BROMLEY COLLEGE
OF FURTHER & HIGHER EDUCATION

Report and Financial Statements for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as the Senior Post-Holders employed by the College Corporation and were represented by the following in 2016/17:

Sam Parrett - Principal and CEO; Accounting officer
Andrew Slade - Deputy Principal
John Hunt – Deputy Chief Executive Officer

Board of Governors

A full list of Governors is given on pages 18 and 19 of these financial statements.

Mr J Allen acted as the Clerk of the Corporation throughout the period.

Professional advisors

Financial statements auditor and reporting accountant:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal Auditors:
RSM Risk Assurance Services LLP
25 Farringdon Street
London
EC4A 4AB

Bankers:
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Allied Irish Bank (GB)
20/22 Marlborough Place
Brighton
BN1 1UB

Solicitors:
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Kett House
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Cambridge
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10 Queen Street Place
London
EC4R 1BE

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Members Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal Status

Bromley College of Further & Higher Education was established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 2011 and accordingly is not liable to Corporation Tax. The College operates under the brand of London South East Colleges in order to reflect the geographical area served by the College.

Mission

The Corporation re-affirmed the Mission and Vision at its meeting in May 2017.

The College's vision is to be recognised, valued and respected in our communities as listening, responsive and relevant. We will be recognised as an outstanding centre of vocational and educational excellence and will play a leading role in economic and social development of the area.

The College's mission is delivering real skills and knowledge for the real world.

This brings to life the absolute focus on relevant, up to date, high quality skills that meet the needs of the local community, which will mean:

- An economy benefitting from a skilled labour force;
- More skills in the local area especially at levels 4 and 5;
- Businesses attracted to the area because of the skills of the residents;
- Employers working with and in the College;
- Employers competing to recruit students from the College;
- Students and staff being proud of their association with the College;
- A local, regional and national reputation for all that it does; and
- A place where others look for best practice.

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 18 and 19 below.

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.

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

Members Report (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Public Benefit (continued)

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment opportunities for students;
- Strong student support systems;
- Links with employers, industry and commerce; and
- Links with Local Enterprise Partnerships (LEPs).

Implementation of the Strategic Plan

In July 2015, the College adopted a strategic plan for the period covering 1 August 2015 to 31 July 2020. The Corporation monitors the performance of the College against this plan which is reviewed and updated each year. The College's strategic aims/objectives are as follows:

1. Excellence in Learner Success – By 2020 we will deliver excellence in all areas of the learner experience, outcomes and destinations.
2. Excellence in Teaching and Learning – By 2020 we will be an organisation that shares best practice, learns from others and has a reputation for excellence in teaching and learning and its contribution to student success.
3. Investing in Excellence – By 2020 we will have a first class working environment with industry standard resources, be an employer of choice and have a reputation for excellence in all that we do.
4. Excellence in Community Responsiveness – By 2020 we will be seen by all including employers as a collaborative and effective strategic partner in the economic, social and cultural development of South London and beyond.

Review of progress in 2016/17 against the strategic plan

Progress against these strategic aims and objectives in 2016/17 is explained below:

Although not originally envisaged when the strategic plan was prepared, on 1 August 2016, the Corporation of Bromley College merged with Greenwich Community College and Bexley College. In accordance with a legal transfer of undertaking; the activities, assets and liabilities of both former Colleges were transferred to the Corporation of Bromley College of Further and Higher Education.

The College achieved 4,224 EFA funded learners compared to its allocation of 4,394 (96%). The College achieved 94% of its Adult Skills Budget allocation, and achieved 62% of its directly funded HE income target.

Development of the Higher Education portfolio continued, building on the strategic alliance with Canterbury Christ Church University (CCCU) which was formed in 2012/13, and the partnership with University of Greenwich. A new partnership was developed with Buckingham New University to offer a Foundation Degree in Culinary Arts and Enterprise. The College successfully achieved validation from CCCU for a fast track BSc Business Degree programme delivered over two years. In addition, the College was subject to a Quality Review Visit from the QAA, one of the first Colleges to go through this new quality assurance process for HE. The College achieved the highest rating and had no recommendations following this inspection.

Members Report (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Review of progress in 2016/17 against the strategic plan (continued)

The College as part of its regular strategic review of the curriculum has taken the difficult decision to discontinue the Bromley Technical Academy 14-16 provision. Existing learners are continuing in year 11 to complete their qualifications but there will be no new Year 10 intake in 2017/18, meaning that the provision will be closed entirely in July 2018. There remains a strategic intent to provide vocational provision to suitable 14-16 age learners, where it is appropriate, through development of a part time portfolio of provision to offer to schools.

The work of the Teaching Skills Academy (TSA) has continued to develop and there has been a back to basics focus to raise the consistency and standards of teaching and learning following merger. This will both to benefit learners in terms of their experience and outcomes, and will also help preparations for Ofsted. The TSA has actively engaged with teachers through a range of published workshops and on an individual basis. The CPD schedule has also sought to introduce protected team development time to enable subject specific training and development to supplement the range of teaching practice activities on offer. Development lesson observations were piloted and have proven successful as a mechanism for improving teaching and learning and the intention is to continue with the introduction of this model in other areas over the course of the year.

The continued development of the delivery model for the study programmes has seen additional developments in English and maths to support the large cohort of learners needing to retake GCSE as part of their study programme. The Career Advantage model has been rolled out across all campuses following merger in order to ensure all learners are work ready and benefit from this programme.

In accordance with its approved plans, the College invested circa £0.5m during the year in IT equipment, new technologies, its estate, and equipment for learning. In addition, a £2.5m capital project to deliver the second phase of the Hospitality and Catering Career College consisting of a Bistro, retail outlet, an additional training kitchen, and a pastry kitchen was completed during the year. Completion of the works will enable the College to respond to demand where there are key the skills shortages in a LEP priority areas. This project was funded with the benefit of a one third match funding from the LEP.

In accordance with the strategic plan, the College is working in partnership with London Biggin Hill Airport, the London Borough of Bromley and key industry partners on a project to build an Aerospace and Aviation College (London Aerospace and Technology College, LATC) at London Biggin Hill Airport, the Strategic Outer London Development Centre LoCATE in order to meet the critical shortage of STEM skills in this sector in South East London and nationally. Operating on a hub and spoke model, LATC will provide career pathways to higher value jobs for residents across Bromley, Bexley, and Greenwich and beyond for those learners that we know will travel for higher level specialist provision, as well as supporting industry need for specialised and licensed training and accreditation.

The College is also undertaking a full review of its future property needs following merger and this includes working in partnership with the Royal Borough of Greenwich to find a suitable site to relocate its ageing Plumstead campus in a fit for purpose new building in the heart of

Members Report (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Review of progress in 2016/17 against the strategic plan (continued)

Woolwich town centre. The College is also working in partnership with the London Borough of Bexley on a Place and Making Institute which will bring together a School Sixth Form, a Further Education College, and Higher Education institution on a single site to create an internationally renowned construction and related industries education facility.

Financial objectives

Specific measures are in place to enable progress against these objectives to be measured. The measures relevant for the duration of this financial plan are listed in more detail below:

i) To reduce the adjusted operating deficit (operating position before adjustments to staff and interest costs for the defined benefit pension scheme) each year and to achieve an adjusted operating surplus by 31 July 2019.

ii) The annual net cash inflow each year to 31 July 2018.

iii) A current ratio target of no lower than 0.75.

iv) To maintain a minimum bank balance of £3.5m.

v) A ratio of staff costs (excluding restructuring costs) against income (excluding releases of capital grants) of no more than 66% in 2016/17 and 64% thereafter.

vi) A viable level of long term borrowing with debt servicing costs of no more than 7% of total income.

vii) Achievement of all financial bank loan covenants to be agreed with the banks in accordance with this financial plan.

A series of annual performance indicators have been agreed to monitor the achievement of the financial objectives, and all financial objectives were achieved for the year.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating of 'Satisfactory' is considered to be an appropriate assessment post-merger. Although this is lower than the grade of Good achieved by the College in previous years, this grade was expected in the short term following the merger with two financially weak Colleges.

FINANCIAL POSITION

Financial Results

In 2016/17 the College generated an adjusted operating deficit of £0.87m prior to FRS102 pension costs and exceptional merger related costs (2015/16: a surplus of £0.62m). The total comprehensive income for the year after including these costs and the Actuarial gain in respect of the Local Government Pension Scheme (LGPS) was a deficit of £0.168m (2015/16: a deficit of £2.624m).

Although the College made an adjusted operating deficit for the year of £0.87m, this represents a significant achievement for the merged College and is a considerable improvement upon the financial position inherited from the former Greenwich Community College and Bexley College which had underlying adjusted operating deficits of over £5m.

FINANCIAL POSITION (continued)

Financial Results (continued)

The total comprehensive income for 2016/17 includes £0.25m exceptional merger costs, £2.1m of FRS102 Local Government Pension Scheme costs, and an actuarial gain totalling £3m in respect of the LGPS.

The College has accumulated income and expenditure account reserves of £5.68m and cash balances of £4.96m. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund, but this is balanced with the need to reinvest in equipment and the College estate following merger.

Total income in the year was £47.35m which is a £16.45m increase from 2015/16 as a consequence of the merger on 1 August 2016. The College continues to have significant reliance on the SFA and EFA for its principal funding source, largely from recurrent grants. In 2016/17 the SFA and EFA provided 76% of the College's total income (2015/16: 74%).

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. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and Liquidity

The College aims to generate a cash inflow from operating activities each year and £3.8m was achieved (2015/16: £0.7m). Of the £3.8m operating cash inflow for 2016/17, £2.9m relates to balances inherited upon merger The College also aims to maintain an appropriate balance between continuing capital investment and net current liabilities (which increased by £1.95m to £2.69m at 31 July 2017 as a consequence of merger).

College liquidity remained reasonable during the year with cash balances of £4.96m (2015/16: £4.74m). During the year the College has continued to invest in its estate and equipment with total capital expenditure net of capital grants during the year being £2m (2015/16: £0.9m).

The quantum of overall debt is determined by the College's ability to meet capital repayments and debt charges with due regard to interest rate risk. This is reflected in the College's financial forecast.

Reserves Policy

In accordance with its strategic plan the College aims to accumulate reserves in order to provide sufficient cash flows to support the maintenance and improvement of the College estate and equipment. The College holds reserves to provide a degree of protection against adverse changes in the number and/or profile of enrolments and/or in-year reductions to funding allocations.

Members Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Reserves Policy (continued)

This will be achieved through:

- Maximising the operating position each year and achieving a cash inflow from operating activities (£3.8m achieved in 2016/17).
- Manage cash flow and liquidity so that variable cash demands to be managed in order to smooth out irregular and cyclical spending and allow for unexpected and unpredictable needs.
- Manage known risks which are not insurable or where insurance does not provide value for money.
- Fund annual capital investment in order to ensure the estate is safe and fit for purpose, and IT and other equipment is up to date and suitable for learning.
- Provide resources for major capital projects including building refurbishments, new buildings, or infrastructure improvements. Reserve levels for this purpose will be agreed on a case by case basis in accordance with the property strategy.

Student Numbers

In 2016/17 the College has delivered activity that has produced £34m of funding body main allocation funding from the SFA and EFA (2015/16 - £21m). Total student numbers were 13,856 against 7,891 in the previous year. The increases referred to above are primarily due to the merger together with a slight reduction in the number of learners across the main grant funding streams.

Student Achievements

The College is continuously seeking to improve its learner success rates and all staff and managers are focused on meeting this strategic aim. In 2016/17 headline classroom based success rates for the merged college have improved significantly by 1.9% to 84.5%. This is a significant achievement following the merger with two Colleges which had much weaker academic performance and our overall success rates are now 2.4% above the national average.

The College Self-Assessment Reports validated in October 2017, has indicated that the College has maintained its self-assessed grade of Good with success rates remaining above national benchmarks. Success rates from subcontracted provision have had a slight negative impact on the overall success rates due to an issue with one subcontractor. In addition, the decision by the SFA to withdraw one of our subcontractor partners from the Register of Training Providers resulted in a negative impact in timely success rates for apprenticeship provision.

Curriculum Developments

Methods of teaching and learning are under continuous review and development in order to ensure that the curriculum meets the needs of the local population and employers. This process has been formally reviewed in 2016/17 as part of the Product Development project. A new Curriculum Development Framework has been developed to ensure employer needs are at the centre of a responsive and flexible curriculum. EMSI data has been used extensively to inform curriculum planning decisions based upon labour market intelligence.

The College continues to work with a number of key employer partners and has been developing strategic alliances with Charlton Athletic Community Trust, Crystal Palace Community Trust, Visit Greenwich, MyTime Active and Alcatel Lucent. Building relationships

Members Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Developments (continued)

with Apprenticeship Levy employers has been a key focus for the year with strong relationships with Bromley, Bexley and Greenwich local authorities and successful tenders for Apprenticeship contracts with a number of NHS trusts.

Preparing for the Apprenticeships reforms has been the main focus for 2016/17 and has involved extensive training and development for Governors, Senior Managers, delivery and sales teams. New policies and procedures for working with levy and non-levy employers have been implemented and the process of converting Apprenticeship Frameworks to the new Standards has started. Strategically, Apprenticeships continue to be a key priority for the College and the provision continues to grow. Work to continue to improve the quality of Apprenticeships continued during the year, with a greater proportion of provision delivered directly by the College rather than through subcontracting partners.

The College has continued to develop its provision aimed at those learners not in education, employment or training (NEET) and unemployed adults. Traineeships and In2Work courses have grown, offering a comprehensive programme containing employability skills, English, maths and work experience. Progressions from these courses into work, Apprenticeships or further training remain consistently high and above national rates. A new AAT course aimed at unemployed adults was piloted during the year.

The London South East Colleges University Centre has continued to develop with the HE strategy clearly defining the target market as predominately adult and those in work. Subsequent marketing messages have targeted these segments. The HE curriculum offer has been streamlined to focus on 4 key areas where there is significant job growth - STEM, Health & Well Being, Education and ITT and Business Management.

The College has continued to evaluate and redefine the study programme model in response to the external environment, funding and inspection changes. In doing this there have been further developments in how English and maths fits into this model. A greater emphasis has been placed on the wrap-around components of the study programme in terms of the unique Career Advantage model and how work experience and the development of those softer skills identified by employers are built into the study programme model. Progression pathways are also considered in the development of the study programme model to enable a clear sight to employment through the levels of qualifications. Where applicable short qualifications are used alongside the main vocational component in order to fully prepare learners for employment and provide the skills need by employers.

These progression routes also recognise that not all learners will move directly into employment and some will follow a route into higher education. There have been developments in the level three study programmes to develop in learners the suite of study skills which they will need to succeed in Higher Education.

All study programmes allow learners to develop their English and maths skills regardless of prior attainment. This extends from continuing to develop the literacy and numeracy skills of learners who have already achieved GCSE grade C/4 through the Plus programme, to ensuring that learners have the opportunity to complete either GCSE or Functional Skills within a given study programme regardless of prior attainment, so that barriers to entry are removed.

Members Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Developments (continued)

The study programme methodology is using innovative delivery models using increased amount of e-learning and developing additional and more learner friendly ways of capturing evidence on skills and knowledge.

The College is developing and expanding its curriculum to appeal to a broad cohort of learners including both self-funding and government funded. Key areas being developed include switching from apprenticeship frameworks to standards and aligning the overall apprenticeship offer to employer needs.

The sports provision has developed with the introduction of a football academy programme in collaboration with Crystal Palace Football Club and a strategic alliance with Charlton Athletic to develop a sports Traineeship.

A new level 2 Engineering programme has been developed to support a progression route for learners into the developing Aviation College at Biggin Hill.

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. During this financial period, the College paid 96% of its invoices within 30 days compared with the Treasury target of 95%. The College incurred no interest charges in respect of late payment for this period.

Events after the Reporting Period

On 21 June 2017, the Corporation of Bromley College resolved to become the sole member of Bexley Group Training, a charity trading as trading as Skills for Growth (SfG) with effect from 1 August 2017. Skills for Growth is an apprenticeship-training provider with a 30-year record of successful, apprenticeship delivery within the London region. As the sole member of the charity, the College is the ultimate parent entity and the future financial results of SfG will be consolidated with those of the College. All stakeholders including the banks and Education and Skills Funding Agency have consented to this change.

Future Prospects

The five-year Strategic Plan which covers 2015 to 2020 incorporates the aspirations and developments of the College during the medium term.

The College recognises the challenges the sector is facing with significant Government changes to the provision of post 16 education, proposed changes to qualifications together with significant departmental spending cuts.

Following the strategic merger with Bexley College and Greenwich Community College on 1 August 2016, the increased size of the College together with the larger geographical area served will offer greater opportunities for economies of scale and future growth. Evidence of this is already being seen though our work with local authorities and key employers.

The College also acknowledges the challenges it faces in terms of learner recruitment and short term demographic changes. Plans are in place to mitigate this risk and grow alternative sources of income, which includes a strong focus of delivery in priority areas for funding and

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Future Prospects (continued)

the number of 16-18 classroom based training places available. In addition, the College plans to grow its employer responsive provision through Traineeship and Apprenticeship training opportunities offered to those learners who are 16-18 and 19-24. The acquisition of Skills for Growth is a key element of the future strategy and will provide a catalyst for a step change. Alongside this the College has recently tendered for a new non-levy apprenticeship contract from January 2018 to March 2019. This will complement the existing strategy to engage with and win business from levy apprenticeship employers. In July 2017, LSEC became a member of the Collab Group. This group represents the largest colleges across the country and provides a future platform to become part of national tenders through a network of Colleges, and to further develop our business across the region.

The future of the study programme model is an increase in the amount of partnership delivery with employers, so that the curriculum is tailored to local and regional employer need. There is also a need to develop the curriculum into new areas, such as is starting with the performing arts and aerospace provision to ensure that learners are undertaking now qualifications which they will need in three to five years' time. This is especially relevant in Motor Vehicle where recent Government announcements are shaping the future of this industry and the Digital and ICT sectors where the pace of change continues to accelerate.

A key future challenge is the achievement of English and maths qualifications for those learners who have not yet achieved a high grade GCSE. The volume of these learners continues to grow, and is anticipated to grow further as the first learner intake leaves school having completed the new specification GCSE next year. This growth in volume is combined by a national shortage of English and maths teaching staff, leaving this as one of the key challenges for the College.

The College will also focus on improving outcomes for learners and the reputation of the College when compared to national benchmarks.

The future plans for the University Centre are to apply for the Teaching Excellence Framework as a measure of the quality of teaching and learning assessment in Higher Education. A decision on whether to apply for degree awarding powers will be taken in 2017/18.

The College's forecasts and financial projections indicate that it will be able to continue to improve its financial position. The College has submitted copies of its 5 year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised.

RESOURCES

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

Financial
The College has £21.3m of net assets (including £23.3m pension liability) and long term debt of £9.4m (excluding the deferred capital grants of £31.1m). The net pension liability includes the £16.1m liability inherited upon merger on 1 August 2016.

The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £29m (2015/16 £13.3m) and cash balances of £5m (2015/16 £4.7m). The College wishes to continue to accumulate reserves and cash balances in order to help fund future major capital investment, and to protect against adverse changes in financial performance.

Members Report (continued)

RESOURCES (continued)

People
The College employs 566 people (expressed as full time equivalents) of whom 278 are teaching staff. This is an increase from 381 in the previous year as a consequence of merger.

Reputation
The College has a good reputation for responsive high quality education and training. The College attracts students from the London Boroughs of Bromley and Bexley, together with the Royal Borough of Greenwich and many other Local Authorities. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed its systems of internal control, including financial, operational, and risk management in order to ensure the College is best placed to achieve its objectives.

Based on the strategic plan, the College management team 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 year's appraisal will review their effectiveness and progress against risk mitigation actions is monitored during the year.

A risk register is maintained at the College level which is reviewed at each meeting by the Audit Committee and Corporation. 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.

Government Funding for Core Provision

The College has considerable reliance on continued government funding through the ESFA. In 2016/17 82% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the Apprenticeship Levy and new apprenticeship standards will require significant changes to the delivery of apprenticeship frameworks, how they are assessed, and how they are funded. These changes will significantly affect that marketplace and the full implications of this government policy are not yet known as the market develops.

In addition further developments such as the introduction of T Levels and changes in funding for Further Education are expected to continue for at least the medium term.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

This risk is mitigated in a number of ways:

- By ensuring the College continues to respond to the introduction of the apprenticeship levy, which will include working closely with employers to help them understand the levy and how the College can help them and their business to get the most out of the new funding system;
- 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 the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Regular dialogue with funding bodies, employers, and other key stakeholders

Retention and recruitment of staff

The retention and recruitment of appropriately skilled staff is essential for the successful delivery of the College's Strategic Plan and annual objectives. With the three way merger on 1 August 2016, creating a period of uncertainty and change for some staff and funding rates which have been static for 7 years, and continued pay restraint in the sector, this risk has increased.

This risk is mitigated in a number of ways:

- Development of an Organisational Development Framework;
- Continuation of the change management and culture work which commenced prior to merger;
- Regular dialogue with staff and staff representative groups;
- Commitment to continuing investment in staff development;
- Comprehensive and current Human Resources policies and procedures;
- Regular review of staff turnover analysis;
- Regular review of recruitment strategies;
- Continuing to build on the good reputation of the College; and
- Improving the financial strength of the College

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as Satisfactory following merger. This is largely due to Bromley College inheriting significant operating deficits from the former Bexley and Greenwich Community Colleges. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. The risk is mitigated in a number of ways:

Members Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Failure to maintain the financial viability of the College (continued)

- By rigorous budget setting procedures and sensitivity analysis;
- Regular in year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies; and
- Close scrutiny of the financial position by the College Corporation.

STAKEHOLDER RELATIONSHIPS

The College has many stakeholders which include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- London Enterprise Panel (LEP)
- The local community
- Banks and providers of finance
- Canterbury Christchurch University (HEI Partner)
- University of Greenwich (HEI Partner)
- Other FE institutions
- Trade unions

The College recognises the importance of stakeholder relationships and engages in regular communication with them.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College values and celebrates diversity of its learners, staff and other stakeholders and is committed to the promotion and advancement of equality in every aspect of its operation. The College will not tolerate any form of discrimination, victimisation or harassment on any grounds. All of the College's learners and members of staff are helped and encouraged to develop their full potential within an ethos which recognises and values the benefits that a diverse workforce supporting a diverse student body can bring to both the local and wider community.

The College complies with the provisions as contained in the Equality Act 2010. Progress toward the achievement of the College's equality objectives, is monitored by the Equality and Diversity Steering Group and regular reports are presented to the Corporation. The College's Equality Policy is published on the College's intranet site.

Disability Statement

The College systematically monitors the diversity of its staff, and reviews its recruitment arrangements to support equality and diversity objectives. Equality and Diversity training continues to feature in the Strategic Professional Development Framework, as part of the College's mandatory training requirements.

Members Report (continued)

STAKEHOLDER RELATIONSHIPS (continued)

Disability Statement (continued)

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned and, where disabled candidates disclose their disability to the College and meet the minimum selection criteria, an interview will be offered. Where an existing employee becomes disabled every effort is made to ensure that their employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College holds the "two ticks" - positive about disabled people - kite mark.

The College is successful in recruiting a very diverse range of students including a significant number of students with disabilities and continues to work to widen access to all actual and potential learners. Specialist programmes and facilities are provided for students with complex needs and the support needs of students disclosing a learning/disability are assessed and support provided as required.

The College is fully compliant with the provisions as contained in the Equality Act 2010 and the requirements of the Special Education Needs and Disability Act 2001 and continues to work to widen access to all actual and potential learners.

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 Members of the Corporation on 5 December 2017 and signed on their behalf by:

Mr S Howlett, Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements 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 July 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. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges and
iii. having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Foundation Code. 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.

The Corporation 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 carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015. In the opinion of the Corporation, the College complies with all the provisions of The Code of Good Governance for English Colleges and it has complied throughout the year ended 31 July 2017.

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

The members, who served on the Corporation during the year and up to the date of signature of this report, were as listed below. The Corporation conducts its business through meetings of the full Board and a number of committees: Audit (A), Strategy, Governance and Search (SGS), Finance (F) and Remuneration (R). Each committee has terms of reference, which have been approved by the Corporation. The Clerk to the Corporation maintains minutes of meetings and a register of members' financial and personal interests, which are available for inspection, on request to the Clerk to the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.lsec.ac.uk.

The list of Members who served during the period of the Financial Statements is recorded in the following table.

Members of the Corporation serving on the College Board during 2016/17 and up to the date of signing these accounts.

Category	Name	Date of Appointment	Term of Office (in years)	Date of Resignation	Committee Membership	Attendance in 2016/17
Independent	Roger Dawe	Oct 2012	4 years	31/03/17	**Chair of Corporation** Chair of Strategy, Governance and Search Committee Finance Committee Chair of Remuneration Committee	3/3 2/2 1/3 0/0
Independent	Stephen Howlett	01/08/17	4 years		**Chair of Corporation** Chair of Strategy, Governance and Search Committee Finance Committee Chair of Remuneration Committee	0/0
Independent	Victoria Whittle	07/2010	4 years	31/07/17	Corporation Curriculum & Quality Committee	3/6 3/5
Independent	Cllr Nicholas Bennett	01/08/14	4 years		Corporation	5/6
Independent	Peter Absalom	01/04/15	4 years		Corporation Audit Committee Curriculum & Quality	5/6 3/4 2/5
Independent	Penny Bance	01/04/15	4 years		Corporation Audit Committee Curriculum & Quality	6/6 3/4 3/5
Independent	Kath Clarke	01/04/15	4 years		Corporation	2/3
Independent	Katy Woolcott	01/04/15	4 years		Corporation Finance Committee	5/6 3/4
Independent	Angela Hands	01/08/11	4 years		Corporation Strategy, Governance and Search Committee Curriculum & Quality	5/6 2/3 2/5
Independent	Caroline Jolliff	01/08/99	4 years		Vice Chair of Corporation Strategy, Governance and Search Committee, Remuneration Committee	4/6 3/3 1/1
Independent	Frank Toop	01/08/11	4 years		Vice Chair of Corporation Chair of Finance Committee Strategy, Governance and Search Committee	6/6 4/4 2/2

Category	Name	Date of Appointment	Term of Office (in years)	Date of Resignation	Committee Membership	Attendance in 2016/17
Independent	Charles Yates	01/08/15	4 years		Corporation Vice Chair, Finance Committee	6/6 3/4
Independent	Marek Michalski	01/07/11	4 years		Corporation Chair of Audit Committee Curriculum & Quality	5/6 4/4 4/5
Principal	Sam Parrett	N/A			Corporation Strategy, Governance and Search Committee Finance Committee Remuneration	6/6 3/3 3/4 1/1
Staff Member	Liz Watson	01/12/15	4 years	08/02/17	Corporation Curriculum & Quality	2/2 2/2
Staff Member	Tom Legge	08/03/17	4 years	30/06/17	Corporation Curriculum & Quality	1/3 1/3
Staff Member	Barry Spencer	01/11/17	4 years		Corporation Curriculum & Quality	0/0
Student Member	Alfie Stokes	01/09/16		03/17	Corporation	1/3
Student Member	James Jeffries	01/11/17	4 years		Corporation Curriculum & Quality	0/0
Independent	Moyra Pickering	01/08/16	4 years	01/12/16	Corporation	0/2
Independent	Mark Burnett	01/08/16	4 years		Corporation Audit Committee	3/6 3/4
Independent	David Thompson	01/08/16	4 years	31/07/17	Corporation Curriculum & Quality	0/6 1/5
Independent	Cllr Stephen Brain	01/08/16	4 years		Corporation	1/6
Independent	Cllr Sizwe James	01/08/16	4 years	31/07/17	Corporation	0/6
Independent	Tim Feast	01/08/16	4 years	31/07/17	Corporation Curriculum & Quality	3/6 2/5
Independent	Daniel Goodwin	01/08/17	4 years		Corporation Curriculum & Quality	0/0
Independent	Jacky Tiotto	01/08/17	4 years		Corporation Curriculum & Quality	0/0
Independent	David Eastgate	01/08/17	4 years		Corporation Audit Committee	0/0
Independent	Allan Carey	01/08/17	4 years		Corporation Finance	0/0

Mr Stephen Howlett was appointed Chair of the Corporation on 1 August 2017.

Statement of Corporate Governance and Internal Control (continued)

The Corporation, as at the July 2017 meeting, comprised of 20 members, with two vacancies. 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 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 met six times during the year.

All Corporation members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the independent Clerk to the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations.

The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Corporation members in a timely manner, prior to Corporation meetings. Briefings are 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 processes. 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.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer (Principal) 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 Strategy, Governance & Search Committee, which comprises four members of the Corporation, with the power of co-option of further members external to the College or College staff with particular expertise when vacancies arise where a person with a certain background may be required. This committee 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.

The Corporation has agreed to adhere to the recommendation in the AoC Code of Good Governance for English Colleges that no more than two terms of office should be served by members (or eight years).

Members of the Corporation are appointed for a term of office not exceeding four years, with the exception of student members who are appointed for a term of office not exceeding one year.

Corporation performance
As part of the College's self-assessment process, the Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and graded itself as 'Good' on the Ofsted scale.

Remuneration Committee
Throughout the year ended 31 July 2017, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to these financial statements.

Audit Committee
The Audit Committee comprises four members all of whom were members of the Corporation (but not Chair or College Principal). 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 access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work and approves the fees to be paid.

The Audit Committee is required to report to the Corporation on the result of its work during the year and that of the internal and external auditors through its annual Audit Committee Report. This report is considered by the Corporation prior to the financial statements being approved.

The Corporation is also served by two other committees - the Finance Committee and the Strategy, Governance & Search Committee.

Internal Control

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

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

Statement of Corporate Governance and Internal Control (continued)

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks 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 on-going 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 College throughout the year ended 31 July 2017 and up to the date of approval of this 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal financial 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.

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. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Internal Auditor provides the Audit Committee of the Corporation with a report on internal audit activity in the College. The report includes the Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, control and governance processes.

Review of effectiveness

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

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

Statement of Corporate Governance and Internal Control (continued)

The Principal has been advised on the implications of the result of the 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. 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 5 December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

The Internal Auditors Annual Report, presented to the Audit Committee on 23 November 2017, and the Audit Committee's Annual Report, approved on 23 November 2017 contain the opinion that *'the College has adequate and effective risk management, control and governance processes to manage the achievement of the College's objectives'*.

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 body and the safeguarding of their assets*".

Going Concern

The College has funding contracts in place with the ESFA for 2016/17 which provide a secure income stream for the year based upon current enrolment levels. In addition, the College is in the process of refinancing is loan debt which will provide a secure source of finance over the medium term. The medium term financial plan for the College has been prepared on a prudent basis and demonstrates that financial performance is expected to to improve in the medium term. The plan also shows that the College will have sufficient working capital to meet liabilities as they fall due.

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.

Approved by Members of the Corporation on 5 December 2017 and signed on its behalf by:

Mr S Howlett,	**Mrs S Parrett**
Chair	**Principal & 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 and funding agreement in place between the College and the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum and funding agreement.

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 and funding agreement.

We further confirm that any 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.

Mr S Howlett
Chair

Mrs S Parrett
Principal & Accounting Officer

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 and funding agreement 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 for 2016 to 2017 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and of the result for the year.

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

a) select suitable accounting policies and apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
d) 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 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 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 and Funding Agreement 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 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 Members of the Corporation on 5 December 2017 and signed on its behalf by:

Mr S Howlett, Chair

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education

Opinion

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

This report is made solely to the college's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the college's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the college and the college's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2017 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the governors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the governors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the governors' report including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)

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 determinez 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Buzzacott LLP

Avnish Savjani (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

13 December 2017

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

In accordance with the terms of our engagement letter dated 26 April 2016 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 Bromley College of Further and Higher Education (the College) during the period 1 August 2016 to 31 July 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 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 the College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of the College and Education and Skills Funding Agency 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 College and Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and 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 July 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 jointly 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 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 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants

13 December 2017
Date

Statement of Comprehensive Income
Year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
Income			
Funding body grants	2	36,047	23,040
Tuition fees and education contracts	3	6,943	4,633
Other grants and contracts	4	3,014	1,830
Other Income	5	1,352	1,388
Investment income	6	22	25
Total income		**47,378**	**30,916**
Expenditure			
Staff costs	7	30,531	19,526
Other operating expenses	8	14,783	8,351
Depreciation	11	4,354	3,156
Interest and other finance costs	9	872	345
Total expenditure		**50,540**	**31,378**
(Deficit) before other gains and losses		**(3,162)**	**(462)**
Loss on disposal of assets	11	(14)	(10)
(Deficit) before tax		**(3,176)**	**(472)**
Taxation	10	-	-
(Deficit) for the year		**(3,176)**	**(472)**
Assets and liabilities transferred in on merger	26	7,641	-
Actuarial Gain / (Loss) in respect of pensions schemes	23	3,008	(2,152)
Total Comprehensive income for the year		**7,473**	**(2,624)**
Represented by:			
Restricted comprehensive income		36	-
Unrestricted comprehensive income		7,437	(2,624)

The statement of comprehensive income is in respect of continuing activities. The results for 206 represent those for Bromley College only, prior to the merger with the former Bexley College and Greenwich Community College. The results for 2017 related to the merged College.

Statement of Changes in Reserves
Year ended 31 July 2017

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2015	6,636	9,835	8	**16,479**
Surplus/(deficit) from the income and expenditure account	(472)	-	-	**(472)**
Other comprehensive income	(2,152)	-	-	**(2,152)**
Transfers between revaluation and income and expenditure reserves	460	(460)	-	-
Balance at 31st July 2016	4,472	9,375	8	**13,854**
Surplus/(deficit) from the income and expenditure account	(3,176)			**(3,176)**
Other comprehensive income	3,816	6,797	36	**10,649**
Transfers between revaluation and income and expenditure reserves	567	(567)		-
Total comprehensive income for the year	1,207	6,230	36	**7,473**
Balance at 31st July 2017	**5,679**	**15,605**	**43**	**21,327**

Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
Non-current assets			
Tangible Fixed assets	11	89,183	57,095
		89,183	**57,095**
Current assets			
Trade and other receivables	12	5,530	2,306
Short term deposits	13	-	3,000
Cash and cash equivalents	18	4,961	1,744
		10,491	**7,050**
Less: Creditors – amounts falling due within one year	14	**(13,179)**	**(7,789)**
Net current liabilities		**(2,688)**	**(739)**
Total assets less current liabilities		**86,495**	**56,356**
Less: Creditors – amounts falling due after more than one year	15	(40,518)	(33,387)
Provisions			
Defined benefit obligations	17	(23,316)	(8,800)
Other provisions	17	(1,334)	(315)
TOTAL NET ASSETS		**21,327**	**13,854**
Reserves			
Restricted reserves		43	8
Income and expenditure account		5.679	4,472
Revaluation reserve		15,605	9,374
Total Reserves		**21,327**	**13,854**

The financial statements on pages 32 to 58 were approved and authorised for issue by the Corporation on 5 December 2017 and were signed on its behalf on that date by:

Mr S Howlett,
Chair

Mrs S Parrett
Principal & Accounting Officer

Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
(Deficit) for the year		(3,176)	(472)
Adjustment for non-cash items			
Depreciation		4,354	3,156
Disposal of fixed assets		14	10
Increase in debtors		(2,935)	(1,362)
Increase in creditors due within one year		793	203
Decrease in creditors due after one year		(973)	(1,397)
Increase/(decrease) in provisions		(183)	15
Pensions costs less contributions payable		2,134	466
Balance inherited upon merger		2,917	-
Adjustment for investing or financing activities			
Investment income	6	(22)	(25)
Interest payable	9	872	117
Net cash flow from operating activities		3,796	708
Cash flows from investing activities			
Investment income		22	25
Payments made to acquire fixed assets		(2,673)	(931)
		(2,650)	(906)
Cash flows from financing activities			
Interest paid	9	(872)	(117)
New secured loans		2,429	-
Repayments of amounts borrowed	16	(2,485)	(498)
		(928)	(616)
Increase /(decrease) in cash and cash equivalents		**217**	**(814)**
Cash and cash equivalents at beginning of the year	13,18	4,744	5,558
Cash and cash equivalents at end of the year	13,18	4,961	4,744

Notes to the Financial Statements

1. Accounting policies

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

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting 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.

As explained in the Members' Report, on 1 August 2016, the activities, assets and liabilities of Greenwich Community College and Bexley College were transferred to the Corporation of Bromley College of Further and Higher Education. The former colleges transferred identifiable assets and liabilities and the operations at £nil consideration, which has been accounted for under the acquisition accounting method.

The assets and liabilities transferred have been valued at their fair value being a reasonable estimate of the current market value that the Corporation would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the College. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the statement of comprehensive income.

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

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

The College currently has £5.4m of loans outstanding with bankers on terms negotiated in between 2006 and 2008 and is in the process of refinancing these loans over a further period of at least 5 years. In addition, there is also a £3m of Revolving Credit Facility (RCF) available for drawdown with all loans and RCF facilities being secured by a fixed charge on College assets. The College's forecasts and financial projections indicate that it will be able to operate within its existing bank facility levels for the foreseeable future. The College has submitted copies of its 5 year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised.

The Corporation considers that it continues to be a going concern and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Recognition of income

Revenue Grant Funding
Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.
Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been 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 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 model as permitted by FRS 102. Other 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 statement of comprehensive income 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.

1. Accounting policies (continued)

Accounting for post-employment benefits (continued)

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. 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.

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 other recognised interest and other finance costs.

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

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

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.

Non-current assets - Tangible fixed assets
Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. 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 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 50 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 FRS102, 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 July. 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.

- Market value of the fixed asset has subsequently improved
- 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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

Equipment
Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition, with the exception of the annual IT equipment upgrade which may include individual items below this level but is capitalised at cost. All other equipment is capitalised at cost.

- Computer equipment: 3 - 5 years on a straight -line basis
- Smartboards: 5 - 10 years on a straight -line basis
- Office equipment: 3 - 5 Years
- Furniture, fixtures and fittings: 5 - 10 years on a straight-line basis.
- Plant 15 to 20 years as appropriate.

Borrowing costs
Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets
Costs in respect of operating leases are charged on a straight -line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

Inventories
Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial liabilities and equity (continued)
All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation
The College is 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 a minor element of 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.

Provisions and contingent liabilities
Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- 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.

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

	2017	2016
Recurrent grants	**£'000**	**£'000**
Education and Skills Funding Agency - adult	7,541	4,011
Education and Skills Funding Agency – 16-18	22,064	13,921
Education and Skills Funding Agency – 14-16	811	754
Education Funding Agency – Apprenticeships	3,798	2,732
Higher Education Funding Council	160	198
Specific Grants		
Releases of government capital grants	1,672	1,424
Total	**36,047**	**23,040**

3 Tuition fees and education contracts

	2017	2016
	£'000	**£'000**
Adult education fees	2,380	1,372
Apprenticeship fees and contracts	73	129
Fees for FE loan supported courses	1,008	598
Fees for HE loan supported courses	1,454	944
International students fees	7	-
Total Tuition Fees	4,921	3,043
Education contracts	2,023	1,590
Total	**6,943**	**4,633**

4 Other grants and contracts

	2017	2016
	£'000	**£'000**
Erasmus	49	41
Other grants and contracts	2,965	1,789
Total	**3,014**	**1,830**

5 Other income

	2017	2016
	£'000	**£'000**
Catering and residences	251	117
Other income generating activities	458	822
Miscellaneous income	643	449
Total	**1,352**	**1,388**

Notes to the Financial Statements (continued)

6 Investment income

	2017	2016
	£'000	£'000
Other investment income (interest)	22	25
Total	**22**	**25**

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:

	2017	2016
	No.	No.
Teaching staff	278	168
Non-teaching staff	288	213
	566	**381**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	23,824	15,824
Social security costs	1,978	1,173
Other pension costs	4,296	2,339
Payroll Sub Total	**30,098**	**19,336**
Fundamental restructuring costs - Contractual	432	190
Total Staff Costs	**30,531**	**19,526**

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 Executive Team that comprised the Principal, Deputy Principal and Deputy Chief Executive Officer. Staff costs include compensation paid to key management personnel for loss of office.

Notes to the Financial statements (continued)

7 Staff costs (continued)

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

	2017 No.	2016 No.
The number of key management personnel including the Principal was:	3	3

A number of Key Management Personnel and other higher paid staff are seconded to work within London South East Academies Trust (LSEAT), formerly Bromley Education Trust, on a part-time basis. The values reported below represent the emoluments paid in respect of the duties of employment for the College only. The value of the work carried out for LSEAT will be reported in the accounts of that entity as appropriate.

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£ 60,001 to £ 70,000	-	-	5	1
£ 70,001 to £ 80,000	-	-	3	4
£ 80,001 to £ 90,000	-	-	3	2
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	2	-	-
£130,001 to £140,000	1	-	-	-
£190,001 to £200,000	1	1	-	-
	3	**3**	**11**	**7**

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries – gross of salary sacrifice and waived emoluments	393	385
Retention and additional responsibility allowances	27	41
Payment for untaken annual leave	-	18
Employers National Insurance	58	56
Flexible benefits	24	-
Benefits in kind	2	3
Total Key management personnel compensation	**506**	**502**
Pension Contributions	41	66
Total emoluments	**547**	**568**

Notes to the Financial Statements (continued)

7 Staff costs (continued)

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above compensation includes amounts payable to the Accounting officer (who is also the highest paid officer)

	2017 £'000	2016 £'000
Salaries	157	165
Retention and additional responsibility allowances	12	17
Payments for untaken annual leave	-	9
Flexible benefits	24	-
Benefits in kind	1	1
	194	**192**
Pension contributions	2	27

The Accounting Officer is seconded to work within London South East Academies Trust (LSEAT) as the Chief Executive Officer of the Trust. The values reported above represent the remuneration paid in respect of the duties of employment for the College. The value of the work carried out for LSEAT will be reported in the accounts of that entity as appropriate.

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

8 Other operating expenses

	2017 £'000	2016 £'000
Teaching costs	7,487	3,550
Non-teaching costs	3,539	2,703
Premises costs	3,757	2,098
Total	**14,783**	**8,351**

Other operating expenses include:	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit*	48	29
Internal audit**	42	26
Hire of assets under operating leases	303	265

9 Interest payable

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	220	117
	220	117
Pension finance costs (note 23)	652	228
Total	**872**	**345**

Notes to the Financial Statements (continued)

10 Taxation

The College was not liable for any Corporation tax arising out of its activities during this year

11 Tangible fixed assets

	Land & Buildings Freehold	Land & Buildings Leasehold	Equipment	Asset under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	66,608	-	10,057	172	76,837
Inherited upon merger	41,151	1,142	1,992	-	44,285
Additions	2,550	-	294	(172)	2,673
Disposals	-	-	(1,117)	-	(1,117)
At 31 July 2017	**110,309**	**1,142**	**11,226**	**-**	**122,678**
Depreciation					
At 1 August 2016	11,190	-	8,552	-	19,742
Inherited upon merger	8,460	1,142	900	-	10,502
Charge for the year	3,539	-	815		4,354
Elimination in respect of disposals	-	-	(1,102)	-	(1,102)
At 31 July 2017	**23,189**	**1,142**	**9,164**		**33,495**
Net book value at 31 July 2017	**87,121**	**-**	**2,062**	**-**	**89,183**
Net book value at 31 July 2016	55,418		1,505	172	57,095

Land and buildings were valued in 2011 at depreciated replacement cost by a firm of independent chartered surveyors.

12 Trade and other receivables

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade receivables	1,545	983
Prepayments and accrued income	1,457	679
Amounts owed by the ESFA	2,528	644
Total	**5,530**	**2,306**

Notes to the Financial Statements (continued)

13 Current investments

	2017 £'000	2016 £'000
Short term deposits	-	3,000
Total	**-**	**3,000**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdrafts	502	500
Salix loan	76	-
Trade payables	468	103
Other taxation and social security	887	799
Accruals and deferred income	7,497	4,955
Deferred income - government capital grants	1,623	1,415
Deferred income - government revenue grants	80	17
Amounts owing to the ESFA	1,767	-
Amounts owing to the ESFA (EFS loan)	278	-
Total	**13,179**	**7,789**

15 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	4,929	5,431
Salix Loans	114	-
Amounts owing to BEIS (EFS loan)	4,401	-
Deferred income - government capital grants	31,074	27,956
Total	**40,518**	**33,387**

Of the bank loans amounts classified as falling due after one year, £3,471,000 relates to AIB loan which matures on 31 March 2018. The College is currently in the process of refinancing this loan and has reflected the long term substance of the loan rather than its true form in the balance sheet. The College considers that classifying the loan as being due after one year shows a true and fair view of its financial statements.

The amounts owed to the Department for Business, Energy and Industrial Strategy (BEIS) represent a secured term loan for Exceptional Financial Support (EFS) made to Greenwich Community College prior to merger with Bromley College of Further & Higher Education. The loan is secured on 95 Plumstead, Road, Woolwich, London, SE18 7DQ.

Notes to the Financial Statements (continued)

16 Maturity of Debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017	2016
	£'000	£'000
In one year or less	502	500
Between one and two years	4,077	3,949
Between two and five years	157	157
In five years or more	695	1,326
Total	**5,431**	**5,931**

Bank loans at interest rates of 1.5% and 5.3% repayable by instalments falling due between 1 August 2013 and 31 March 2018, totalling £5,431,000 are secured on a portion of the freehold land and buildings of the College.

17 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2016	8,800	315	9,115
Inherited upon merger	15,390	1,202	16,592
Expenditure in the period	(1,227)	(104)	(1,331)
Transferred from income and expenditure account	353	(78)	275
At 31 July 2017	**23,316**	**1,334**	**24,650**

Defined benefit obligations relate to liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

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:

	2017	2016
Price inflation	2.30%	2.30%
Discount Rate	1.30%	1.30%

Defined benefit obligations relate to liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

Notes to the Financial Statements (continued)

18 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,744	300	-	2,044
Inherited upon merger	2,917	-	-	2,917
Total	**4,661**	**300**	**-**	**4,961**

19 Capital Commitments

	2017	2016
	£'000	£'000
There are no Commitments contracted for at 31 July	-	-

20 Lease Obligations

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

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	16	38
Later than one year and not later than five years	-	16
	16	**54**
Other		
Not later than one year	262	241
Later than one year and not later than five years	345	531
	607	**772**

21 Contingent liabilities

There are no contingent liabilities.

Notes to the Financial Statements (continued)

22. Events after the reporting period

On 21 June 2017, the Corporation resolved to become the sole member of Bexley Group Training, a charity trading as trading as Skills for Growth (SfG) with effect from on 1 August 2017. As the sole member of the charity, the College will be the ultimate parent entity and the future financial results of SfG will be consolidated with those of the College. This matter is explained in more detail within the Members Report.

23 Defined benefit obligations

The College's employees belong to two principal post-employment pension benefit plans: 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 the London Pension Fund Authority (LPFA). Both are multi-employer defined-benefit plans.

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

Total Pension cost for the year		**2017**		**2016**
		£000		**£000**
Pension Costs				
Teachers' Pension Scheme: contributions paid		1,666		1,145
Local Government Pension Scheme				
Contributions paid	1,227		923	
FRS 102 (23) Charge	1,403		271	
Charge to the Statement of Comprehensive income		2,630		1,194
Enhanced Pension charge to the Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**4,296**		**2,339**

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and Public Services Pension Act (2013) and are paid out of public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis. The contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay, in line with current regulations not including the additional 0.08% employers pay for the cost of scheme administration;
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million giving a notional past service deficit of £15,000 million;
- an employer cost cap of 10.9% of pensionable pay;
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

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

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

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

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

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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,577,685 (2015/16: £1,789,418), of which employer's contributions totalled £1,666,434 (2015/16: £1,144,535) and employees' contributions totalled £911,251 (2015/16: £644,882).

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.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2017 was £1,712,174 (2015/16: £1,239,482), of which employer's contributions totalled £1,227,683 (2015/16: £922,791) and employees' contributions totalled £484,492 (2015/16: £316,691). The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 12.5% for employees, depending upon salary.

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Principal Actual Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

Principal Actuarial Assumptions	**At 31 July 2017**	**At 31 July 2016**
Rate of increase in salaries	3.5%	3.2%
Future pension increases	2.7%	1.8%
Discount rate for scheme liabilities	2.7%	2.5%
Inflation assumption (CPI)	2.7%	1.7%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2017	**At 31 July 2016**
Retiring today		
Males	21.9	23.2
Females	24.6	25.6
Retiring in 20 years		
Males	24.1	25.5
Females	26.9	28.5

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

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

	2017 £'000	2016 £'000
Fair value of plan assets	65,177	29,122
Present value of plan liabilities	(88,493)	(37,922)
Net pensions (liability)	**(23,316)**	**(8,800)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	2,554	1,161
Past service cost	-	-
Total	**2,554**	**1,161**

	2017 £'000	2016 £'000
Amounts included in finance costs		
Net interest income	600	218
Total	**600**	218

	2017 £'000	2016 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	7,401	2,980
Experience losses arising on defined benefit obligations	3,592	-
Changes in demographic assumptions	2,556	-
Changes in assumptions underlying the present value Liabilities	(8,567)	(5,102)
Other actuarial gains/(losses) on assets	(2,105)	-
Amount recognised in other comprehensive Income	**2,877**	**(2,122)**

Notes to the Financial Statements (continued)

23 Defined pension obligations (continued)

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

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(8,800)	(6,189)
Deficit inherited upon merger	(15,390)	-
Movement in year:		
Current service cost	(2,554)	(1,161)
Employer contributions	1,227	923
Past service cost	-	-
Admin Expenses	(76)	(33)
Net interest on defined (liability)/asset	(600)	(218)
Admin Expenses	2,877	(2,122)
Net defined benefit (liability)/asset At 31 July	**(23,316)**	**(8,800)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	37,922	30,617
Defined benefit obligations inherited upon merger	44,836	-
Current service cost	2,554	1,161
Interest cost	2,078	1,161
Contributions by Scheme participants	492	313
Experience gains and losses on defined benefit obligations	(3,592)	-
Changes in financial obligations	8,567	5,102
Estimated benefits paid	(1,808)	(432)
Curtailments and settlements	(2,556)	-
Defined benefit obligations at end of period	**88,493**	**37,922**

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	29,122	24,428
Fair value of plan assets inherited upon merger	29,437	-
Interest on plan assets	1,478	24,428
Return on plan assets	7,410	943
Employer contributions	1,227	2,980
Contributions by Scheme participants -	492	923
Changes in financial obligations	(2,105)	313
Estimated benefits paid	(1,808)	(432)
Admin Expenses	(76)	(33)
Assets at end of period	**65,177**	**29,122**

24 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.

Transactions with funding bodies and HEFCE are detailed in note 2.

Bromley Educational Trust and Bromley UTC Trust.
Although distinct organisations, the College does act as the sponsor to Bromley Educational Trust and University Technical College. Although the sponsorship means various Members of the Corporation and College senior management team are also members, Governors and Trustees of the Academy Trust. In accordance with the Academies' Financial Handbook, the level of involvement and control over the Academy Trust's is restricted, and therefore, it would not be appropriate to consolidate their financial results within the financial statements of the College.

The College provided services to Bromley Educational Trust for ICT support, Estate, Facilities, Governance, HR and Finance support during the year and the charges have been included in the accounts.

Senior Management Services - £145,817
Shared Services Charge - £105,667

At 31 July 2017 the balance owed to the College by Bromley Educational Trust was £270,344.

25 Amounts disbursed as agent

Learner Support Funds

	2017 £'000	2016 £'000
Funding body grants - ESFA	2,176	1,510
Other Funding bodies grants	-	10
	2,176	1,521
Disbursed to students	(1,423)	(775)
Administration costs	(228)	(124)
Balance unspent as at 31 July, included in creditors	**526**	**622**

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.

26 Assets and liabilities transferred on merger

As explained in the Members Report, on 1 August 2016, the assets, liabilities and operations of Greenwich Community College and Bexley College were transferred to Bromley College of Further and Higher Education.

The assets and liabilities transferred at the date of merger were as follows:

	Greenwich Community College £'000	Bexley College £'000
Tangible fixed assets	11,660	22,124
Stocks	9	
Debtors	144	138
Cash and cash equivalents	812	2,105
Creditors – amounts falling due within one year	(2,535)	(1,867)
Creditors – amounts falling due after one year	(3,759)	(4,596)
Enhanced pension provision	-	(929)
Defined benefit pension obligation	(11,067)	(4,323)
Other provisions	(273)	
	(5,011)	12,652