

FARNBOROUGH COLLEGE OF TECHNOLOGY

**Report and Financial Statements
for the year ended 31 July 2018**

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

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 2017/18:

Ms Virginia Barrett - Principal and Accounting officer
Mr Iain Wolloff - Deputy Principal (left 31 January 2018)
Mrs Julie Milburn - Vice Principal (left 30 June 2018)
Mr Lawrence Magee - Assistant Principal (from 1 January 2018) then Vice Principal (from 2 July 2018)
Mrs Deborah Nolan - Assistant Principal (from 1 January 2018)
Mr Kulbir Sethi - Director of Finance & Resources (started 4 September 2017)
Mr Matthew Wilkie - Head of Human Resources (started 4 September 2017)
Mr David Wales - Business and Marketing Director

Board of Governors

A full list of Governors is given on pages 11 and 12 of these financial statements.

Mrs Caroline Gillam acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statement and regularity auditors:

Mazars LLP
Times House
Throwley Way
Sutton
Surrey SM1 4JQ

Internal auditors:

RSM Risk Assurance Services LLP
3rd Floor, One London Square
Cross Lanes
Guildford
Surrey GU1 1UN

Bankers:

Barclays Bank plc
Ranger House
Walnut Tree Close
Guildford
Surrey GU1 4UL

Farnborough College of Technology
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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

Mission

The Corporation Board signed off the College's Strategy for 2017 to 2022 in March 2017. This includes the College's mission to be:

"A Community University that serves businesses and people across the region."

Public Benefit

Farnborough College of Technology is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The governors of the Governing Body, who are trustees of the charity, are disclosed on pages 11 and 12.

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

In delivering its mission, the College provides the following identifiable public benefits:

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

Implementation of strategic plan

The College adopted a new 5 year Strategic Transformation Strategy in April 2017 for the period 2017 to 2022. The single goal is to be 'an outstanding and expanding 21st century, entrepreneurial college with a reputation for being innovative, learner and employer centric'. To achieve this transformational goal, the college has identified the following five enabling goals / objectives necessary for successful transformation over the next 5 years:

- Maintain our excellence trajectory to be a model of best practice renowned for innovation and high performance
- Retain 'outstanding financial health' by diversifying our income streams and evolving finance as a strategic asset
- Improve the estate and the use of technology to enhance the learning environment and sustainability within a 21st Century college
- Forge greater partnerships to grow from a position of strength
- Develop a marketing plan that supports this strategy to increase participation, enhance reputation and the 'bottom line'.

Report of the Governing Body (continued)

Financial objectives

The College's financial objectives are:

- To achieve growth and an annual operating surplus;
- Generate sufficient funds to invest in new technology, equipment and facilities to support the development agenda for learning programmes and administration; and
- To fund continued capital investment.

A series of performance indicators have been agreed to monitor the successful implementation of the objectives.

Performance indicators

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

The College monitors its progress against the Annual Plan by reporting to each Corporation Board meeting (December, April and July). In addition, monitoring focuses on:

- Learner number growth and achievement of ESFA funding targets
- Learner success rates
- Teaching standards
- Employer Engagement
- Staff sickness, turnover and training
- Financial measures

FINANCIAL POSITION

Financial results

The College generated a surplus before other gains and losses in the year of £102,000 (2016/17 – deficit of £308,000). The result in 2017/18 is stated after accounting for FRS102 pension finance charges of £250,000 (2016/17 - £230,000). The College generated total comprehensive income of £1,061,000 for the year which is after accounting for an actuarial gain in respect of the pension scheme of £960,000 (2016/17 - £562,000 after accounting for £870,000 for an actuarial gain in respect of the pension scheme).

The College has accumulated reserves of £37,727,000 (2016/17 - £36,666,000) and cash balances and investments of £15,958,000 (2016/17 - £15,736,000).

Tangible fixed asset additions during the year amounted to £1,376,000, which included various capital projects undertaken around the College campus.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2017/18 the ESFA provided 67% of the College's total income.

Report of the Governing Body (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Currently the College has no borrowing. Should it be necessary in the future, for temporary revenue purposes, short term borrowing would have to be authorised by the Principal as Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the relevant funding body. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash Flows

At £1,544,000 (2016/17 - £975,000), operating cash in-flow was strong. The net cash flow resulted from the College's close management of liquid resources.

Liquidity

The College continues to have no borrowings and thus has been able to invest in its facilities by utilising its own cash reserves.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The College remains 'Outstanding' in terms of its Financial Health grading.

Student numbers

In 2017/18 the College enrolled the following numbers of students:

		2016/17	2017/18
Further Education	16-18's Full & Part Time	1,616	1,644
	19+ (All funding streams)	1,614	1,780
	Apprenticeships	655	672
Higher Education	HE	392	384

The increase in 16-18 recruitment is predominately as a result of the inclusion of 19+ continuing students. The increase in adult student numbers is positive, given the changes to adult funding and the increase in loan funding. The increase in apprenticeships from 2016/17 has also been very encouraging. The total of all 'prescribed' HE students decreased marginally in 2017/18 with the recruitment of such students remaining a challenge in an increasingly competitive and deregulated environment but has shown an upturn for new starters in 2018/19.

Report of the Governing Body (continued)

Student achievements

The outcomes for students for the last seven years are outstanding and show a strong, continuing trend of excellence in retention and achievement. The overall achievement rate for all types of classroom based learning for all age groups remains above 85%. Achievement rates for apprentices are high at above 80% and high in-year success rates have been maintained for HE courses.

Curriculum developments

This year has seen the continued development of the English and Maths curriculum to ensure all students are undertaking GCSE qualifications or a recognised stepping-stone. This included 'stretch' activities for those students with a grade 4 or above in these subjects. Work has started on preparation for T Levels with workforce capacity funding being received in 2018/19 to develop work placements.

In Higher Education new HNC/D and higher apprenticeship programmes are now running in Engineering (4 pathways: mechanical, manufacturing, electrical and aeronautical) and Computing. The Fast Track degrees are being further developed with two common modules at level 4, one of which is shared with all other degrees and is available to view online.

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 is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 94 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future developments

The College has been allocated funds for 2018/19 as follows:

16-19	£7,958,346
Adult Education Budget	£867,414
Non-Levy Apprenticeship funding (16-18 and Adult)	£1,512,919 (excludes April 2019 to July 2019 funding which is subject to clarification from the ESFA)
Office for Students (OFS)	£212,993

Report of the Governing Body (continued)

Growth plans

The College has realistic and targeted plans for growth that will focus on the needs of business and local community whilst maintaining outstanding quality and outcomes for learners. These have been fully documented in the College's new 5 year Strategic Transformation Strategy plan.

Property Strategy

Following completion of the University Centre Farnborough (UCF) the College commenced the next phase of its Property Strategy in 2017. The Corporation approved £15m - £20m capital development plans for the next 3-5 years. This will enable the College to develop the Farnborough site to:

- Reduce grade C category buildings
- Develop more employer and learner-centric learning facilities
- Reposition and expand the College's commercial services and income to further reduce reliance on government funding.

RESOURCES:

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

Tangible resources include the main college site in Farnborough which includes the recently constructed University Centre Farnborough, the Aerospace and Automotive Academy (built 2009) and its Construction facility in Aldershot.

Financial

The College has £37.7 million of net assets (including a £9.21 million pension liability) and no long term debt.

People

The College employs 263 people (expressed as full time equivalents), of whom 134 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent review will consider their effectiveness and progress against risk mitigation actions. In addition to the termly review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at each meeting of the Audit Committee and is presented to the Governing Body annually or more frequently where necessary. In addition, both the Finance and General Purposes Committee and the Curriculum and Standards Committee regularly review their highest rated risks. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

Report of the Governing Body (continued)

1. Government funding

The College has considerable reliance on continued government funding through the further education funding bodies. In 2017/18, 69% of the College's revenue was ultimately public funded although this level of funding is expected to continue to decrease in the future. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- A demographic decline in 16-18 year olds in England to 2018,
- The new Apprenticeship Levy,
- Devolution of the adult education budget.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with stakeholders, businesses and the various funding bodies
- Ensuring the College is focused on those priority sectors that will continue to benefit from public funding.

2. Tuition fee policy

Ministers have confirmed that the FE fee assumption remains at 50% for eligible learners. In line with the majority of other colleges, Farnborough College of Technology has increased FE tuition fees in accordance with the rising fee assumptions. HE tuition fees have now replaced HE funding as the result of the restructuring of HE financing. HE fee levels are reviewed annually. The risk for the College is that demand is reduced by increased fees.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- By ensuring that learners have access to full information on student loans.
- By ensuring that learners have access to full information on financial support available to them.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the new requirements of FRS 102 (see Note 18).

Accounting for defined benefit pension schemes under FRS102 (28) is a risk as the relevant pension scheme is not under the direct control of the College and is accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member longevity that underpin their valuations.

Report of the Governing Body (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Sixth Form / FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Enterprise M3 LEP
- Government Offices / Regional Development Agencies
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- The University of Surrey
- Armed forces
- Local schools

The College recognises the importance of these relationships and engages in regular communication with them. As examples, the College sits on the Rushmoor Strategic Partnership and the Hart & Rushmoor Schools Group. The College is also a member of the CBI which provides various opportunities for discussion with employers. With the aim to be both learner and employer centric, the College has successfully launched an Industry Board.

Equality & Diversity

Farnborough College of Technology believes that all students and members of staff should have the opportunity to fulfil their potential whatever their background, identity and circumstance. We are committed to creating a community that recognises and celebrates difference within a culture of respect and cooperation. We appreciate that a culture which promotes equality will create a positive environment and a shared sense of belonging for all who work, learn and use the services of our College.

The College strives to ensure that the 'protected characteristics' identified in the Equality Act 2010 are recognised and acknowledged in its policies and procedures. These characteristics are: age; sex; disability; race; pregnancy and maternity; marriage or civil partnership (in employment only); gender reassignment; religion or belief and sexual orientation. The College's policies and procedures are designed to ensure that direct or indirect discrimination, harassment or victimisation on the grounds of these protected characteristics do not occur.

Report of the Governing Body (continued)

Disability statement

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

- a) College policies, administration and support arrangements are designed to ensure that appropriate access for disabled people is provided throughout the whole curriculum.
- b) The College seeks to ensure that its buildings and facilities are fully accessible to disabled students and fulfil all statutory requirements.
- c) Information and advice is provided to students on issues relating to disability and assessments of prospective and current disabled students are carried out in order to ensure that specific needs are met.
- d) The College maintains a list of specialist equipment available for use by students to enhance the accessibility of learning and other services.
- e) The College seeks to ensure the provision of appropriate support for disabled students and, in particular, to make available appropriate teaching and support staff to enable access to learning.

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

Numbers of employees who were relevant union officials during the period	FTE employee number
1	1

% of working hours spent on facility time	Number of employees
0%	-
1-50%	1
51-99%	-
100%	-

Total cost of facility time	£592
Total pay bill	£7,971,000
Percentage of total bill spent on facility time	0%

Disclosure of information to auditors

The governors 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 governors of the Corporation on 13th December 2018 and signed on its behalf by:


Martin Earwicker – Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges 2015 ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In July 2016 the Board formally adopted the new English Colleges' Code of Good Governance.

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

The Corporation

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

Corporation member attendance at Board and Committee meetings overall was 83%. Attendance at Board meetings was 88%. Committee meeting attendance was Audit 86%, Curriculum & Standards 81%, Finance & General Purposes 78%, Remuneration 80% and Search 76%.

Name	Date appointed	Term of office	Status of appointment	Committees served
Prof. M Earwicker	09 July 2015	4 yrs	Independent member	Chair: Corporation Member: Finance & General Purposes, Remuneration and until March 2018 Search
Mr B Edwards	24 Mar 2016	4 yrs	Independent member	Vice Chair: Corporation Chair: Finance & General Purposes Member: Remuneration
Ms V Barrett	1 Sept 2016		Principal	Finance & General Purposes, Search, Curriculum & Standards
Mrs S Chapman	29 March 2018	4 yrs	Independent member	From June 2018 Audit
Mrs G Christie	17 Dec 2015	4 yrs	Independent member	Audit
Mr N Crippa	07 July 2016	4 yrs	Independent member	Audit and from March 2017 Curriculum & Standards
Mrs R Etebar	14 Dec 2017	4 yrs	Independent member	From March 2018 Search

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Name	Date appointed	Term of office	Status of appointment	Committees served
Mr J Francis	14 Dec 2017	4 yrs	Independent member	From March 2018 Audit
Mr I Graham	2 April 2015	4 yrs	Staff member	Audit
Mr D Hewitt	24 July 2017	4 yrs	Independent member	Chair: Audit Member: Search
Mrs P Hinchliffe	10 July 2014	4 yrs	Staff member	Audit
Ms J Houzer	18 Dec 2014	4 yrs	Independent member	Chair: Curriculum & Standards Member: Search
Miss S Limbu	10 July 2014 Resigned 4 Dec 2017	4 yrs	Independent member	Until Dec 2017 Curriculum & Standards, Search
Mr H Malins	24 July 2017	4 yrs	Independent member	Finance & General Purposes, Remuneration
Ms W Megeney	24 Mar 2016	4 yrs	Independent member	Audit, Curriculum & Standards
Ms H Poole	14 Dec 2017	1 yr	Student member	From March 2018 Curriculum & Standards
Mr R Rendel	24 July 2017	4 yrs	Independent member	Chair: Search Member: Finance & General Purposes, Curriculum & Standards, Remuneration
Mr A Smith	24 July 2017	4 yrs	Staff member	Curriculum & Standards
Prof. J Yeomans	24 Mar 2016	4 yrs	Independent member	Chair: Remuneration Finance & General Purposes
Mr A Young	14 Dec 2017	1 yr	Student member	From March 2018 Curriculum & Standards

Mrs C Gillam acts as Clerk to the Corporation.

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

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which are reviewed annually and have been approved by the Corporation. These committees are Audit, Curriculum & Standards, Finance & General Purposes, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.farn-ct.ac.uk or from the Clerk to the Corporation at:

Farnborough College of Technology
Boundary Road
Farnborough
Hampshire, GU14 6SB

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

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

Formal agendas, papers and reports are supplied to Governors of the Corporation in a timely manner, prior to Corporation and committee 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 governors is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Corporation Chair and Accounting Officer of the College are separate.

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised five governors of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises seven governors of the Corporation excluding the Accounting Officer and Chair. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

Statement of Corporate Governance and Internal Control (continued)

College managers are responsible for the implementation of agreed audit recommendations and internal audit undertakes 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.

Internal control

Scope of responsibility and purpose

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

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

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 Farnborough College of Technology for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

- the College's Financial Regulations
- 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
- maintenance of a comprehensive risk register which is regularly reviewed and updated
- periodic review of instruments and articles of Government and the Corporation's Standing Orders

Statement of Corporate Governance and Internal Control (continued)

Farnborough College of Technology has an internal audit service, which operates in accordance with the requirements of ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a 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.

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and regularity auditors in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the Corporation and the safeguarding of their assets." ¹

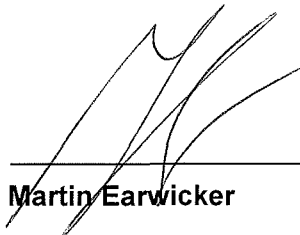
¹ (Articles of Government – Schedule 2)

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Statement of Corporate Governance and Internal Control (continued)

Going concern


After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.



Martin Earwicker

Chair

Date: 13th December 2018



Virginia Barrett

Accounting Officer

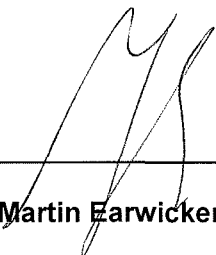
Date: 13th December 2018

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with ESFA.


We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the ESFA's terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA. We further confirm that there have been no instances of material irregularity, impropriety or funding non-compliance discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Approved by order of the governors of the Corporation on 13th December 2018 and signed on its behalf by:



Martin Earwicker
Chair

Date: 13th December 2018



Virginia Barrett
Accounting Officer

Date: 13th December 2018

Statement of Responsibilities of the Governors of the Corporation

The Governors of the Corporation 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 the Education and Skills Funding Agency (ESFA) and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction 2017 to 2018 issued by the Association of Colleges and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 Governing Body Report which describes what it is trying to do and how it is going about it, including 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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the governors of the Corporation on 13th December 2018 and signed on its behalf by:


Martin Earwicker

Chair

Date: 13th December 2018

Independent auditor's report to the Governors of the Corporation of Farnborough College of Technology

Opinion

We have audited the financial statements of Farnborough College of Technology ("the College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the Statement of Responsibilities of the Governors of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Governors of the Corporation set out on page 18, 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 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 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 Corporation intend 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.

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

Use of the audit report

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Times House
Throwley Way
Sutton
Surrey
SM1 4JQ

Date: 18th December 2018

Statement of Comprehensive Income and Expenditure

	Notes	2018 £'000	2017 £'000
INCOME			
Funding body grants	2	10,920	10,496
Tuition fees and education contracts	3	3,643	3,530
Research grants and other contracts	4	65	81
Other income	5	803	763
Investment income	6	99	131
Total income		15,530	15,001
EXPENDITURE			
Staff costs	7	10,303	10,359
Other operating expenses	9	3,556	3,365
Depreciation	11 & 12	1,319	1,355
Total expenditure		15,178	15,079
Operating surplus / (deficit) before defined benefit pension costs		352	(78)
Pension finance costs	10	(250)	(230)
Surplus / (deficit) before other gains and losses		102	(308)
(Loss) on disposal of fixed assets		(1)	-
Surplus / (deficit) for the year		101	(308)
Actuarial gain in respect of pension scheme	18	960	870
Total Comprehensive Income for the year		1,061	562

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

Statement of Changes in Reserves

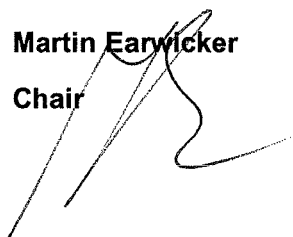
	Income & Expenditure Account £'000
Balance at 1 August 2016	36,104
Deficit from income and expenditure account	(308)
Other Comprehensive income	870
	<hr/>
Balance at 31 July 2017	36,666
Surplus from income and expenditure account	101
Other Comprehensive income	960
	<hr/>
Total comprehensive income for the year	1,061
	<hr/>
Balance at 31 July 2018	37,727
	<hr/>

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

Balance Sheet as at 31 July	Notes	2018	2017
		£'000	£'000
Fixed assets			
Tangible assets	11	35,239	35,146
Intangible assets	12	108	99
		35,347	35,245
Current assets			
Stocks		59	50
Debtors	13	1,198	952
Investments (cash deposits)		11,000	13,000
Cash at bank and in hand		4,958	2,736
Total current assets		17,215	16,738
Less: Creditors – amounts falling due within one year	14	(2,606)	(2,433)
Net current assets		14,609	14,305
Total assets less current liabilities		49,956	49,550
Less: Creditors – amounts falling due after more than one year	15	(2,901)	(2,985)
Provisions			
Defined benefit obligations	16	(9,210)	(9,750)
Other provisions	16	(118)	(149)
TOTAL NET ASSETS		37,727	36,666
Unrestricted Reserves			
Income and Expenditure Account		37,727	36,666
TOTAL RESERVES		37,727	36,666

The financial statements on pages 21 to 42 were approved by the Corporation and authorised for issue on 13th December 2018 and were signed on its behalf on that date by:

Martin Earwicker
Chair



Virginia Barrett
Accounting Officer



Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

Statement of Cash Flows

	Notes	2018	2017
		£'000	£'000
Cash flow from operating activities			
Surplus / (deficit) for the year		101	(308)
Adjustment for non-cash items			
Depreciation	1,11 & 12		
Normal		1,319	1,355
(Increase) / decrease in stocks		(9)	2
(Increase) / decrease in debtors		(246)	21
Increase / (decrease) in creditors		88	(374)
(Decrease) in provisions		(31)	-
FRS 102 (28) pension cost less contributions payable	7 & 18	170	180
Adjustment for investing or financing activities			
Interest payable	10	250	230
Interest receivable	6	(99)	(131)
Loss on disposal of tangible fixed assets		1	-
Net cash flow from operating activities		1,544	975
Cash flows from investing activities			
Purchase of tangible fixed assets	11	(1,376)	(845)
Purchase of intangible fixed assets	12	(45)	(76)
Deferred capital grants received		-	133
Interest received	6	99	131
Withdrawal of deposits		2,000	2,412
		678	1,755
Cash flows from financing activities			
Repayment of amounts borrowed		-	-
Increase in cash and cash equivalents in the year	17	2,222	2,730

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

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

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £15.9m cash deposits and no loans. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

The recurrent grant from HEFCE / Office for Students represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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 or over achievement for the adult skills 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 end of November following the year end. 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.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Tuition fee income is net of any fees waived.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

Notes to the Accounts (continued)

1. Accounting policies (continued)

All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned.

Post retirement benefits

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

The TPS is an unfunded scheme and 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 the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 18, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Interest on the net defined benefit liability/asset is recognised in the Statement of Comprehensive Income and Expenditure and shown separately as pension finance costs. Actuarial gains and losses are recognised immediately and are shown separately in the Statement of Comprehensive Income & Expenditure.

Short term Employment benefits

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

Enhanced Pensions

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable.

Building 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 20 and 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 40 years.

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

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

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

On adoption of FRS 102, the College had its land and buildings professionally revalued in July 2015 with corresponding values for July 2014. It is the July 2014 amounts which were used as the deemed cost for these land and buildings. The College has chosen not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

General equipment	-	10 years
Motor vehicles, computer and electronic equipment	-	4 years

Notes to the Accounts (continued)

1. Accounting policies (continued)

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

Assets under construction

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

Intangible fixed assets

Software

Software costs are capitalised and amortised over 4 years.

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 finance leases.

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

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Provisions

Provisions are recognised when:

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and Expenditure and are shown separately in Note 22, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Discretionary Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the 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 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

2 Funding body grants

	2018	2017
	£'000	£'000
Recurrent grants		
Education & Skills Funding Agency - adult	900	1,055
Education & Skills Funding Agency - 16 -18	7,672	7,303
Education & Skills Funding Agency - apprenticeships	1,783	1,691
HEFCE / Office for Students	227	256
	<u>10,582</u>	<u>10,305</u>
ESFA non recurrent grants	21	21
High Needs Funding from local Councils	171	-
Releases of deferred capital grants	146	170
Total	<u>10,920</u>	<u>10,496</u>

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Tuition fees	3,464	3,305
Education contracts	179	225
Total	<u>3,643</u>	<u>3,530</u>

Included within the above amounts are tuition fees funded by bursaries of £140,000 (2016/17 £124,000).

4 Research grants and other contracts

	2018	2017
	£'000	£'000
European Social Fund (ESF)	40	32
Other grant and contracts	25	49
	<u>65</u>	<u>81</u>

5 Other income

	2018	2017
	£'000	£'000
Refectory	320	313
Other income generating activities	248	221
Examination and registration fees	83	80
Other income	152	149
	<u>803</u>	<u>763</u>

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

6 Investment income

	2018	2017
	£'000	£'000
Other interest receivable	99	131

7 Staff costs

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

	2018	2017
	No.	No.
Teaching staff	134	138
Non teaching staff	129	129
	263	267

Staff costs for the above persons

	2018	2017
	£'000	£'000
Wages and salaries	7,971	8,078
Social security costs	713	709
Other pension costs (including FRS 102 (28) adjustments of £170,000; 2017 £180,000)	1,619	1,572
Total Staff costs	10,303	10,359

8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	8	6

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£ 40,001 to £ 50,000 p.a.	2	-	-	-
£ 50,001 to £ 60,000 p.a.	2	1	-	-
£ 60,001 to £ 70,000 p.a.	2	1	-	-
£ 70,001 to £ 80,000 p.a.	1	2	-	-
£ 80,001 to £ 90,000 p.a.	-	-	-	-
£ 90,001 to £100,000 p.a.	-	1	-	-
£100,001 to £110,000 p.a.	-	1	-	-
£110,001 to £120,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	-	-	-	-
£130,001 to £140,000 p.a.	1	-	-	-
	8	6	-	-

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	525	467
Employers' National Insurance	65	58
Pension contributions	81	69
Total emoluments	671	594

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

	2018 £'000	2017 £'000
Salaries	134	102
Employers' National Insurance	17	13
Pension contributions	20	17
	171	132

Farnborough College of Technology
Financial Statements for the Year Ended 31st July 2018

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension and the Local Government Pension Schemes and are paid at the same rate as for other employees.

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

9 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	1,306	1,208
Non teaching costs	1,263	1,195
Premises costs	987	962
Total	3,556	3,365

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	22	20
Internal audit	14	23
Hire of plant and machinery – operating leases	29	38

10 Interest and other finance costs

	2018	2017
	£'000	£'000
Pension finance costs (note 18)	250	230

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11 Tangible fixed assets

	Land and buildings	Equipment	Total
Cost or valuation	£'000	£'000	£'000
At 1 August 2017	35,087	8,876	43,963
Additions	-	1,376	1,376
Disposals	-	(146)	(146)
At 31 July 2018	35,087	10,106	45,193
Depreciation			
At 1 August 2017	1,981	6,836	8,817
Charge for the year	784	499	1,283
Elimination in respect of disposals	-	(146)	(146)
At 31 July 2018	2,765	7,189	9,954
Net book value at 31 July 2018	32,322	2,917	35,239
Net book value at 31 July 2017	33,106	2,040	35,146

Deloitte Real Estate (RICS regulated) undertook a full valuation of the College's land and buildings as at 31 July 2015 and 31 July 2014, on a depreciated replacement cost, open market value and existing use value basis. The values at 31 July 2014 were used as the deemed cost for the transition to FRS 102. The College chose not to adopt a policy of revaluations of these properties in the future. Included in land and buildings is a property at Albert Road which has a market value in excess of the net book value. This is currently being let to tenants at a market rent but has not been revalued or reclassified to investment properties on the grounds of materiality. There are no assets held under finance leases.

12 Intangible fixed assets

	Software
Cost	£'000
At 1 August 2017	212
Additions	45
Disposals	(22)
At 31 July 2018	235
Depreciation	
At 1 August 2017	113
Charge for the year	36
Elimination in respect of disposals	(22)
At 31 July 2018	127
Net book value at 31 July 2018	108
Net book value at 31 July 2017	99

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13 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within 1 year		
Trade debtors	862	543
Prepayments and accrued income	222	241
Amounts owed from the ESFA	114	168
Total	1,198	952

14 Creditors: amount falling due within one year

	2018	2017
	£'000	£'000
Payments received in advance	777	640
Trade creditors	594	418
Other taxation and social security	177	185
Accruals	864	959
Deferred income – government capital grants	137	153
AGE Grants	6	13
Amounts owed to the ESFA	45	37
Amounts owed to the Student Loan Company	6	28
Total	2,606	2,433

15 Creditors: amount falling due after one year

	2018	2017
	£'000	£'000
Deferred income – government capital grants	2,901	2,985

16 Provisions

	Defined Benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	9,750	149	9,899
Expenditure in the period	(790)	(31)	(821)
Additions in the period	250	-	250
At 31 July 2018	9,210	118	9,328

Defined benefit obligations relate to the liabilities under the College's membership to the Local Government Pension Scheme. Further details are given in Note 18.

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The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the Association of Colleges. The principal assumptions used for this calculation are:

	2018	2017
Inflation rate	1.30%	1.30%
Discount rate	2.30%	2.30%

17 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash in hand and at bank	2,736	2,222	4,958
Current asset investments	13,000	(2,000)	11,000
Total	15,736	222	15,958

18 Pensions and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council. Both are defined-benefit schemes.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	669	702
Local Government Pension Scheme:		
Contributions paid	780	690
FRS 102 (28) charge	170	180
Charge to the Statement of Comprehensive Income (staff costs)	950	870
Total Pension Cost for Year	1,619	1,572

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

18 Pensions and similar obligations (Cont/d)

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis. These contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

18 Pensions and similar obligations (Cont/d)

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £669,000 (2016: £702,000).

FRS 102 (28)

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

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 scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2018 was £970,000, of which employer's contributions totalled £780,000 and employees' contributions totalled £190,000. Following the triennial actuarial valuation at 31 July 2016, the agreed contribution rates for future years are 14.8% in 2017/18 rising to 18.1% in 2019/20 for employers and range from 5.5% to 12.5% for employees, depending on salary.

18 Pensions and similar obligations (Cont/d)

Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	1.9%
Rate of increase for future pensions	2.1%	2.0%
Discount rate for scheme liabilities	2.8%	2.6%
Inflation assumption (CPI)	2.1%	2.0%
Commutation of pensions to lump sums	25%	25%

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

	At 31 July 2018	At 31 July 2017
<i>Retiring today</i>		
Males	24.1	24.0
Females	27.2	27.0
<i>Retiring in 20 years</i>		
Males	26.2	26.0
Females	29.4	29.3

The college's share of the assets and liabilities in the scheme were:

	Value at 31 July 2018 £'000	Value at 31 July 2017 £'000
Equities	15,696	13,690
Bonds	5,973	5,794
Property	1,728	1,454
Cash	518	671
Other	765	761
Total fair value of assets	24,680	22,370
Present value of scheme liabilities - Funded	(33,890)	(32,120)
Deficit in the scheme	(9,210)	(9,750)

18 Pensions and similar obligations (Cont/d)

Amounts recognised in the Statement of Comprehensive Income

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Employer current service cost	940	870
Past service cost	10	-
	<hr/>	<hr/>
Total operating cost	950	870
	<hr/>	<hr/>
Interest on net defined benefit liability	(250)	(230)
	<hr/>	<hr/>
Pension finance costs	(250)	(230)
	<hr/>	<hr/>

Amount recognised in Other Comprehensive Income

	2018	2017
	£'000	£'000
Asset gains arising during the period	1,710	1,920
Liability losses arising during the period	(750)	(1,050)
	<hr/>	<hr/>
Actuarial gain in respect of defined benefit liability	960	870
	<hr/>	<hr/>

Movement in (deficit) during year

	2018	2017
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(9,750)	(10,210)
Movement in year:		
Employer current service cost	(940)	(870)
Employer contributions	780	690
Past service cost	(10)	-
Interest on net defined benefit liability	(250)	(230)
Actuarial gain	960	870
	<hr/>	<hr/>
Net defined benefit (liability) in scheme at 31 July	(9,210)	(9,750)
	<hr/>	<hr/>

18 Pensions and similar obligations (Cont/d)

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	32,120	30,090
Employer current service cost	940	870
Interest cost	830	710
Employee contributions	190	210
Actuarial loss	750	1,050
Benefits paid	(950)	(810)
Past service cost	10	-
Defined benefit obligation at end of period	33,890	32,120
Changes in the fair value of scheme assets		
Fair value of scheme assets at start of period	22,370	19,880
Interest income on assets	580	480
Remeasurement gains on assets	1,710	1,920
Employer contributions	780	690
Employee contributions	190	210
Benefits paid	(950)	(810)
Fair value of scheme assets at end of period	24,680	22,370

19 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	810	682
Authorised but not contracted at 31 July	3,377	860

20 Lease commitments

At 31 July the College had total commitments under non-cancellable operating leases as follows:

Future minimum lease payments due	2018 £'000	2017 £'000
Not later than one year	28	27
Later than one year and not later than five years	46	63
Later than five years	-	2
	74	92

21 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year incurred in their official capacity were nil; (2016/17: nil). No Governor has received any remuneration or waived payments from the College during the year (2016/17: nil).

22 Amounts disbursed as agent

	2018 £'000	2017 £'000
Funding body grants – hardship support	274	208
Disbursed to students	(156)	(130)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	118	78
	<hr/>	<hr/>

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

Independent auditor's report on regularity to the Corporation of Farnborough College of Technology and the Chief Executive of the Education and Skills Funding Agency (ESFA)

To: The corporation of Farnborough College of Technology and 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 funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Farnborough College of Technology during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Farnborough College of Technology and the reporting accountant

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

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

Approach

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

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

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

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The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: *Mazars LLP*

Mazars LLP
Times House
Throwley Way
Sutton
Surrey
SM1 4JQ

Date: *13th December 2018*

