

**FARNBOROUGH COLLEGE OF TECHNOLOGY**

**Report and Financial Statements  
for the year ended 31 July 2023**

## **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 2022/23:

Ms Virginia Barrett - Principal CEO and Accounting Officer  
Mr Pankaj Makwana - Director of Finance & Corporate Services  
Mr Lawrence Magee - Vice Principal  
Mr Ian Graham - Vice Principal Higher Education & Curriculum Development (from 3 November 2022)  
Mrs Rachael Jenkins - Vice Principal - Teaching, Learning and Completion  
Mr Clive Hodge – Director of Commercial Education and Head of Aldershot  
Mr Matthew Wilkie - Associate Director of Human Resources  
Miss Karen Morris - Associate Director of Business Development and Apprenticeships  
Mr Steven Hunt - Associate Director of Marketing and Learner Services  
Ms Kat Morris - Director of Quality  
Mr G Gomes - Associate Director Funding, Information Systems and Exams

### **Board of Governors**

A full list of Governors is given on pages 13 and 14 of these financial statements.

Mrs Caroline Gillam acted as Clerk to the Corporation until she left on 26 July 2023.  
Ms Lynn Payne acted as Clerk to the Corporation from 18 July 2023

### **Professional advisers**

#### **Financial statement and regularity auditors:**

Mazars LLP  
6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey SM1 4FS

#### **Internal auditors:**

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

#### **Bankers:**

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

<b>CONTENTS</b>	<b>Page number</b>
<b>Report of the Governing Body</b>	<b>3</b>
<b>Statement of Corporate Governance and Internal Control</b>	<b>13</b>
<b>Statement of Regularity, Propriety and Compliance</b>	<b>19</b>
<b>Statement of Responsibilities of the Governors of the Corporation</b>	<b>20</b>
<b>Independent Auditor's Report to the Corporation of Farnborough College of Technology</b>	<b>21</b>
<b>Statement of Comprehensive Income and Expenditure</b>	<b>25</b>
<b>Statement of Changes in Reserves</b>	<b>26</b>
<b>Balance Sheet as at 31 July</b>	<b>27</b>
<b>Statement of Cash Flows</b>	<b>28</b>
<b>Notes to the Accounts</b>	<b>29</b>
<b>Independent Reporting Accountant's Report on Regularity to the Corporation of Farnborough College of Technology</b>	<b>47</b>

## Report of the Governing Body

### NATURE, OBJECTIVES AND STRATEGIES:

FCoT's Corporation presents its annual report together with the audited financial statements and auditor's report for the year ended 31 July 2023.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Farnborough College of Technology (FCoT). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. On March 29, 2023, the ONS redesignated FE Colleges as Public Sector organisations and to date this has not made any significant difference to the role of the governing body.

### Mission

The Corporation Board signed off the Sustainable Transformations Strategy for 2022 to 2032 in July 2022.

This includes the College's mission to be:

*"A Technical Community University, facilitating learners' social mobility, fuelling sustainable industries, and empowering inclusive lifelong learning communities"*

### Public Benefit

Farnborough College of Technology is an exempt charity under the Part 3 of the Charities Act 2011 and 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 12 and 13.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on Charitable Purposes and 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
- Links with the Chamber of Commerce to deliver the LSIP and deliver on the College's Accountability Agreement
- Links with Rushmoor, Hart, Surrey Health, other local authorities, and local community groups such as JCP
- Links with Hampshire County Council and other counties.
- Links with schools and other colleges
- Links with EM3 Local Enterprise Partnership (LEP)

### Implementation of strategic plan

The College adopted a new 10 year Sustainable Transformations Strategy (STS) in July 2022 for the period 2022 to 2032. Our overall purpose is at the foundation of the STS, and ultimately, we are committed to working in partnership 'to help people add value to society as net positive contributors'. Equally important and fundamental to our success as outstanding educators, are committed, productive and caring staff. It is therefore fitting, that as a learning organisation, we will nurture growth mindset values, thereby empowering our dedicated staff to be their best, and do their best, and deliver our vision, 'creating learners who will be a

## Farnborough College of Technology

### Financial Statements for the Year Ended 31<sup>st</sup> July 2023

success for themselves, the economy and society'. To this end, the College has identified the following four Enabling Goals necessary for continued transformation over the next 10 years:

- Advancing through the richness of diversity.
- Advancing the modern learning experience.
- Deliver a 'beyond outstanding' quality of education, trusted by all.
- Surpass expectations for environmental and social responsibilities.

### Financial objectives

The College's financial objectives include:

- Rather than resting on its laurels, the College is stretching itself to achieve further growth over the next 10 years.
- Achieve an annual surplus and healthy underlying cash generation to invest in staff, learners, and the estate (new technologies, equipment, facilities.....)
- Maintaining excellent financial health to add value rather than being a strain on the public purse.

### Performance indicators

The College is committed to benchmarking against sector measures and indicators. Consequently, it uses a range of the performance indicators to measure and optimise performance:

- The College submits the annual College Financial Forecasting Return (CFFR) for the Education and Skills Funding Agency ("ESFA"). The CFFR produces a financial health grading and the current rating is Outstanding for the year to 31 July 2023.
- The performance indicators from the ESFA's outstanding financial health are used to assess in-year performance.
- The Principal's termly report to the Board includes the Annual Operating Statement linked to the College's strategy, the QIP and for 2023-24, the Accountability Agreement
- The Internal Audit plan for the past 3 years included reporting on; HR Process, Key Financial Controls, Learner Number Systems, Risk Management, Budget and Financial Planning, Staff Utilisation, Staff Wellbeing, Governance, Capital Projects, Business Continuity, Board Meeting Observation & Follow up audits.

## FINANCIAL POSITION

### Financial results

The College generated surplus of £634,000 after accounting for FRS102 pension adjustments of £228,000 (2021/22 - £1,081,000). Due to RAAC, we have been advised depreciation for roofs in a number of mothballed areas in 2023-24 must be accounted for in 2022-23 financial accounts. When this asset impairment of £192k is taken into account, surplus for 2022-23 is £406,000, £103,000 above the budget set and comparably favourable to 2021-2022's deficit of £400,000.

The College generated total comprehensive income of £3,853,000 for the year which is after accounting for an actuarial gain in respect of the pension scheme of £3,447,000 (2021/22 – income of £13,320,000 after accounting for £13,720,000 for an actuarial gain in respect of the pension scheme).

The College has accumulated reserves of £50,069,000 (2021/22 - £46,216,000) and cash balances and investments of £17,318,000 (2021/22 - £16,343,000).

Tangible fixed asset additions during the year amounted to £3,364,000, which included capital redevelopment projects undertaken as part of the College's ongoing Property Strategy.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2022/23 the ESFA provided 74% 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, the Principal as Accounting Officer will seek permission from the DfE per the "Managing Public Money" principles following the reclassification by the ONS in November 2022. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the relevant funding body, all borrowing requires the authorisation of the Corporation.

### Cash Flows

At £3,071,000 (2021/22 - £1,910,000), operating cash in-flow remained strong. The net cash flow resulted from the positive underlying financial performance for the year and 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 positive cashflows generated from operations and 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 2022/23 the College enrolled the following numbers of students:

		2021/22	2022/23
<b>Further Education</b>	16-18's Full & Part Time	2,054	2,005
	19+ (All funding streams)	1,599	1,641
	Apprenticeships	706	725
<b>Higher Education</b>	HE	371	358

## **Report of the Governing Body (continued)**

### **Student achievements and Progression**

#### **FE learner outcomes**

College-wide pass rate for main programmes is 91%, with 19+ learners achieving a 95.3% Pass rate that is above national averages. Pass rate for 16-18 learners on vocational programmes of study is 92% and this is in line with national averages. 14 Programme Areas (accounting for 1800 learners aged 16-18) achieved above National Retention, Pass and Achievement Rates.

#### **HE Learners**

Student outcomes for Higher Education learners in 2022-23 were significantly above national sector average with 93% Continuation (against a sector average of 86%) and 88% Completion (against a sector average of 82%). Student satisfaction was also high, as seen in the external National Student Survey results for 2023, where Higher Education learners from Farnborough were on average 11% more satisfied with their experience than learners graduating from other educational establishments. During the year the College achieved a bronze TEF award.

#### **Apprenticeship**

Apprenticeship overall achievement is 69%, 17 % above national average of 52% in 2019, The College has now fully implemented Standards and this overall achievement continues to improve, reflecting also, progress since lockdowns. Timely completion for Standards of 58% continues to improve annually and post lockdowns.

Overall, the College has an uncompromising focus on developing learners as professionals, behaviours and attitudes are therefore outstanding and most learners make positive progress.

### **Curriculum developments**

Building on the success of FE curriculum development over the last 5 years, the College has now incorporated Ofsted's 'Skills Sub-Judgement' within its curriculum planning framework. Amongst other things the use of LMI is embedded at the heart of Curriculum Planning within the College's Total Quality Framework. Consequently, for 2022-23, to support the preparation of the Accountability Agreement, the College commissioned a whole college curriculum plan from 'Lightcast' formerly 'EMSI'. Subsequently, the College has developed a Sustainability Half-House to develop 'Green Skills' for the Construction sector. The College is a huge champion of T Levels and is hoping they will bed down in the future as occupational qualifications that can progress learners directly into work and HTQs. During the year the College also submitted a bid to support HTQs. Furthermore, significant progress is being made preparing for the launch of ITT (Initial Teacher Training) in 2024-25.

In Higher Education the College continued to convert the standard 3-year degrees to accelerated fast-track degrees, which run over 2 years, including the provision of BA (Hons) Photography and BA (Hons) Graphic Design as accelerated programmes. Additional consideration was given to cross cutting skills and educational gain with the validation of Data Science as a common optional module for all new Higher Education programmes. The College also validated new degrees in BA (Hons) Fashion & Textiles, BA (Hons) E-Sports, BSc (Hons) Environmental Science and Sustainability, MA Social Science and MA Creative Arts for delivery in 2024-25.

### **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 2022 to 31 July 2023, the College paid 92 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## Report of the Governing Body (continued)

### Future developments

The College has been allocated funds for 2023/24 as follows:

16-19	£12,914,292
Adult Education Budget	£1,038,353
Non-Levy Apprenticeship funding (16-18 and Adult)	£121,623 (excludes April 2024 to July 2024 procured funding which is subject to clarification from the ESFA)
Office for Students (OfS)	£288,378

### Growth plans

The College Transformations Strategy achieved its stretch target of c£20.6m. This represented an annual growth of c£1m per year. The College's new Sustainability Transformations Strategy 2022-2032 is building on this success, securing a further c£2m growth in 2022-23.

### Property Strategy

Between 2017-2022 the College injected much needed capital investments of c£18m, which included c£6m grant/match funding. Projects delivered includes: Emerging Technology Centre (ETC) £3.8m, Aerospace Research and Innovation Centre (ARIC) £5m, Medical Technology Centre (MedTech) £1.3m, T Levels Wave 1 funding £1.6m, SEND Block £0.8m. This investment also contributed to the increase in Building Condition categories A and B (294%) by improving category C graded buildings. The transformation of teaching and learning accommodation was also significant with 80% now in conditions A and B.

The overall cost aligned to the strategy (£35m) includes the College's commitment to reducing our Carbon footprint.

The new Property Strategy 2022-2032 approved by the Corporation Board, includes projected capital investments of c£35m, to continue with upgrading the estate and to support the Sustainability Transformations Strategy (STS). Accordingly, this new Property Strategy is categorised into three main key themes aligned with the STS 2022-2032.

- Beyond Outstanding Learning Environment
- Carbon Reduction / Sustainability
- Condition / Efficiency Improvements

DRESS (Decarbonising with Renewal Energies and Sustainable solutions) supported by a successful SALIX bid of c£5m and college match funding of approximately the same, embodies the approach to be taken to decarbonise the estate and evolve sustainable practices. Further technological integration across TLA and support services is also taking place to reduce our carbon footprint

In-year capital spend to address past under-investment and evolve technical training facilities identified as gaps in our provision included, an EV Centre, a Sustainability half-house, and a Forklift training centre.

Rather than resting on our laurels, the College is stretching and challenging itself to build on the growth achieved between 2017-22, by maintaining a growth trajectory over the next 10 years. The property strategy will support investment opportunities such as the new Hart Centre for professional adult education and training. Investment in FOCAL (Farnborough Online College Advancing Learning) remains a priority to support increased participation with flexible and accessible on-demand and hybrid learning and assessment.



## **Report of the Governing Body (continued)**

### **Performance indicators**

The College uses a range of performance measures to secure continuous improvement, the EIF along with the College SAR & QIP; Student Success in terms of retention, completion, progression, and the quality of TLA as evidenced by satisfaction ratings from learners / apprentices, employers, parents, and other stakeholders.

### **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 University Centre Farnborough (UCF) (completed September 2016), the Aerospace and Automotive Academy (built 2009), the Aerospace Research and Innovation Centre (ARIC) (completed August 2021), its Construction facility in Aldershot and Farnborough Online College Advancing Learning (FOCAL) and from 2022/23 Hart Professional College in Fleet.

#### *Financial*

The College has £50.1 million of net assets (including a £371k pension liability) and no long term debt or loans.

#### *People*

The College employs 392 people (expressed as an average annual headcount basis), of whom 219 are teaching staff.

#### *Reputation*

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in progressing learners and meeting the needs of stakeholders.

## **Report of the Governing Body (continued)**

### **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.

#### **1. Government funding**

The College has considerable reliance on continued government funding through the further education funding bodies. In 2022/23, 79% of the College's revenue was ultimately public funded. 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:

- Demographic changes in 16-18 year olds in England,
- The Apprenticeship Levy / Digital Account,
- 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.

## **Report of the Governing Body (continued)**

### **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 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.

### **4. Ukraine and Inflation**

The current situation in Ukraine and the high level of inflation within the UK, are being monitored to mitigate potential impact on the College in terms of delivery plans and efficiencies.

## **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
- CBI
- FAC- Farnborough Aerospace Consortium
- 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.

## Report of the Governing Body (continued)

### 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.

### 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	0.6

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

Total cost of facility time	£999
Total pay bill	£10,056,000
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 7th December 2023 and signed on its behalf by:**

A handwritten signature in black ink, appearing to read 'Dr Femi Oduneye', written over a horizontal line.

**Dr Femi Oduneye – 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 2022 to 31st July 2023 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 the three main Board and all Committee meetings overall was 80% and when additional Board meetings for strategy and training sessions are included overall attendance was 78%. Attendance at the three main Board meetings was 80%. Committee meeting attendance was; Audit 92%, Curriculum & Standards 73%, Finance & General Purposes 86%, Remuneration 80% and Search 70%.

Name	Date appointed	Term of office	Status of appointment	Committees served
Prof. M Earwicker	04 July 2019 <i>End of term 07 July 2023</i>	4 yrs	External	Chair: Corporation <i>until March 2023</i> Member: Finance & General Purposes, Remuneration <i>until March 2023</i>
Mrs G Christie	12 Dec 2019	4 yrs	External	Member: Search, Remuneration, Curriculum & Standards
Dr F Oduneye	12 Dec 2019	4 yrs	External	<i>From March 2023</i> Chair: Corporation <i>Until March 2023</i> Chair: Finance & General Purposes <i>From April 2023</i> Member: Finance & General Purposes, Remuneration
Ms V Barrett	1 Sept 2016		Principal	Finance & General Purposes, Search, Curriculum & Standards

Farnborough College of Technology  
Financial Statements for the Year Ended 31<sup>st</sup> July 2023

Name	Date appointed	Term of office	Status of appointment	Committees served
Mr D Axam	31 Jan 2022	4 yrs	External	Member: Finance & General Purposes
Ms C Morris	8 Dec 2022	1 yr	FE Student	<i>From March 2023</i> Member: Curriculum & Standards
Mrs S Chapman	7 April 2022	4 yrs	External	<i>Until March 2023</i> Member: Audit <i>From April 2023:</i> Chair: Finance & General Purposes
Mr N Crippa	18 August 2020	4 yrs	External	Audit, Curriculum & Standards, Search
Mrs R Etebar	9 Dec 2021	4 yrs	External	Chair: Search Member: Remuneration
Mr J Francis	9 Dec 2021 Resigned 7 July 2023	4 yrs	External	Chair: Audit
Mrs K Harris-St John	19 October 2020 Resigned 1 November 2022	4 yrs	Staff	Finance & General Purposes
Mrs M Ebblewhite	15 November 2022	4 yrs	Staff	Finance & General Purposes
Ms J Houzer	8 Dec 2022	1 yr	External	Chair: Curriculum & Standards Member: Search
Prof. O Khan	2 April 2020	4 yrs	External	Curriculum & Standards, Finance & General Purposes, Remuneration
Mr H Malins	1 July 2021	4 yrs	External	Chair: Remuneration Finance & General Purposes
Mr J Sparkes	1 August 2022	4 yrs	Staff	Curriculum & Standards
Ms M Percival	8 Dec 2022	1 yr	HE Student	<i>From March 2023</i> Member: Curriculum & Standards
Ms K Yeomans	4 January 2023	4 years	External	<i>From March 2023</i> Member: Audit, Curriculum & Standards

Mrs C Gillam acted as Clerk to the Corporation until she left on 26 July 2023.  
Ms L Payne acted as Clerk to the Corporation on 18<sup>th</sup> July 2023

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](http://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.

## **Corporation Performance**

The Corporation undertook a self-assessment of its own performance for the year ended 31 July 2023 in accordance with the Code of Good Governance using questions taken from the Financial Reporting Council's document 'Guidance on Board Effectiveness'. The Board additionally took into account the College's most recently available Self-Assessment Review (2022/23) and the May 2023 Internal Audit review of governance which assessed compliance with the AoC Code of Good Governance.

Each Committee annually considers its effectiveness and what actions could be taken to improve. The Corporation is committed to development and additional strategy and/or training. Board meetings were held which assisted in informing and updating the Board in order to improve its performance e.g. covering changes to the Keeping Children Safe in Education legislation, the introduction of the Ofsted skills sub-judgement and changes to Health and Safety legislation.

The Corporation has considered the DfE guidance on Board reviews and plans to commission an external review in 2023/24 but did not carry out a formal review in 2022/23.



## **Statement of Corporate Governance and Internal Control (continued)**

### **Remuneration Committee**

Throughout the year ending 31 July 2023, 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 2023 are set out in note 8 to the financial statements.

### **Audit Committee**

The Audit Committee comprises four 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.

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. The Principal 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 2023 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 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## **Statement of Corporate Governance and Internal Control (continued)**

### *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

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. As a 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. Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and reporting accountant for regularity assurance 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 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

**Statement of Corporate Governance and Internal Control (continued)**

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." <sup>1</sup>

<sup>1</sup> (Articles of Government – Schedule 2)

**Going concern**

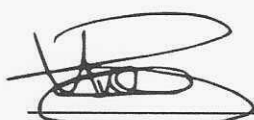
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.



**Dr Femi Oduneye**

**Chair**

**Date:** 7th December 2023



**Virginia Barrett**

**Accounting Officer**

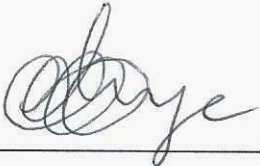
**Date:** 7th December 2023

### 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. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 7th December 2023 and signed on its behalf by:**



**Dr Femi Oduneye**

**Chair**

**Date:** 7th December 2023



**Virginia Barrett**

**Accounting Officer**

**Date:** 7th December 2023



## 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 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction 2022 to 2023 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, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 7<sup>th</sup> December 2023 and signed on its behalf by:



Dr Femi Oduneye

Date: 7th December 2023

Chair

## **Independent auditor's report to the members 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 2023 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of its surplus 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**

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

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

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

### **Other information**

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

## Farnborough College of Technology

### Financial Statements for the Year Ended 31<sup>st</sup> July 2023

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- 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 20, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the College and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

## Farnborough College of Technology

### Financial Statements for the Year Ended 31<sup>st</sup> July 2023

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and pension legislation.

In addition, we evaluated the governors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to defined benefit pension valuation assumptions, income recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the members of the corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report

#### **Other required reporting**

#### **Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.



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

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

**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

6 Sutton Plaza, Sutton Court Road, Sutton, Surrey, SM1 4FS

Date: 22 December 2023

**Statement of Comprehensive Income and Expenditure**

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
<b>INCOME</b>			
Funding body grants	2	17,973	16,208
Tuition fees and education contracts	3	3,341	3,529
Research grants and other contracts	4	174	44
Other income	5	762	739
Investment income	6	401	60
<b>Total income</b>		<b>22,651</b>	<b>20,580</b>
<b>EXPENDITURE</b>			
Staff costs	7	13,249	12,423
Other operating expenses	9	5,907	5,788
Depreciation	11 & 12	2,770	2,498
Impairment of assets	11	192	-
<b>Total expenditure</b>		<b>22,118</b>	<b>20,709</b>
<b>Operating surplus / (deficit) before defined benefit pension costs</b>		<b>533</b>	<b>(129)</b>
Pension finance costs	10	(127)	(268)
<b>Surplus / (deficit) before other gains and losses</b>		<b>406</b>	<b>(397)</b>
Loss on disposal of fixed assets		-	(3)
<b>Surplus / (deficit) for the year</b>		<b>406</b>	<b>(400)</b>
Actuarial gain in respect of pension scheme	18	3,447	13,720
<b>Total comprehensive income for the year</b>		<b>3,853</b>	<b>13,320</b>

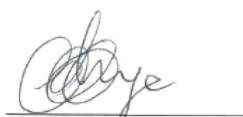
**Statement of Changes in Reserves**

	<b>Income &amp; Expenditure Account £'000</b>
<b>Balance at 1 August 2021</b>	<b>32,896</b>
(Deficit) from income and expenditure account	(400)
Other comprehensive income	13,720
	<hr/>
<b>Balance at 31 July 2022</b>	<b>46,216</b>
Surplus from income and expenditure account	406
Other comprehensive income	3,447
	<hr/>
<b>Total comprehensive income for the year</b>	<b>3,853</b>
	<hr/>
<b>Balance at 31 July 2023</b>	<b>50,069</b>
	<hr/> <hr/>

Farnborough College of Technology  
Financial Statements for the Year Ended 31<sup>st</sup> July 2023

<b>Balance Sheet as at 31 July</b>		<b>Notes</b>	<b>2023</b>	<b>2022</b>
			<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>				
Tangible assets	11		45,247	44,755
Intangible assets	12		67	157
			<b>45,314</b>	<b>44,912</b>
<b>Current assets</b>				
Stocks			67	64
Debtors	13		1,260	881
Investments (cash deposits)			16,810	11,042
Cash at bank and in hand			508	5,301
<b>Total current assets</b>			<b>18,645</b>	<b>17,288</b>
Less: Creditors – amounts falling due within one year	14		(5,255)	(3,900)
<b>Net current assets</b>			<b>13,390</b>	<b>13,388</b>
<b>Total assets less current liabilities</b>			<b>58,704</b>	<b>58,300</b>
Less: Creditors – amounts falling due after more than one year	15		(8,176)	(8,397)
<b>Provisions</b>				
Defined benefit obligations	16		(371)	(3,590)
Other provisions	16		(88)	(97)
<b>TOTAL NET ASSETS</b>			<b>50,069</b>	<b>46,216</b>
<b>Unrestricted Reserves</b>				
Income and Expenditure Account			50,069	46,216
<b>TOTAL RESERVES</b>			<b>50,069</b>	<b>46,216</b>

The financial statements on pages 25 to 46 were approved by the Corporation and authorised for issue on 7<sup>th</sup> December 2023 and were signed on its behalf on that date by:



**Dr Femi Oduneye**  
**Chair**



**Virginia Barrett**  
**Accounting Officer**

**Statement of Cash Flows**

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		406	(400)
<b>Adjustment for non-cash items</b>			
Depreciation	1,11 & 12	2,770	2,498
Impairment of fixed assets		192	-
(Increase) / decrease in stocks		(3)	2
(Increase) / decrease in debtors		(379)	107
Increase / (decrease) in creditors		267	(1,306)
(Decrease) in provisions		(9)	(15)
FRS 102 (28) pension cost less contributions payable	7 & 18	101	813
Pension finance costs		127	268
<b>Adjustment for investing or financing activities</b>			
Interest receivable	6	(401)	(60)
Loss on disposal of tangible fixed assets		-	3
<b>Net cash flow from operating activities</b>		<b>3,071</b>	<b>1,910</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	11	(3,364)	(3,225)
Purchase of intangible fixed assets	12	-	(25)
Deferred capital grants received		867	1,308
Interest received	6	401	60
		<b>(2,096)</b>	<b>(1,882)</b>
<b>Cash flows from financing activities</b>			
Repayment of amounts borrowed		-	-
<b>Increase in cash and cash equivalents in the year</b>	<b>17</b>	<b>975</b>	<b>28</b>

## **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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022/23 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 £17.32m 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 when setting its 2023/24 Budget, will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of income**

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

The recurrent grant from Office for Students represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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 Second Pension (S2P) 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 valuations every four years 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 and refurbishments	-	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 and Expenditure 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 just over 2% 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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding body grants

	2023 £'000	2022 £'000
Recurrent grants		
Education & Skills Funding Agency - adult	947	992
Education & Skills Funding Agency - 16 -18	12,527	11,212
Education & Skills Funding Agency - apprenticeships	2,785	2,539
Office for Students	261	238
	<u>16,520</u>	<u>14,981</u>
ESFA non recurrent grants	11	14
High Needs Funding from local Councils	383	272
Releases of deferred capital grants	648	599
Teacher's Pension Scheme contribution grant	411	342
<b>Total</b>	<b><u>17,973</u></b>	<b><u>16,208</u></b>

## 3 Tuition fees and education contracts

	2023 £'000	2022 £'000
HE tuition fees (net of bursaries)	2,322	2,342
Other tuition fees	937	1,038
Education contracts	82	149
<b>Total</b>	<b><u>3,341</u></b>	<b><u>3,529</u></b>

Included within the above amounts are HE tuition fees funded by bursaries of £40,895 (2021/22 £29,870).

## 4 Research grants and other contracts

	2023 £'000	2022 £'000
Other grant and contracts	<u>174</u>	<u>44</u>
	<b><u>174</u></b>	<b><u>44</u></b>

## 5 Other income

	2023 £'000	2022 £'000
Refectory	374	324
Other income generating activities	229	251
Examination and registration fees	77	66
Other income	82	98
	<u>762</u>	<u>739</u>

## 6 Investment income

	2023 £'000	2022 £'000
Other interest receivable	401	60

## 7 Staff costs

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

	2023 No.	2022 No.
Teaching staff	219	209
Non teaching staff	173	166
	392	375

### Staff costs for the above persons

	2023 £'000	2022 £'000
Wages and salaries	10,056	8,753
Social security costs	938	813
Other pension costs (including FRS 102 (28) adjustments of £101,000; 2022; £813,000)	2,255	2,857
<b>Total Staff costs</b>	<b>13,249</b>	<b>12,423</b>

## 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 as detailed on Page 1.

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	11	10

Farnborough College of Technology  
Financial Statements for the Year Ended 31<sup>st</sup> July 2023

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

<b>Key management personnel</b>		
	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
£ 35,001 to £ 40,000 p.a.	1	-
£ 40,001 to £ 45,000 p.a.	1	1
£ 45,001 to £ 50,000 p.a.	-	3
£ 50,001 to £ 55,000 p.a.	1	2
£ 55,001 to £ 60,000 p.a.	2	-
£ 60,001 to £ 65,000 p.a.	1	1
£ 65,001 to £ 70,000 p.a.	3	-
£ 70,001 to £ 75,000 p.a.	-	1
£ 75,001 to £ 80,000 p.a.	-	-
£ 80,001 to £ 85,000 p.a.	-	1
£ 85,001 to £ 90,000 p.a.	-	-
£ 90,001 to £ 95,000 p.a.	1	-
£ 145,001 to £150,000 p.a.	-	1
£ 150,001 to £155,000 p.a.	1	-
	<b>11</b>	<b>10</b>

Other than key management personnel, there were no other employees who earned over £60k (2022; no employees).

**Key management personnel emoluments are made up as follows:**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	765	673
Employers' National Insurance	94	83
Pension contributions	163	141
<b>Total emoluments</b>	<b>1,022</b>	<b>897</b>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	154	150
Employers' National Insurance	20	20
Pension contributions	25	32
	<b>199</b>	<b>202</b>

**Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple**

	2023 £'000	2022 £'000
Principal's basic salary as a multiple of the median of all staff	6.0	6.0
Principal and CEO's total remuneration as a multiple of the median of all staff	6.6	6.6

The above ratios are calculated based on gross salary and do not take into account applicable deductions in respect of taxation, national insurance or pension contributions.

The Remuneration Committee annually reviews the performance of the Clerk and the other Senior Postholders, including the Principal, against targets set by the Committee.

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

	2023	2022
	£'000	£'000
Teaching costs	1,851	1,798
Non teaching costs	2,307	2,173
Premises costs	1,749	1,817
<b>Total</b>	<b>5,907</b>	<b>5,788</b>

**Other operating expenses include:**

Other operating expenses include:	2023	2022
	£'000	£'000
Auditors' remuneration:		
Financial statements - audit	32	29
- corporation tax compliance	2	2
Internal audit	33	28
Hire of plant and machinery – operating leases	28	26

### 9a Access and participation spending

9a	Access and participation spending	2023 £'000	2022 £'000
	Access investment	49	41
	Financial support to students	41	30
	<b>Total</b>	<b>90</b>	<b>71</b>

**10 Interest and other finance costs**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Pension finance costs (note 18)	127	268

**11 Tangible fixed assets**

	<b>Land and buildings</b>	<b>Equipment and refurbishments</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost or valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2022	41,666	20,349	363	62,378
Additions	-	2,195	1,169	3,364
Transfers	-	358	(358)	-
Disposals	-	(17)	-	(17)
<b>At 31 July 2023</b>	<b>41,666</b>	<b>22,885</b>	<b>1,174</b>	<b>65,725</b>
<b>Depreciation</b>				
At 1 August 2022	6,840	10,783	-	17,623
Charge for the year	969	1,711	-	2,680
Elimination in respect of disposals	-	(17)	-	(17)
Impairment of assets	192	-	-	192
<b>At 31 July 2023</b>	<b>8,001</b>	<b>12,477</b>	<b>-</b>	<b>20,478</b>
<b>Net book value at 31 July 2023</b>	<b>33,665</b>	<b>10,408</b>	<b>1,174</b>	<b>45,247</b>
<b>Net book value at 31 July 2022</b>	<b>34,826</b>	<b>9,566</b>	<b>363</b>	<b>44,755</b>

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.

At 31 July 2023, four separate areas of the main Farnborough site were impaired due to strategic plans to replace their roofs. These represented approximately 15% of the buildings and has resulted in an additional charge of £192k going through the Statement of Comprehensive Income and Expenditure in the year.

Included in land and buildings is a property at Albert Road which has a market value in excess of the net book value.

There are no assets held under finance leases.

**12 Intangible fixed assets**

	<b>Software £'000</b>
<b>Cost</b>	
At 1 August 2022	655
Additions	-
Disposals	-
	<hr/>
<b>At 31 July 2023</b>	<b>655</b>
<b>Depreciation</b>	
At 1 August 2022	498
Charge for the year	90
Elimination in respect of disposals	-
	<hr/>
<b>At 31 July 2023</b>	<b>588</b>
	<hr/>
<b>Net book value at 31 July 2023</b>	<b>67</b>
	<hr/>
<b>Net book value at 31 July 2022</b>	<b>157</b>
	<hr/>

**13 Debtors**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Amounts falling due within 1 year		
Trade debtors	360	341
Prepayments and accrued income	485	344
Amounts owed from the ESFA	415	196
	<hr/>	<hr/>
<b>Total</b>	<b>1,260</b>	<b>881</b>
	<hr/>	<hr/>

**14 Creditors: amount falling due within one year**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Payments received in advance	392	514
Trade creditors	1,661	755
Other taxation and social security	200	208
Accruals	1,044	1,105
Deferred income – DfE grant funding	1,360	689
Deferred income – government capital grants	580	626
Amounts owed to the ESFA	18	3
	<hr/>	<hr/>
<b>Total</b>	<b>5,255</b>	<b>3,900</b>
	<hr/>	<hr/>



**15 Creditors: amount falling due after one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income – government capital grants	<b>8,176</b>	<b>8,397</b>

**16 Provisions**

	<b>Defined Benefit Obligations</b>	<b>Enhanced pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2022	3,590	97	3,687
Expenditure in the period	(946)	(9)	(955)
Additions in the period	1,174	-	1,174
Actuarial gain	(3,447)	-	(3,447)
<b>At 31 July 2023</b>	<b>371</b>	<b>88</b>	<b>459</b>

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.

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:

	<b>2023</b>	<b>2022</b>
Inflation rate	2.8%	2.9%
Discount rate	5.0%	3.3%

**17 Cash and cash equivalents**

	<b>At 1 August 2022</b>	<b>Cash flows</b>	<b>At 31 July 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand and at bank	5,301	(4,793)	508
Current asset investments	11,042	5,768	16,810
<b>Total</b>	<b>16,343</b>	<b>975</b>	<b>17,318</b>

## 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.

The Government Actuary is due to complete the TPS valuation by October 2023 with increases currently scheduled for April 2024 and with DfE promising to cover additional costs of any increase for colleges as well as schools above the amounts agreed in 2019 and paid each year since.

<b>Total pension cost for the year</b>	<b>2023</b>		<b>2022</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme: contributions paid		1,208		1,120
Local Government Pension Scheme:				
Contributions paid	946		924	
FRS 102 (28) charge	101		813	
Charge to the Statement of Comprehensive Income (staff costs)		<u>1,047</u>		<u>1,737</u>
Total Pension Cost for Year		<u><u>2,255</u></u>		<u><u>2,857</u></u>

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 2016 and of the LGPS 31 March 2022.

## **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 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

### **Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2016 and in accordance with The Public Service Pension (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) in April 2019. The key results of the valuation are:

- new employer contribution rates were set at 23.68% of pensionable pay (including administration fees of 0.08%) from September 2019 onwards (compared to 16.48% during 2018/19). DFE has agreed to pay a teacher pension contribution grant to cover the additional costs during the 2022-23 academic year;
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

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/2019/04/teachers-pensions-valuation-report.aspx>

The pension costs paid to TPS in the year amounted to £1,208,000 (2022: £1,120,000).

### **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 2023 was £1,164,000 of which employer's contributions totalled £946,000 and employees' contributions totalled £218,000. Following the triennial actuarial valuation at 31 March 2022, the agreed contribution rates are 23.4% for the years 2023/24 to 2025/26 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 March 2022 updated to 31 July 2023 by a qualified actuary.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.05%	3.6%
* Rate of increase for future pensions	3.05%	2.6%
Discount rate for scheme liabilities	5.10%	3.5%
* Inflation assumption (CPI)	3.05%	2.6%

\* Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. Although Pension Increase orders have always been set with reference to the September CPI for the last 10 years and the September RPI for the preceding 20 years, they are not automatically set and they are only known with absolute certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year. Similarly, the likely level of the forthcoming Pension Increase Order 2023 was not known at 31 July. Consequently, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

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 2023	At 31 July 2022
<b><i>Retiring today</i></b>		
Males	22.1	22.9
Females	24.7	25.4
<b><i>Retiring in 20 years</i></b>		
Males	22.6	24.7
Females	25.7	27.1

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

	Value at 31 July 2023 £'000	Value at 31 July 2022 £'000
Equities	19,028	18,437
Bonds	10,320	4,746
Property	1,935	2,597
Cash	968	257
Other	-	6,029
<b>Total fair value of assets</b>	<b>32,251</b>	<b>32,066</b>
Present value of scheme liabilities - Funded	(32,622)	(35,656)
<b>Deficit in the Scheme</b>	<b>(371)</b>	<b>(3,590)</b>

## 18 Pensions and similar obligations (Cont/d)

### Amounts recognised in the Statement of Comprehensive Income

	2023 £'000	2022 £'000
<b>Amounts included in staff costs</b>		
Employer current service cost	1,047	1,737
Past service cost	-	-
	<hr/>	<hr/>
<b>Total operating cost</b>	<b>1,047</b>	<b>1,737</b>
	<hr/>	<hr/>
Interest on net defined benefit liability	(127)	(268)
	<hr/>	<hr/>
<b>Pension finance costs</b>	<b>(127)</b>	<b>(268)</b>
	<hr/>	<hr/>

### Amount recognised in Other Comprehensive Income

	2023 £'000	2022 £'000
Asset (losses) arising during the period	(970)	(1,825)
Liability gains arising during the period	4,417	15,545
	<hr/>	<hr/>
<b>Actuarial gain in respect of defined benefit liability</b>	<b>3,447</b>	<b>13,720</b>
	<hr/>	<hr/>

### Movement in (deficit) during year

	2023 £'000	2022 £'000
Net defined benefit (liability) in scheme at 1 August	(3,590)	(16,229)
Movement in year:		
Employer current service cost	(1,047)	(1,737)
Employer contributions	946	924
Past service cost	-	-
Interest on net defined benefit liability	(127)	(268)
Actuarial gain	3,447	13,720
	<hr/>	<hr/>
<b>Net defined benefit (liability) in scheme at 31 July</b>	<b>(371)</b>	<b>(3,590)</b>
	<hr/>	<hr/>

## 18 Pensions and similar obligations (Cont/d)

### Asset and Liability Reconciliation

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligation</b>		
Defined benefit obligation at start of period	35,656	48,929
Employer current service cost	1,047	1,737
Interest cost	1,249	829
Employee contributions	218	205
Actuarial (gains) on liabilities	(4,417)	(15,545)
Benefits paid	(1,131)	(499)
Past service cost	-	-
	<hr/>	<hr/>
<b>Defined benefit obligation at end of period</b>	<b>32,622</b>	<b>35,656</b>
	<hr/>	<hr/>
<b>Changes in the fair value of scheme assets</b>		
Fair value of scheme assets at start of period	32,066	32,700
Interest income on assets	1,122	561
Remeasurement (losses) on assets	(970)	(1,825)
Employer contributions	946	924
Employee contributions	218	205
Benefits paid	(1,131)	(499)
	<hr/>	<hr/>
<b>Fair value of scheme assets at end of period</b>	<b>32,251</b>	<b>32,066</b>
	<hr/>	<hr/>

## 19 Capital commitments

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	2,712	846
Authorised but not contracted at 31 July	11,296	1,114

## 20 Lease commitments

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

<b>Future minimum lease payments due</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	29	13
Later than one year and not later than five years	46	-
Later than five years	-	-
	<hr/>	<hr/>
	<b>75</b>	<b>13</b>
	<hr/>	<hr/>

## 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; (2021/22: nil). No Governor has received any remuneration or waived payments from the College during the year (2021/22: nil).

## 22 Amounts disbursed as agent

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship support	140	131
Disbursed to students	(98)	(103)
	<hr/>	<hr/>
<b>Balance unspent as at 31 July, included in creditors</b>	<b>42</b>	<b>28</b>
	<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.

## 23 Events after the reporting period

On 1 September 2023, the Colleges closed 177,000sq ft of the main campus following a directive from the DfE, which was in line with the Education Secretary's announcement that all RAAC (Reinforced Autoclaved Aerated Concrete) were deemed to be high risk which consequently meant all such buildings with RAAC at FCoT were closed off. This directive came after an email was received as late as 23 August confirming receipt of the College Structural Engineers' report that RAAC at the College was low risk and required remediation works to the beams to comply with current IStructE guidance. The College was asked to await a visit from the DfE's own appointed structural engineer to ascertain whether the DfE agreed with the College's professional structural engineers report. The College therefore made temporary arrangements for the first half-term, including running courses in other buildings on the Farnborough campus, and rented spaces from Rushmoor Borough Council in nearby offices. During which time the College gained approval from the DfE for the implementation of the Structural Engineers' (Hambleton Building Surveyors) remedial detail for the beams which was shared with the DfE on multiple occasions and in July the College's Board had also approved capital expenditure for this work. Completion of the remedial works enabled the College to re-occupy most buildings barring S, T, V, and W that have been mothballed for replacement works included the main administration block and teaching / training specialist areas to commence from 2024.

**Independent reporting accountant'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 2022 to 31 July 2023 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 2022 to 31 July 2023 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.



Farnborough College of Technology  
Financial Statements for the Year Ended 31<sup>st</sup> July 2023

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 funding agreement with the ESFA.
- 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.
- Reviewed the College's compliance with the requirements of HM Treasury's "Managing Public Money" document.

### 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 2022 to 31 July 2023 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  
6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey  
SM1 4FS

Date: 22 December 2023