
	<b>264</b>	<b>345</b>
Disbursed to students	( 382)	( 385)
Administration costs	( 11)	( 14)
<b>Balance (over) / unspent as at 31 July, included in (debtors) / creditors</b>	<b>( 129)</b>	<b>( 54)</b>