THE SIXTH FORM COLLEGE FARNBOROUGH

Audited Annual Report and Accounts 2017

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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Simon Jarvis Principal and CEO; Accounting officer

Gordon Dodds Deputy Principal Finance and Administration

Catherine Cole Deputy Principal Student Services

Vince Scannella Deputy Principal Curriculum and Innovation

Board of Governors

A full list of Governors is given on page 13 of these financial statements.

Mrs A Venner acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:
Mazars
Tower Bridge House
St Katherine's Way
London
E1W 1DD

Bankers:

Lloyds TSB Plc

Solicitors:

Paris Smith
Number 1 London Road
Southampton
Hampshire
SO15 2AE

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the period ended 31 August 2017.

1 Legal status

1.1 The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Sixth Form College Farnborough. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

2 Mission

2.1 The Mission, reaffirmed by the Corporation, is:
to be a distinguished provider of the highest quality education, enriching the lives of students within a lively, caring community and enabling all to develop the skills to meet the demands of a changing world with confidence.

3 Public Benefit

3.1 The Sixth Form College Farnborough is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education.

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

3.3 In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- very high-quality teaching;
- widened participation and tackling social exclusion;
- an excellent employment record for students;
- very strong student support systems;
- strong links with employers, industry and the community;
- high value for money; and
- excellent leisure, recreational and other facilities available for community use.

4 Implementation of strategic plan

4.1 In March 2014, the Corporation approved an updated three-year Development Plan, 'a mixed economy'. The plan emerged from a review and evaluation of the previous plan in the light of the Government's Comprehensive Spending Review (CSR) in November 2010. The Plan has been reviewed annually by the Principalship and Corporation.

4.2 The College has a single corporate objective which is: *to improve students' achievements*. It has adopted five broad key strategic aims, reaffirmed in February 2014:

- SA.1 Excellence in teaching and learning
- SA.2 Excellent care, guidance and support for all students
- SA.3 An attractive and engaging learning environment
- SA.4 A strong financial footing in a turbulent funding environment
- SA.5 Partnership with the outside world

4.3 Financial objectives

The College's financial objective is to retain '*a strong financial footing in a turbulent funding environment'* by:

- maintaining an operational surplus;
- securing positive operational cashflows;
- ensuring that cash reserves are strong; and
- maintaining strong working capital.

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

5 Performance indictors

Key performance Indicator	**Measure/Target**	**Actual for 2016/17**
Operating surplus before other gains and losses	£1.5m	£1.9m
Net cash flow from operating activities	£2.25m	£3.35m
Current ratio	2.5:1	3.0:1
Cash days in hand/liquidity (adjusted current ratio)	100 days	141 days
Financial Health Score	**Outstanding**	**Outstanding**

This shows that in 2016/17, the College met or exceeded all of its financial targets.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having an "Outstanding" financial health grading, which is considered an excellent outcome.

6 Financial position

6.1 Financial results

The College generated a surplus before other gains and losses in the year of £1,969,000 (2015/16 – surplus of £1,672,000), with total comprehensive income of £2,519,000 (2015/16 - £670,000).

The College has accumulated reserves of £20,970,000 and cash and short-term investment balances of £6,078,000.

Tangible fixed assets during the year amounted to £24,236,000. This was split between land and buildings acquired of £23,239,000 and equipment purchased of £997,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17, the FE funding bodies provided 95 percent of College's total income.

6.2 Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

6.3 Cash flows and liquidity

At £2,593,000 (2015/16 £2,031,000), net cash flow from operating activities was strong. The on-going conversion of the redundant design and technology workshop into a new lecture theatre is being funded from the College's own reserves and cash balances.

The College has no borrowing or short-term finance.

6.4 Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. It was the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

7 Current and future development and performance

7.1 Financial health

The financial health of the College is graded as 'Outstanding' by the Education and Skills Funding Agency

7.2 Student numbers

The College financial forecasts for 2017-2018 were based on expected enrolments as at November 2016 and this was 3,600 full time students. Enrolment and retention was better than expected so the College was able to return a figure of 3,703 for the November 2016 count date. The College anticipates a higher figure for baseline funding in 2018-19 (circa 3750) following the 2017 enrolment.

7.3 Student achievements

The Corporation is proud of the achievements of students at the College and of the enthusiastic commitment of a dedicated, skilled staff. It is pleased with the outcome of the 2017 examinations which, at 99.2 percent for A level, is comparable with that achieved by College students in 2016 (99.2%).

7.4 The College's value-added results were analysed by the independent A level Performance System (ALPS) at A level. The value-added achievements at A level placed the College in the upper 10 percent (grade 2).

7.5 Curriculum developments

Overall, the balance of the curriculum has been unaffected by the new and planned courses, with the majority of teaching still being at Advanced level (level 3). The College is committed to retaining the breadth and depth of provision upon which its reputation has been built and it now offers 50 different level 3 courses. However, recent changes to A levels coupled with the reduction in funding will, over time, have a significant impact upon student choice. The College will keep its curriculum offer under scrutiny in the face of emerging developments.

7.6 In addition to the examined curriculum, the College continues to provide students with appropriate high-quality expert support and guidance through the Personal Tutor system. Funding for this aspect of College work has been significantly cut by the ESFA, as has funding for extra-curricular activities. The decision to reinforce the commitment to include provision of a broad, rich experience for the student body is consonant with the College Mission.

7.7 The tutorial programme and its delivery will be subject to some revision but a full programme of enrichment activities - sport, performing arts and music being pre-eminent among them - will be offered to all students in the year ahead.

7.8 The College Accommodation Strategy has been reviewed recently and the focus is on revising existing accommodation to meet the changing mix of courses as the majority of students move from a four to a three course programme of study.

8 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 2016 to 31 August 2017, the College paid 97 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

9 Future prospects

Following the recommendations of the Mid & North Hampshire Area Based Review, the College dissolved on 31 August 2017. All assets and liabilities were transferred to the newly formed The Prospect Trust – a multi academy trust. The purpose of the Trust remains the provision of high quality education to the 16-19 sector, with an additional ambition to incorporate additional partners from the North Hampshire/Blackwater Valley area to help improve educational standards across a wider age range. The Prospect Trust was formed and began operational activities on 1 September 2017.

10 Resources

10.1 The principal resources at the College are a gifted teaching and support staff, excellent buildings and inspirational teaching materials. The College employed 430 staff giving a full time equivalent number of 265 of which 163 were teaching staff and 102 were administration and support staff.

10.2 Tangible resources include the College site with its versatile theatre, all-weather floodlit pitch and two large, flexible sports halls. In addition the College has a substantial IT network of almost 2,000 PCs with supporting server hardware.

10.3 The College has reserves of £18.5m after allowing for the pension liability on the Local Government Pension Scheme of £3.35m (administered by Hampshire County Council). The College has net current assets of £1.6m and a cash balance of £6.08m. The College owns two nearby residential properties which are included in Reserves at their total purchase prices of £560k whereas current market prices would total about £850k, giving a further undisclosed reserve of £290k.
The College has £20,970,00 of net assets (including £3,350,000 pension liability) and has no long-term debt.

10.4 The College has an outstanding reputation locally and nationally which it seeks to maintain and to develop further; it believes there is no reason why any other school or college in the independent or the state sector should provide education of higher quality.

11 Principal Risks and Uncertainties

11.1 The College regularly reviews the systems of internal control, including financial, operational and risk management, which are designed to protect the College's assets and reputation. Based on the strategic Development Plan, the Principalship undertakes a comprehensive annual 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 year's appraisal will review their effectiveness and progress against risk mitigation actions.

11.2 A risk register is maintained at the College level which is reviewed by the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the detailed actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system; a system of board assurance to improve accountability and risk management has been implemented.

11.3 The principal risk factors, identified in January 2017, which may affect the College are not all within the College's control; other factors not listed here may also have an adverse impact:

11.3.1 Inadequate and falling revenue in light of continuing economic crisis

This risk is mitigated in a number of ways including:

- lobbying policy makers to influence funding decisions;
- expanding alternative sources of funding;
- prudent budgeting to reduce costs.

11.3.2 Turbulence caused by changes to Government education policy

This risk is mitigated in a number of ways including:

- lobbying via the Sixth Form Colleges' Association, Association of Colleges, Maple Group and local connections;
- active presence in partner and link schools;
- high visibility and positive profile in community;
- curriculum plans amended; majority of cohort on 3 not 4 subjects.

11.3.3 Reputation falls

This risk is mitigated in a number of ways including:

- maintenance of high level examination performance;
- robust self-assessment processes;
- academy conversion consultation process;
- active community presence/PR by Principal, staff and students.

12 Stakeholder relationships

12.1 In line with other colleges and with universities, the College has many stakeholders. These include: our students and their parents; the ESFA; our staff; the local community; partner and link schools; local employers; Local Authorities; the M3 Local Enterprise Partnership (LEP); Rushmoor and Hart Borough Councils, and trade unions and professional bodies.

12.2 The College recognises the importance of these relationships and considers good communication with its stakeholders to be vital. A Joint Staff Group exists to enable issues relating to staff employment to be raised. Regular updates from Principalship to staff, supported by whole-College briefings, are a feature of College life. In addition, regular newsletters are sent electronically to parents and students; the local media frequently report College news stories, social media and the website are important means of communicating with the community. There are two staff governors, two parent governors and two student governors.

13 Equality

13.1 The College is committed to ensuring equality of opportunity for all who learn and work in it. The policy on Equality and Diversity will continue to be published on the website.

13.2 The College has a published Charter outlining the entitlement of students. It contains challenging targets and commitments for both staff and students.

14 Disability statement

14.1 The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort will be made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

14.2 The College seeks to achieve the objectives set down in the Equality Act, 2010. In June 2010, the College was pleased to secure the prestigious 'Two Ticks' award, in public recognition of the positive approach taken towards disabled persons.

15 Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

Peter Eyre
Vice Chairman of the Corporation

16 Statement of Corporate Governance and Internal Control

16.1 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 2016 to 31st August 2017 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. with awareness of the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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

The Corporation

16.3 The members who served on the Corporation during the year **and up to the date of signature of this report** were as listed in the table on page 13.

Name	Date of first Appointment	End of Term	Governor Category	Committees Served AR	FSE	PQ	SR	% Corp Att *
Mr A Needham Chairman	Mar 2005	Sept 2020	Independent		√	√	√	33
Mr P Eyre Vice-Chair	May 1997	Sept 2018	Independent			Ch	√	100
Mrs D Arnold	Oct 2014	Sept 2018	Staff		√			100
Mr W Bagnall	Jan 1996	Sept 2018	Independent		Ch			100
Ms E Cunningham	May 2013	Apr 2021	Independent		√		√	100
Miss F Davies	Apr 2017	Apr 2018	Student		√			100
Mr S Jarvis	Sept 2010	Ex Officio	Principal		√	√	√	100
Mrs M KC	Dec 2014	Nov 2018	Independent		√			75
Mr A Lloyd	June 2004	Dec 2020	Independent				Ch	0
Mr A Majury	Nov 2011	Dec 2019	Independent	Ch				75
Miss H Moss	Apr 2017	Apr 2018	Student			√		100
Mrs S Myland	Dec 2016	Nov 2018	Parent			√		100
Mr B O'Reilly	Nov 2012	Oct 2020	Independent		√			0
Ms J Smithson	Dec 2015	Nov 2017	Parent	√		√		33
Mr A Tidd	Nov 2010	Oct 2018	Independent	√		√		50
Mr G Trigg	Dec 2008	Sept 2017	Independent		√		√	100
Mrs T Willcocks	Oct 2010	Sept 2017	Independent			√		100
Mr N Wooldridge	Oct 2012	Sept 2020	Staff			√		100
Mrs A Venner	Jan 2011		Clerk					100
Governors Leaving during 2016 - 2017								
Mr J Bennett	Apr 2016	Apr 2017	Student		√			100
Mr S Tadewos	April 2016	April 2017	Student			√		100
Mrs S Potter	Dec 2014	Nov 2016	Parent		√			0

*** % Corp Att**
Attendance at Corporation meetings

AR - Audit and Risk	PQ – Performance and Quality
FSE – Finance, Strategy and Estates	SR – Search and Remuneration
Ch – Chair	

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

16.5 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 four times per year, with extra-ordinary meetings held as required.

16.6 The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Strategy and Estates, Performance and Quality, Search and Remuneration, Audit and Risk. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.farnborough.ac.uk or from the Clerk to the Corporation at: The Sixth Form College Farnborough, Prospect Avenue, Farnborough, Hants GU14 8JX.

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

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

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

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

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

17 Appointments to the Corporation

17.1 Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Remuneration committee, consisting of four members 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.

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

18 Corporation performance

18.1 The Corporation did not carry out the annual self-assessment in the period ending August 2017; it was dissolved on 31 August when the College converted to an Academy.

19 Audit and Risk Committee

19.1 Throughout the period ending 31 August 2017, the College's Audit and Risk Committee was comprised of those members listed on page 13.

19.2 The Audit and Risk Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

19.4 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 management and the Audit and Risk Committee.

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

19.6 The Audit and Risk 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.

20 Finance, Strategy and Estates Committee

20.1 Throughout the period ending 31 August 2017, the College's Finance, Strategy and Estates Committee was comprised of those members listed on page 13.

20.2 The Committee advises the Corporation on the educational character and mission of the College, the effective and efficient use of resources and the development of College estate. It advises on the appointment of consultants and contractors to carry out building projects and oversee their implementation, and monitors work carried out with funding received from grants.

20.3 A Working Party was set up during the year to evaluate the information received on the project to build a new lecture theatre.

21 Performance and Quality Committee

21.1 Throughout the period ending 31 August 2017, the College's Performance and Quality Committee was comprised of those members listed on page 13.

21.2 The Performance and Quality Committee provides an important forum for discussion of curriculum issues. The Committee monitors achievement within the College. It determines the targets for retention and achievement within the policies agreed to promote continuous improvement.

22 Search and Remuneration Committee

22.1 Throughout the period ending 31 August 2017, the College's Search and Remuneration Committee was comprised of those members listed on page 13.

22.2 The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders, and to advise the Corporation on the framework for other staff. The Committee is also responsible for setting up "Special Committees" as required and Appointments to the Corporation as detailed in 17.1.

22.3 Details of remuneration for the period ended 31 August 2017 are set out in note 7 to the financial statements.

23 Strategy Group

A Strategy Group was set up to review and discuss information and reports received in relation to the College converting to an Academy. Recommendations were then made to the Corporation for further discussion and agreement.

24 Internal control

Scope of responsibility

24.1 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.

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

25 The purpose of the system of internal control

25.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the period ended 31 August 2017 and up to the date of approval of the annual report and accounts.

26 Capacity to handle risk

26.1 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 ended 31 August 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

27 The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation 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; and
- the adoption of formal project management disciplines, where appropriate.

27.2 The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

27.3 The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the Corporation 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.

28 Review of effectiveness

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

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

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

28.3 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 and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk 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 and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the Trust Board meeting in November 2017, the Trustees carried out the annual assessment for the period ended 31 August 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 August 2017.

28.4 Based on the report and advice from 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 body and the safeguarding of their assets*". The same procedures will be taken over by the Trust Board.

29 Not Going concern

The Corporation has assessed whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the College to continue as a going concern. With effect from 1 September 2017, in accordance with a legal transfer of undertaking, all activities, assets and liabilities of The Sixth Form College Farnborough were transferred as a going concern to The Prospect Trust. For this reason the Corporation does not deem it appropriate to continue to adopt a going concern basis for the College and therefore have prepared the financial statements on a basis other than going concern.

As the College's undertaking, activities assets and liabilities are being preserved through the transfer to The Prospect Trust, no adjustments have been made to restate the College's assets and liabilities to their realisable values.

Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

Signed	**Signed**
Peter Eyre	**Simon Jarvis**
Vice Chairman of the Corporation	**Accounting Officer**

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 financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Signed	**Signed**
Simon Jarvis **Accounting Officer**	**Peter Eyre** **Vice Chairman of the Corporation**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with 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.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the 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, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the Corporation on 4 December 2017 and signed on its behalf by:

Peter Eyre
Vice Chairman of the Corporation

Independent auditor's report to the Corporation of The Sixth Form College Farnborough

Opinion

We have audited the financial statements of Sixth Form College Farnborough (the 'College') for the 13 month period ended 31 August 2017 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2017 and of its surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the accounting policy on going concern in note 1 of the financial statements, which indicates that the Corporation of The Sixth Form College Farnborough has prepared the financial statements on a basis other than a going concern basis. This is due to a legal transfer of all activities, assets and liabilities of The Sixth Form College Farnborough to The Prospect Trust with effect from 1 September 2017. Note 1 details the adjustments that were required upon adoption of a basis other than going concern.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of the members of the Corporation, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Reporting accountant's assurance report on regularity to the Members of the Corporation of The Sixth Form College Farnborough ("the Corporation") and the Secretary of State for Education acting through the Department for Education

In accordance with the terms of our engagement letter dated 2 August 2016 and further to the requirements of the funding agreement with 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 The Sixth Form College Farnborough during the period 1 August 2016 to 31 August 2017 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 Code of Practice 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 The Sixth Form College Farnborough 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 The Sixth Form College Farnborough 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 The Sixth Form College Farnborough and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Sixth Form College Farnborough and the reporting accountant

The Corporation of The Sixth Form College Farnborough 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 2016 to 31 August 2017 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.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of the College's self-assessment questionnaire including enquiry, identification of control processes, and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Date:

Buzzacott LLP

Chartered Accountants and Registered Auditor

130 Wood Street

London

EC2V 6DL

The Sixth Form College Farnborough
Financial Statements for the 13 month period ended 31 August 2017

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	13 months to August 2017 £'000	12 months to July 2016 £'000
INCOME			
Funding body grants	2	17,879	16,404
Tuition fees and education contracts	3	28	26
Other income	4	876	949
Investment income	5	22	6
Donations and endowments	6	28	34
Total income		**18,833**	**17,419**
EXPENDITURE			
Staff costs	7	12,126	11,381
Other operating expenses	8	3,594	3,255
Depreciation	11	1,064	1,017
Interest and other finance costs	9	80	94
Total expenditure		**16,864**	**15,747**
Surplus before other gains and losses		**1,969**	**1,672**
Surplus on disposal of assets		-	8
Surplus before tax		**1,969**	**1,680**
Taxation		-	-
Surplus for the period		**1,969**	**1,680**
Actuarial gain in respect of pension schemes		550	(1,010)
Total Comprehensive Income for the period		**2,519**	**670**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		2,519	670
		2,519	**670**

Consoldated and College Statement of Changes in Reserves

	Income and Expenditure Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000
Balance as at 1 August 2015	14,581	3,200	17,781
Surplus from income and expenditure account	1,680	-	1,680
Other comprehensive income	(1,010)	-	(1,010)
Transfers between revaluation and income and expenditure reserves	78	(78)	-
Balance as at 31 July 2016	**15,329**	**3,122**	**18,451**
Surplus from income and expenditure account	1,969	-	1,969
Other comprehensive income	550	-	550
Transfers between revaluation and income and expenditure reserves	84	(84)	-
Balance as at 31 August 2017	**17,932**	**3,038**	**20,970**

Balance Sheet as at 31 August

	Notes	31 August 2017 £'000	31 July 2016 £'000
Non current assets			
Tangible assets	11	24,236	24,518
Total fixed assets		**24,236**	**24,518**
Current assets			
Stock		30	24
Trade and other receivables	12	13	24
Cash and cash equivalents		6,078	3,485
Total current assets		**6,121**	**3,533**
Less: Creditors – amounts falling due within one year	13	(2,029)	(1,898)
Net current assets		**4,092**	**1,635**
Total assets less current liabilities		**28,328**	**26,153**
Creditors - amounts falling due after one year	14	(3,944)	(4,100)
Provisions			
Defined benefit obligations	16	(3,350)	(3,550)
Other provisions	16	(64)	(52)
Total net assets		**20,970**	**18,451**
Unrestricted Reserves			
Income and expenditure account		17,932	15,329
Revaluation reserve		3,038	3,122
Total unrestricted reserves		**20,970**	**18,451**

The financial statements on pages 27 to 51 were approved by the Trust Board on 4 December 2017 and were signed on its behalf on that date by:

Peter Eyre
Vice Chairman of the Corporation

Simon Jarvis
Principal and Chief Executive

The Sixth Form College Farnborough
Financial Statements for the 13 month period ended 31 August 2017

Consolidated Statement of Cash Flows

	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Cash inflow from operating activities		
Surplus for the year	2,519	670
Adjustments for non cash items		
Depreciation	1,064	1,017
Increase in stock	(6)	7
Decrease in debtors	11	5
Increase in creditors due within one year	131	(35)
Decrease in creditors due after one year	(156)	(126)
Increase in other provisions	12	(1)
Decrease in Pension provison	(200)	1,160
Adjustments for investing or financing activities		
Investment income	(22)	(6)
Interest & charges payable	-	14
Surplus on sale of fixed asset	-	(8)
Net cash flow from operating activities	**3,353**	**2,697**
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	8
Investment Income	22	6
Payments made to acquire fixed assets	(782)	(666)
	(760)	**(652)**
Cash flows from financing activities		
Interest paid	-	(14)
	-	**(14)**
Increase / (decrease) in cash and cash equivalents in the year	**2,593**	**2,031**
Cash and cash equivalents at the beginning of the year	**3,485**	**1,454**
Cash and cash equivalents at the end of the year	**6,078**	**3,485**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* 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 as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 August 2017.

Going concern

The Corporation has assessed whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. With effect from 1 September 2017, in accordance with a legal transfer of undertaking, all activities, assets and liabilities of The Sixth Form College Farnborough were transferred as a going concern to The Prospect Trust. For this reason the Corporation does not deem it appropriate to continue to adopt a going concern basis for the College and therefore has prepared the financial statements on a basis other than going concern.

As the College's assets and liabilities are being preserved through the transfer to The Prospect Trust, no adjustments have been made to restate the College's assets and liabilities to their realisable values.

1. Statement of accounting policies and estimation techniques (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are received monthly over the year as per the schedule of payments advised in advance by the funding body. 16-18 learner-responsive funding is not normally subject to a year end reconciliation and is therefore not subject to contract adjustments. No other recurrent grants are received.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

1. Statement of accounting policies and estimation techniques (continued)

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Hampshire Local Government Pension Scheme (LGPS)

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

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

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

Short-term Employment benefits

Short-cterm 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 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.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. No fixed assets have been revalued for accounting purposes but are reassessed for insurances purposes annually.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New construction – 50 years
- Prefabricated and modular units – 20 years
- Refurbishments – 20-50 years.

1. Statement of accounting policies and estimation techniques (continued)

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Electrical and computer equipment 4 years
- Laptops and PCs 2 years
- Motor vehicles 5 years
- Other equipment between 7-10 years
- Furniture, fixtures and fittings 10 years.

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

Heritage Assets

Buildings inherited from the Local Authority are depreciating over 50 years from the date of acquisition and will not be revalued. Land inherited from the Local Authority is not being depreciated and will not be revalued.

Inventories

Inventories are stated at their cost and are not revalued. Where necessary, provision is made for obsolete, slow-moving and defective items.

1. Statement of accounting policies and estimation techniques (continued)

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

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 has no exemption in respect of Value Added Tax apart from a VAT reduction to five percent on energy costs.

Provisions and contingent liabilities

Provisions are recognised when

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

1. Statement of accounting policies and estimation techniques (continued)

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets.

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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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

	13 months to August 2017 £'000	12 months to July 2016 £'000
Recurrent Grants		
Education Funding Agency	17,593	16,169
Specific grants		
Releases of government capital grants	141	126
Devolved capital grant	95	99
Other Grants	50	10
Total	**17,879**	**16,404**

3 Tuition Fees and Education Contracts

	13 months to August 2017 £'000	12 months to July 2016 £'000
Tuition fees for non-qualifying activities	28	26
Total fees paid by or on behalf of individual students	**28**	**26**

4 Other Income

	13 months to August 2017 £'000	12 months to July 2016 £'000
Residencies, catering and conferences	53	57
Other income generating activities	823	892
Total	**876**	**949**

5 Investment Income

	13 months to August 2017 £'000	12 months to July 2016 £'000
Other interest receivable	22	6
Total	**22**	**6**

6 Donations and endowments

	13 months to August 2017 £'000	12 months to July 2016 £'000
Unrestricted donation (Gift Aid)	28	34
	28	**34**

7 Staff costs

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

	13 months to August 2017	12 months to July 2016
	No.	**No.**
Teaching staff	163	171
Non-teaching staff	102	96
Total	**265**	**267**

Staff costs for the above persons:	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Wages and salaries	9,490	9,080
Social security costs	945	691
Other pension costs	1,561	1,423
Miscellaneous	72	106
Payroll sub total	**12,068**	**11,300**
Fundamental restructuring costs - Contractual	58	81
- Non Contractual	-	-
Total staff costs	**12,126**	**11,381**

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 Pincipalship which comprises of the Principal and three Deputy Principals.

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

	13 months to August 2017	12 months to July 2016
	Number	**Number**
The number of key management personnel including the Accounting Officer was:	**4**	**4**

The number of key personnel who received emoluments for the 13 month period to 31 August 2017 , excluding pension contributions but including benefits in kind in the following range was:

	13 months to August 2017	12 months to July 2016
	Number	**Number**
£ 80,001 to £ 90,000	3	3
£110,001 to £120,000	-	-
£130,001 to £140,000	1	1
	4	**4**

No other staff apart from the key management personnel earned more than £60,000 during the year.

7 Staff Costs (continued)

Key management personnel emoluments are made up as follows:

	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Salaries	388	371
Benefits in kind	4	4
	392	**375**
Pension contributions	61	55
Total emoluments	**453**	**430**

There were no amounts due to key management personnel that were waived during the period, nor were there any salary sacrifce arrangements in place.

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

	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Salary	135	137
Benefits in kind	1	1
	136	**138**
Pension	**22**	**19**

No compensation was paid to any key management personnel for loss of office during the period.

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

8 Other Operating Expenses

	13 months to August 2017 £'000	12 months to July 2016 £'000
Teaching costs	1,322	1,353
Non-teaching costs	984	900
Premises costs	1,288	1,002
Total	**3,594**	**3,255**

Other operating expenses include:

	13 months to August 2017 £'000	12 months to July 2016 £'000
Auditors' remuneration:		
-financial statements audit	18	18
-internal audit	15	10
Other services provided by internal auditor:		
Due diligence report on abandoned merger project	37	9
Total	**70**	**37**

9 Interest and other finance costs

	13 months to August 2017 £'000	12 months to July 2016 £'000
On bank loans, overdrafts and other loans:	-	14
	-	14
Pension finance costs (note 21)	80	80
Total	**80**	**94**

10 Taxation

No tax liability was incurred on any income during the period.

11 Tangible Fixed Assets

Cost or valuation	Freehold Land & Buildings £'000	Equipment & other assets £'000	Total £'000
At 1 August 2016	**29,958**	**4,964**	**34,922**
Additions	334	448	782
At 31 August 2017	**30,292**	**5,412**	**35,704**
Depreciation			
At 1 August 2016	**6,385**	**4,019**	**10,404**
Charge for year	668	396	1,064
At 31 August 2017	**7,053**	**4,415**	**11,468**
Net book value at 31 August 2017	**23,239**	**997**	**24,236**
Net book value at 31 July 2016	**23,573**	**945**	**24,518**

Land and buildings were valued in April 1993 at depreciated replacement cost by Fishers a firm of independent chartered surveyors.

If fixed assets had not been revalued before being deemed as costs on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	**Nil**

12 Debtors

Amounts falling due within one year:

	13 months to August 2017	12 months to July 2016
	£'000	£'000
Trade debtors	11	22
Loans / Advances	2	2
Total	**13**	**24**

13 Creditors: Amounts falling due within one year

	13 months to August 2017	12 months to July 2016
	£'000	£'000
Trade payables	475	435
Other taxation and social security	225	235
Accruals and deferred income	100	106
Holiday pay accrual	-	709
Pension Contributions	182	179
Payments on Account	906	108
Deferred income - capital grants	141	126
Total	**2,029**	**1,898**

14 Creditors: Amounts falling due after one year

	13 months to August 2017	12 months to July 2016
	£'000	£'000
Deferred income-government capital grants	3,944	4,100
Total	**3,944**	**4,100**

15 Maturity of Debt

The College has no bank loans, overdrafts or finance leases.

16 Provisions

	Defined Benefit obligations £'000	Enhanced Pensions £'000	other £'000	Total £'000
At 1 August 2016	3,550	37	15	3,602
Expenditure in the period	-	3	12	15
Transferred from income and expenditure account	(200)	(3)	-	(203)
At 31 August 2017	**3,350**	**37**	**27**	**3,414**

Defined benefits obligations relate to the liablities under the College's membership of the Local Government Pension Scheme. Further details are given in note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	13 months to August 2017	12 months to July 2016
Price inflation	2.68%	1.80%
Discount rate	3.68%	2.30%

17 Cash and cash equivalent

	As at 31 July 2016 £'000	Cash flows £'000	Other Changes £'000	As at 31 August 2017 £'000
Cash and cash equivalent	3,485	2,593	-	6,078
	3,485	**2,593**	**-**	**6,078**

18 Capital and other commitments

The College had a contractual oblilgation for the re-development of the old Design Technology block into a lecture theatre. The building contract with Russsell Cawberry Limited is for £1,371,261 and with fees and other costs the total project is expected to be about £2.1m. At at 31 August 2017, total costs of work-in-progress amounted to £281,533 and the project is due to finish in February 2018. The project is being fully funded by College reserves.

19 Contingent liabilities

There are no contingent liabilities as at 31 August 2017

20 Events after the reporting period

These accounts represent the final accounts for the Corporation of The Sixth Form College Farnborough which disolved on 31 August 2017. All assets and liablities transferred to The Prospect Trust from 1 September 2017. The Prospect Trust (Company Number 10842315) is a multi-academy trust and is an exempt charity.

21 Defined benefit obligations

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

Total pension cost for the period

		13 months to August 2017 £'000		12 months to July 2016 £'000
Teachers' Pension Scheme: contributions paid		1,136		1,024
Local Government Pension Scheme:				
Contributions paid	424		329	
FRS 102 (28) charge	80		70	
Charge to the Statement of Comprehensive income		504		399
Enhanced pension charge to Statement of Comprehensive Income		3		3
Total Pension Cost for the Year		**1,643**		**1,426**

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

Contributions amounting to £182,424 were payable to the schemes at 31 August 2017 and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

21 Defined benefit obligations (continued)

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

Valuation of the Teachers' Pension Scheme

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

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion; and
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the period amounted to £1,136,000 (2016: £1,024,000).

21 Defined benefit obligations (continued)

FRS 102 (28)

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

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

21 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds adminsistered by Hampshire County Council. The total contribution made for the year ended 31 August 2017 was £572,907 of which employers' contributions totalled £424,112 and employees' contributions totalled £148,795. The contribution rates agreed for future years for employers are a flat 6% of the salaries total as at 31 March each year, topped up by 14.3% of actual salaries each month. This top up rate was effective from April 2017 - an increase from 13.1% from April 2016. Employee rates are on a scale based on salary levels and range from 5.5% to 7.5%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the Fund at 31 March 2016, updated to 31 August 2017 by a qualified independent actuary.

	At 31 August 2017	At 31 July 2016
Rate of increase in salaries	3.5%	3.30%
Future Pension Increases	2.00%	1.80%
Discount rate for scheme liabilities	2.50%	2.40%
Inflation assuption (CPI)	2.00%	180.00%
Commutation of pensions to lump sums	70% of max	70% of max

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

	At 31 August 2017	At 31 July 2016
Retiring today		
Males	24	24.6
Females	27	26.4
Retiring in 20 years		
Males	26	26.7
Females	29.3	28.7

The Colleges share of the assets in the plan and the expected rates of return were:

	Value at 31 August 2017 £'000	Value at 31 July 2016 £'000
Equity instruments	3,917	2,764
Debt instruments	1,587	1,425
Property	416	412
Cash	192	37
Alternatives	288	299
Total fair value of plan assets	**6,400**	**4,937**
Actual return on plan assets	**670**	**600**

21 Defined benefit obligations (continued)

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

	13 months to August 2017 £'000	12 months to July 2016 £'000
Fair value of plan assets	6,400	5,440
Present value of plan liabilities	(9 750)	(8 990)
	(3 350)	**(3 550)**
Present value of unfunded liabilities	(37)	(37)
Net pensions (liability)/asset	**(3 387)**	**(3 587)**

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

	13 months to August 2017 £'000	12 months to July 2016 £'000
Amounts included in staff costs		
Current service cost	(690)	(390)
Past service cost	-	-
Total	**(690)**	**(390)**
Amounts included in investment income		
Net interest income	(80)	(80)
	(80)	**(80)**

Amount recognised in Other Comprehensive Income

Changes in assumptions underlying the present value of plan liabilities	550	(1 010)
Amount recognised in Other Comprehensive Income	**550**	**(1 010)**

Movement in net defined benefit (liability) / asset during year

	13 months to August 2017 £'000	12 months to July 2016 £'000
Deficit in scheme at 1 August	**(3,550)**	**(2,390)**
Movement in year:		
Current employer service charge	(690)	(390)
Employer Contributions	420	320
Net interest	(80)	(80)
Acturial Gain / (Loss)	550	(1,010)
Deficit in scheme at 31 August 2017	**(3,350)**	**(3,550)**

21 Defined benefit obligations (continued)

Asset and Liability Reconcilliation

	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of period	8,990	6,900
Current service cost	690	390
Interest cost	230	250
Contributions by scheme participants	160	120
Experience gains and losses on defined benefit obligations	(30)	1,440
Estimated benefits paid	(290)	(110)
Defined benefit obligations at end of period	**9,750**	**8,990**

Changes in fair value of plan assets

	13 months to August 2017	12 months to July 2016
	£'000	**£'000**
Fair value of plan assets at start of period	**5,440**	**4,510**
Interest on plan assets	150	170
Return on plan assets	520	430
Employer contributions	420	320
Contributions by scheme participants	160	120
Estimated benefits paid	(290)	(110)
Fair value of plan assets at end of period	**6,400**	**5,440**

22 Related Party Transactions

Owing to the nature of the College's operations and the composition of the Corporation 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 Corporation 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.

No expenses were paid to or on behalf of the Governors during the 13 month period ending 31 August 2017 and no Governor has received any remuneration or waived payments from the College during the year.

23 Amounts disbursed as agent

	13 months to August 2017 £'000	12 months to July 2016 £'000
Balance at 1 August	24	17
Funding body grants - bursary support - 1 August 16- 31 August 2017	238	146
	262	**163**
Disbursed to students	(141)	(141)
Administration costs	(8)	(8)
	113	**14**

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 Income and Expenditure Account. From August 2017, Bursary funds and Free School Meals and combined into a single heading of 'Student Support Funds'.

24 FE HE SORP

With the College converting to an academy, the year end date has changed to 31 August each year and these accounts cover the last 13 month period of the College finances to 31 August 2017. Accrued holiday pay as at 31 August each year will now be minimal as the large provision for teachers holiday pay during August each year is no longer applicable. The provison from last year has therefore been fully released and there will be no more allowance necessary for this in future years.