Greater Brighton Metropolitan College

# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

Greater Brighton Metropolitan College

# Key Management Personnel, Board of Governors and Professional advisers

## Key management personnel

Key management personnel are defined as members of the Group/College Executive Team for Greater Brighton Metropolitan College (GB Met) and were represented by the following in 2019/20:

| | |
|---|---|
| Nick Juba | Chief Executive Officer; from 31 March 2017 to 13 August 2020 (resigned on 26 June 2020)<br>Accounting Officer, from 31 March 2017 to 5 July 2020 |
| Andrew Green | Interim Chief Executive Officer; from 10 August 2020<br>Accounting Officer, from 10 August 2020 |
| Helena Thomas | Principal; from 26 March 2019 |
| Jon Rollings | Chief Operating Officer; from 31 March 2017<br>Interim Accounting Officer, from 6 July 2020 to 9 August 2020 |
| Rhiannon Phinbow | HR Director; from 1 August 2017 to 13 March 2020 |

## Board of Governors

A full list of Governors is given on page 18 of these financial statements.

Sarah Box acted as Governance Manager (Clerk to the Corporation) from 22 May 2019

Melissa Drayson acted as Clerk to the Corporation from 16 March 2021

Greater Brighton Metropolitan College

## Professional Advisors

| | |
|---|---|
| Financial statements auditors and reporting accountants: | RSM UK Audit LLP<br>Chartered Accountants<br>Portland<br>25 High Street<br>Crawley<br>West Sussex<br>RH10 1BG |
| Internal auditors: | Wylie & Bisset LLP<br>168 Bath Street<br>Glasgow<br>G2 4TP<br><br>(up to 31 July 2020) |
| Bankers: | Barclays Bank plc<br>Oxford Team<br>Barclays Corporate<br>Wytham Court<br>11 West Way<br>Oxford<br>OX2 0JB |
| Solicitors: | Eversheds<br>Cloth Hall Court<br>Infirmary Street<br>Leeds<br>LS1 2JB |

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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 2020.

## Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Greater Brighton Metropolitan College (GB Met). GB Met is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Northbrook College Sussex. On 31 March 2017 a Type B merger took place with City College Brighton and Hove, with Northbrook College Sussex being the 'retained' Corporation. On the same date, the Secretary of State granted consent to the Corporation to change the College's name to Greater Brighton Metropolitan College.

## Vision and Mission

The College Vision is to be recognised by students, staff, employers and all our communities as an exceptional provider of technical, vocational and professional education.

The College Mission sets out 'the things we'll do to achieve our vision: 'By equipping our students with the knowledge and skills they need, we will prepare them for life and for work. By encouraging, supporting and inspiring them, we will build the self-belief, confidence and resilience they need to meet their goals and aspirations.'

The College Vision and Mission were revised as part of a new five-year Strategic Plan developed after the merger.

## Covid-19

The Covid-19 pandemic has had a significant impact on the College, its operations, and its financial performance during the year. From March 2020, the College ceased on-site delivery. Where possible, provision was moved to on-line, 'remote' delivery. All non-essential activities, including those generating revenue via external customers, had to be shut down. The majority of the College's staff moved to working from home, with just a limited number remaining on–site to operate essential support services and to provide facilities for vulnerable students.

The majority of the College's delivery continued on this basis for the remainder of the year, with only a small amount of year-end assessment taking place on site during June and July. Additional health and safety measures were developed and implemented to facilitate this on-site work, and then expanded during the summer period, ahead of a return to full on-site operations from September 2020.

The College has a diversified set of income streams, with very significant 'in-year' student recruitment. The measures taken in response to Covid-19 effectively ended its ability to recruit to, and deliver to, new students and apprentices in the remainder of the 2019/20 financial year. In addition, funding relating to successful completion of programmes was affected and there was further impact from the loss of other income generating activities, both those directly relating to the curriculum (e.g. student restaurants) and those utilising College facilities (e.g. room hire). Overall financial performance has been significantly adversely affected, exacerbating an already weak liquidity position, and the College required financial support from its Funding Body to support its liquidity during May 2020.

## Public Benefit

GB Met is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18.

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

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce.

The delivery of public benefit is covered throughout this Members Report.

### Core Values

The College values are the things we believe in and live by. At GB Met we are:

Ambitious

To succeed in life, even the most talented people have to show tenacity and drive. Our students work hard now to build themselves a brighter future.

Community-focused

For 150 years our college has produced some of our regions greatest talent. Working together, we are all delivering for our local community.

Inclusive

We welcome people from all walks of life, in all subjects in one of the UK's most vibrant and cosmopolitan city regions. We recognise that people have different starting points and different goals.

Creative

We are known for our creative spirit. Everyone at the College is encouraged to take risks and solve problems in new and sometimes unique ways.

Excellent

We strive for excellence in everything we do. In our own work and in our expectations of our students

**Implementation of Strategic Plan**

Following the merger, the College set out a new Strategic Plan for the period 2017 to 2022. This was formally adopted by the Board in September 2017. An annual Operating Plan for 2019/20, together with defined Key Success Measures for 2022, was put in place to allow monitoring of delivery against the Plan.

The Plan sets out five priorities. We see priorities 1 and 2 as the essence, or core, of our Strategic Plan, representing the outcomes we want to achieve by 2022. They make clear our commitment to our students and place the quality of our education and training centre stage.

Priorities 3, 4 and 5 set out how we will mobilise ourselves through our staff, our financial and physical resources and our relationships with other organisations to deliver for our students. They will act as enablers, creating an environment in which we can deliver against our commitment to our students.

1. Delivering an exceptional student experience.
2. Getting our offer right.
3. Becoming an employer of choice.
4. Building partnerships.
5. Making our money, buildings and technology work.

**Financial Objectives**

The College's Financial Objectives were updated alongside the new Strategic Plan, and are reviewed annually as part of the financial planning process. They are listed below:

Profitability
- College income to grow year on year
- Staff costs below 62% of income
- EBITDA above 8% of income

Liquidity
- Cash 'days in hand' in excess of 60 days
- Current ratio to exceed 1.2
- Annual cash inflow

Gearing
- Borrowing to income ratio below 40%

The financial objectives were set to provide a long-term framework for financial sustainability, with the College working towards meeting the targets by the end of the Strategic Plan period.

Recent performance has not met these targets, and has been further impacted by the Covid-19 pandemic. The College set out detailed plans to address this in a Recovery Plan, which has submitted to its Funding Body, the ESFA, in October 2020.

**Performance Indicators**

The College uses a range of KPIs to monitor its operational performance. The following table sets these out showing the target and outturn for 2019/20.

| Key performance Indicators | Target | Actual |
|---|---|---|
| **Quality:** | | |
| Attendance | | |
| FE 16-18 | 88% | 84% |
| FE Inclusion | 86% | 84% |
| FE Maths and English | 80% | 72% |
| Apprentices | 93% | 84% |
| HE | 88% | 84% |
| Retention | | |
| FE 16-18 | 94% | 94% |
| FE 19+ | 95% | 95% |
| HE | 90% | 85% |
| Apprentices | 90% | 75% |
| Achievement | | |
| FE 16-18 | 87% | 81% |
| FE 19+ | 92% | 85% |
| HE | 89% | 58% |
| English (GCSE grade 9-4) 16-18 | 28% | 34% |
| English (GCSE grade 9-4) 19+ | 70% | 56% |
| Maths (GCSE grade 9-4) 16-18 | 20% | 32% |
| Maths (GCSE grade 9-4) 19+ | 60% | 63% |
| Positive Destinations | 94% | 87% |
| Internal progression to HE | 120 students | N/A |
| Apprenticeships | | |
| Timely achievement | 60% | 42% |
| Overall achievement | 69% | 31% |
| Satisfaction | | |
| FE | 93% | N/A |
| Apprentices | 96% | N/A |
| HE | 85% | 75% |
| Employer | 92% | N/A |
| Curriculum SAR grades | 87% grade 2 or above | N/A |

Due to the Covid-19 impact the College was not able to run its standard student satisfaction survey and Employers satisfaction survey using FE Choices, so there is no result in the categories for FE, Apprentices or Employers.

# FINANCIAL POSITION

## Financial results

The Covid-19 pandemic has had a significant impact on the College's operations and associated financial performance, exacerbating an already weak liquidity position. During March 2020 on-site delivery ceased, with provision moving, where possible, to being delivered remotely on-line. Recruitment of new students and apprentices was not possible for most programmes. In addition, funding relating to successful completion of apprenticeship programmes that were already in progress was affected. There was a further impact from the loss of other income generating activities, both those directly relating to the curriculum (e.g. student restaurants) and those utilising College facilities (e.g. room hire).

The Group generated a deficit before other gains and losses in the year of £5,718k (2018/19 – surplus of £6,734k), with total comprehensive income a deficit of £14,120k (2018/19 - surplus of £5,565k).

Non-cash related pension accounting adjustments are significant. The volatile market situation caused by the pandemic had substantial effect on the valuation of defined benefit pension liability which resulted in an adverse impact on the Consolidated Statement of Income of £8,402k (2018/19 £1,169k).

The Group has accumulated reserves of £8,134k and cash and short term investment balances of £2,073k. The College aims to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £14,065k. This was split between land and buildings acquired of £12,919k, and equipment purchased of £1,146k.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies grants provided 75% of the Group's total income. The College also has a relatively high proportion of income from HE learners (12% is HE tuition fees).

The College has one active subsidiary company, Greater Brighton Skills Limited (GB Skills). This was set up with the purpose of carrying out principal activities of apprenticeship and commercial training with employers. In response to changes in the external environment in apprenticeship, the College has taken the view that the delivery of apprenticeship would be more effectively done in house. As result all GB Skills activities and employees were transferred to the College with effect from 1 May 2020 and the Company is being closed down.

The overall impact of the Covid-19 pandemic has been significant. It is estimated that income has been adversely affected by c£2.5m, with reductions in apprenticeships, adult and commercial fees, international and trading income. Cost reductions have been made in response where possible. The College has been able to place some staff on furlough under the Coronavirus Job Retention Scheme (CJRS) in proportion to the amount of its non-Government funding, and non-pay savings have been generated from the move to off-site working. Together these have generated c£0.7m to offset the income reduction.

### 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.

Cashflows for the FE Sector can fluctuate significantly during the year, due to the profile of receipt of government funding and fee income, with the position generally at its lowest during late March and early April. The College monitors its cash balances and future funding requirements closely, and rolling projections for at least the next 12-month period are included within each monthly Financial Report. This allows for any periods where additional facilities may be required to be identified well in advance and progressed via the Bank or the ESFA.

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

**Cash flows and liquidity**

GB Met closed the year with net debt of £21,096k, made up of cash of £2,073k, and loans of £23,169k.

The loan balances consist of £7,707k term facility and £3,000k revolving credit facility with Barclays, £5,000k from Worthing Borough Council, £5,362k from ESFA Emergency Financial Support and £2,100k from the Government's Restructure Fund.

Covid 19 had a further significant impact on an already weak liquidity position, and the College required exceptional financial support from its Funding Body. This was paid in May and June 2020, with a facility of £5.8m being granted to cover the period running to the end of 2020.

The College has set out a strategy to meet its liquidity objectives in its Recovery Plan.

**Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in ensuring financial stability.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

In 2019/20 the College delivered activity that produced £25,534k in funding body main allocation funding (2018/19 – £28,253k). The College had approximately 10,600 funded and 2,700 non-funded students.

### Student achievements

Ofsted undertook a full Inspection of GB Met in October 2019. The report was one of the first Inspections carried out under the new framework, which uses updated criteria and a range of different approaches in its assessments. The outcome was an overall 'Requires Improvement'.

There were areas where the College had already acknowledged a need for additional focus. For example, the College had identified some challenges within its apprenticeship offer that had resulted in an inconsistent level of service being offered to apprentices and their employers. The College has begun a significant improvement project to ensure that every apprentice and their employer receives the same high standard of training and support to ensure they not only complete their apprenticeship in a timely manner but they qualify with the real-life skills and knowledge required for a successful career in their chosen field.

The report recognised the high quality of provision for adults and the personal development of all students at the College. Ofsted also praised the College's work with high needs students, including the 'Gateway' courses. Safeguarding was assessed as effective and the inspectors were clear that the College provides a welcoming and safe environment for all students, with a strong emphasis on mental health and wellbeing. Teaching staff were recognised as providing good quality teaching and support, as well as setting high aspirations for what students can achieve. Consequently, a high proportion progress to employment or further and higher education.

Whilst the overall assessment from the Inspection was 'Requires Improvement', the College was pleased that Ofsted ~~recognised~~ so much that is good at the College and the critical role it provides in preparing young people and adults for work and further study. The newly refreshed Board of GB Met recognises that there is more to do and is committed to working on those areas where improvement is required to show Ofsted good practice and progress when they return.

### Curriculum developments

GB Met College aims to maintain a broad Further Education (FE) and Higher Education (HE) offer, with local provision retained across its Brighton and Worthing sites.

The College has set out a Curriculum Strategy to align with the Strategic Plan and this was approved by the Board in March 2018. The Strategy takes account of sector developments, such as the continuing apprenticeship reforms and the new 'T' Levels.

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the accounting period 1 August 2019 to 31 July 2020, GB Met paid 53% of its invoices within 30 days. GB Met incurred £75 of charges in respect of late payment for this period.

**Events after the end of the reporting period**

An employee had made two claims to the employment tribunal against the College during the accounting period ending on 31 July 2020, which college had accrued £10k claim excess (£5k each). One claim was later dropped with the second claim settled in February 2021.

Andrew Green was appointed as Interim Chief Executive Officer with effect from 10th August 2020.

As set out in more detail in the section below, in December 2020 the College commenced a formal Structures and Prospects Appraisal (SPA) which concluded in March 2021. The outcome of the SPA was a formal recommendation by the FEC that the College should progress a merger with the Chichester College Group, which was accepted by the GB Met Board in March 2021.

**Future prospects**

The merger created a much larger organisation, with significant resources to develop its offer, and delivered substantial savings through rationalisation of management and support services.

The merged College has continued to operate from the existing five main campuses. With the completion of the new Construction Trades Centre, and associated social space developments at the East campus, four of the five sites have received significant recent investment. Implementation of plans for the first phase of redevelopment of the remaining Pelham Campus is nearing completion.

The College has undertaken an assessment of its current position, future prospects, and principal risks, in relation to its ability to continue in operation and to meet its liabilities over the period of its Strategic Plan.

In the period following the merger, income reduced significantly, and has been below the levels anticipated in the merger plans. Although some corresponding cost reductions have been achieved, these have not been sufficient to meet the College's targets for operational financial performance, and there has been a significant impact on liquidity.

The College has breached its operational leverage financial covenant relating to its term loan with Barclays in three successive years. On this basis the full remaining amount of the loan of £10.8m has been classified as a current liability, contributing to a net current liability position for both the Group and the College as at 31 July 2020 of £8.0m. During the period, the Bank has remained supportive, and, although no formal waiver has been granted, letters of comfort have been issued for the years ending 31 July 2018, 31st July 2019 and 31st July 2020, indicating that the outstanding amount will not be required to be immediately repaid due to the covenant breach. The Bank has also agreed that the covenant tests should be reviewed ahead of the 31st July 2021, taking account of the action being taken by the College to address is financial position as set out below, and the associated financial projections. The Barclays facilities have a final repayment date of 31 March 2022; initial discussions with the Bank indicate that this will be rolled forward to August 2022 allowing a long-term position to be agreed as part of the planned merger.

A strategy to address the College's liquidity position was developed and implemented, in conjunction with the Bank and Funding Body at the end of the 2017/18 Financial Year. This reduced annual debt repayments by renegotiating terms on the facilities in place with Barclays and the Merger Transition Loan. In addition, the financing for the Pelham Redevelopment Project was structured to be repaid over an extended period, resulting in a cash inflow to improve the liquidity position.

However, the impact of the Covid-19 pandemic in 2019/20, on an already weak liquidity position, was significant, and the College required exceptional financial support (EFS) from its Funding Body. This was paid in May and June 2020, with a facility of £5.8m being granted to cover the period running to the end of 2020. The facility is interest free and potentially repayable in the future should the DfE assess that recovery is affordable by the College.

As a result of the EFS, and following the annual assessment of Financial Health by the ESFA, the College was issued with a Financial Notice to Improve (FNtI). This required the development of a Recovery Plan which was submitted in October 2020, and subsequently accepted by the ESFA in November 2020.

The Recovery Plan set out how the College would improve its Financial Health, as assessed by the ESFA, by making significant efficiency savings and cost reductions.

As part of the FNtI the College has received diagnostic visits from the FE Commissioner (FEC) Team. Following the visit in November 2020, the FEC recommended that the College undertake a formal Structures and Prospects Appraisal (SPA) which commenced in December 2020 and concluded in March 2021. The outcome of the SPA was a formal recommendation by the FEC that the College should progress a merger with the Chichester College Group, which was accepted by the GB Met Board in March 2021.

The process of implementation of the merger has commenced. Whilst this is progressing as planned, there is full due diligence and public consultation still to be undertaken, and it is too early for the merger to be considered to be certain. The SPA did not identify alternative merger partners, and therefore the fall-back position would be for the College to continue on a standalone basis.

Implementation of the Recovery Plan is continuing alongside the merger process, and is on track to deliver the required savings. However, there has been a significant adverse impact on cashflow during the early part of 2021 due the third national lockdown put in place in response to the ongoing Covid-19 pandemic. Financial projections continue to be updated, but currently show that there is forecast to be a requirement for additional short-term liquidity support in the first part of 2022, ahead of the anticipated merger date of 31 July 2022.

At this stage it is not possible to know exactly what level of support will be required, and for what period, and therefore the College has yet to seek to secure formal agreement of a specific facility. The College will also be taking all action possible to mitigate the position, and to minimise the requirement. However, as additional support is forecast to be required, the College has engaged fully with all the key stakeholders and believes that sufficient support will be made available as required, via the ESFA, as further EFS, and from the bank in the form of continued provision of the existing facilities.

On this basis, the College believes it will be able to continue in operation and meet its liabilities over the period ahead of the planned merger. It is therefore considered that the ‘going concern’ assumption remains appropriate and accordingly the College will continue to adopt the going concern basis in the preparation of its Financial Statements. However, whilst taking this position, the College recognises that, in the absence of both certainty over the merger successfully completing and formal commitment of financial support to cover the forecast shortfall in the period to August 2022, a material uncertainty exists in relation to this assumption.

## RESOURCES

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

Tangible resources include our five main campuses, all of which have benefited from significant recent investment.

### Financial

The College has £8.1m of net assets (including £24m net pension liability) and long term creditors of £25.1m.

### People

For the year ended 31st July 2020 the College employed an average of 1138 people of whom 508 are teaching staff.

### Reputation

GB Met takes great pride in the success and achievement of our students. Students are at the centre of our work and ambitions and they have good opportunities to express their views, which are listened to.

Developing and maintaining a quality reputation is essential for the College's success in attracting students and in its external relationships. This is a key focus for the organisation and is embedded within our Mission and strategic priorities.

## PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to undertake work to develop and embed its systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the Strategic Plan, the College has completed a review of the risks to which the College is exposed. The College's risk management process is designed to identify risks and treat them before they become issues, with specific actions undertaken to mitigate the potential impact on the College. Internal controls are then implemented, with design and operating effectiveness regularly reviewed by management, internal and external auditors.

A Key Risk Schedule is produced monthly and supplemented by department and subject risk registers. The risk registers identify 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 in the following section is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Covid-19

The global pandemic has had a significant adverse impact on the College's financial performance during 2019/20 and will remain a significant risk until a vaccine is in place and widely available. Mitigating actions have been taken but there are specific income streams and commercial activities that will not be able to fully recover until the associated restrictions are able to be eased.

2 Financial Viability and Cashflow Management

Financial performance, liquidity and solvency are significant risk areas for the College, particularly taking into account the Covid-19 impact, the challenging external environment and the impact of government policy changes. The section on 'Future Prospects' sets out details of the College's approach to responding to and mitigating these risks.

3 Meeting Income Targets

GB Met, like most Further Education colleges, relies heavily on Government Funding. The impact of austerity measures applied by Government over the past few years has had a material impact on the Sector's finances, and impacted significantly on the College's funding, particularly for adult FE learners.

The College is developing strategies to drive organic growth in core markets (16-18 year olds, apprentices and commercial courses) and through partnership (to extend current activity or to enter new markets). The plans take into account Government policies and initiatives, including the continuing apprenticeship reforms, technical qualifications and potential devolution of the Adult Education Budget to local authorities, as well as the local economic environment, demographics and the impact of BREXIT.

4 Increased competition locally for 16-18 year old students

16-18 recruitment underpins the largest funding stream for GB Met. Although local demographics are growing, there is no doubt that local schools are retaining more students within their sixth forms. A new vision for the future has been developed by the Board, and recruitment has improved in this key funding stream. Improving standards, a new culture, better processes and hard work and determination to succeed are all having a positive impact.

5 Staff pay and conditions

The capability and quality of staff is critical to the success of the College. Funding reductions and increased competition made it difficult for the predecessor colleges to maintain pay alongside sector expectations. GB Met has taken steps to address this post-merger, and is committed to ensuring it is fully aligned over coming years to ensure it can retain and recruit the best staff in what are very competitive conditions regionally and nationally.

6 Delivering the property strategy ambitions

Improving the Pelham Campus in central Brighton is a priority for GB Met. Plans are being implemented for the first phase of this redevelopment. Delivering sustained financial performance improvement will ensure that the College can confidently invest in future phases of this development, as well as maintain the high standards created by the investment that has already taken place at the College's other campuses.

7 Maintain adequate funding of pension liabilities

The Financial Statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The Actuary has continued to roll forward from the 2016 valuation position, as the data provided for 2019 valuation required further work to use for the accounting projections. At the point of merger, the pension position for support staff in the predecessor colleges was merged, with increased repayments agreed to repay the assessed deficit over a nine-year period. The additional cash impact of the increased contributions is built into the College's Financial Plans.

## STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, GB Met has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local schools,
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Other HE institutions,
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication and dialogue with them through the College Internet site and by meetings.

### Equality

Greater Brighton Metropolitan College is committed to promoting equality of opportunity and eliminating unlawful discrimination. We are committed to celebrating our diverse community and recognise the value that every individual brings and the richness this diversity adds to our College.

We are committed to ensuring that there is an equity in our approach for all students, potential students, our staff and service users, regardless of gender, age, gender reassignment, marriage and civil partnerships, disability, race, religion and belief, or sexual orientation and will not tolerate any form of discrimination.

We provide a wide range of learning opportunities across various locations within the local community and are committed to ensuring that:

- Teaching, learning and assessment is inclusive and dynamic and promotes the success of every student.

- Appropriate action is taken to address identified gaps in the retention, achievement and progression of students and the impact of interventions closely monitored.

- The views of all students are widely sought, listened and responded to through a range of mechanisms throughout the student journey.

- We engage with our internal and external community to play a positive role within the region in supporting all students to thrive and succeed and widening participation.

This commitment to equality and diversity is evident in everything we do; our environment, our culture, our service, our facilities and within our teaching learning and assessment and support practice.

The College's Equality Objectives are aligned to the Strategic Plan as set out below:

| | |
|---|---|
| **Priority 1**<br><br>**Delivering an exceptional student experience** to enable every student to achieve and positively progress in a supportive and respectful community | 1.1 Students are respected and difference is celebrated<br><br>1.2 Students and apprentices feel safe<br><br>1.3 Gaps in the outcomes of different groups of students/apprentices are reduced. |
| **Priority 2**<br><br>**Getting our offer right so** that it is inclusive and meets the needs of our whole community | 2.1 Our Curriculum offer meets the needs of our whole community<br><br>2.2 The College provides outstanding Information, Advice and Guidance (IAG)<br><br>2.3 Marketing and promotional materials advance our Equality and Diversity Objectives |
| **Priority 3**<br><br>**Building Partnerships** and community engagement to widen participation and enrich our college culture | 3.1 The College works with partners to meet community needs. |
| **Priority 4**<br><br>**Becoming an employer of first choice** for a diverse community of staff who feel valued, respected and supported. | 4.1 Staff feel valued and respected<br><br>4.2 Our staff are diverse and reflect our community<br><br>4.3 Equality and Diversity training is prioritised and of high quality |
| **Priority 5**<br><br>**Making our Money, Buildings and Technology Work** so that our resources are deployed to promote opportunities, accessibility for all staff and students | 5.1 Staff and students can access College sites<br><br>5.2 Students learning needs are met through assistive technology and additional learning support. |

**Disability Statement**

The College recognises its responsibility to remove barriers to learning and success for all students, particularly those with disabilities and/or learning disabilities.

The College recognises we have a responsibility to:

- Eliminate disability related harassment
- Eliminate unlawful disability discrimination
- Promote equality of opportunity for disabled people and others
- Promote positive attitudes towards disabled people
- Encourage participation by disabled people in public life
- Take steps to take account of disabled people's disabilities even where that involves treating disabled people more favourably than others

The College seeks to achieve the objectives set down in the Equality Act 2010, and is committed to removing barriers to learning and success for all students, particularly those with disabilities and/or learning disabilities.

- All specialist rooms in our buildings are accessible and have lifts. There are accessible toilets in all our buildings.

- The College makes a range of specialist equipment and assistive technology available for use by students.

- The College has an Admissions Policy for all students. Appeals against a decision not to offer a place are dealt with under the complaints policy.

- Specialist programmes are described in the College prospectus and on the website, and achievements and destinations are recorded and published.

- Counselling and welfare services are described in the College Student Handbook, which is issued to all new students together with the Complaints and Disciplinary Procedure at induction.

**Trade union facility time**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

| Number of employees who were relevant trade union officials during the relevant period | Full time equivalent employee number |
|---|---|
| 9 | 7.3 |

| Percentage of time | Number of employees |
|---|---|
| 0% | 0 |
| 1-50% | 9 |
| 51%-99% | 0 |
| 100% | 0 |

| | |
|---|---|
| Total cost of facility time | £36,969 |
| Total pay bill | £300,367 |
| Percentage of total bill spent on facility time | 12.3% |

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time | 0% |

**Disclosure of information to auditor**

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 auditor is 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 auditor is aware of that information.

**Approved by order of the members of the Corporation on 9th June 2021 and signed on its behalf by:**

Sue Berelowitz

**Sue Berelowitz**

**Chair of the Board of Governors**

# Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

**GOVERNANCE CODE**

The college endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

In the opinion of the Governors, the College complies with the provisions of the Code, excluding those sections relating to a Search Committee as the responsibilities of such a Committee came under the remit of the full Board with effect from 31 March 2017. Events during the latter part of the 2019-20 year, identified that not all aspects of the Code had been complied with during the earlier part of the year, but these aspects were addressed once they were identified and the year ended with compliance being met.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In 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 on 31/03/2017.

## The Corporation

### Members of 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 in the table below.

| Name | Date of first apt | Current term of office to | Date of retirement or resignation | Status | Committees served | Corporation Attendance % |
|---|---|---|---|---|---|---|
| Duncan Adams | 01/04/20 | 31/03/23 | n/a | External | RemCo, Finance | 100% (6/6) |
| Gary Anderson[1] | 31/03/18 | n/a | 30/04/20 | External | Audit | 88% (7/8) |
| Steve Bassam[2] | 01/04/20 | 31/07/23 | n/a | External | Audit | 100% (6/6) |
| Sue Berelowitz[3] | 01/04/20 | 31/07/23 | n/a | External | RemCo, T&L Finance | 100% (6/6) |
| Natalie Brett | 31/03/17 | 31/03/23 | 30/03/21 | External | • 2019/20 Audit<br>• 2020/21 T&L (Chair) | 77% (10/13) |
| Martin Colyer | 01/04/20 | 31/03/23 | n/a | External | • Audit (July 20 mtg only)<br>• 2020/21 Finance (Chair) | 100% (6/6) |
| Andrew Green | 10/08/20 | n/a | n/a | Interim CEO | • T&L, Finance | 100% (3/3) |
| Claire Hopkins[4] | 31/03/18 | 31/07/21 | n/a | External | • RemCo (Chair)<br>• T&L | 100% (13/13) |
| Jim Hynes | 27/11/18 | 31/07/21 | 13/10/21 | Staff | n/a | 90% (9/10) |
| Sean Jacob | 01/04/20 | 31/03/21 | n/a | External | Finance | 100% (6/6) |
| Nick Juba | 31/03/17 | n/a | 13/08/20 | CEO | n/a | 90% (8/9) |
| Scott Marshall | 31/03/17 | n/a | 30/04/20 | External | RemCo | 50% (4/8) |
| Maida Mofidi Nasab | 30/11/19 | n/a | 31/07/20 | Student | n/a | 100% (8/8) |
| Julie Nerney[5] | 31/03/17 | n/a | 31/03/20 | External | RemCo | 100% (7/7) |
| David Russell | 01/04/19 | 31/03/22 | n/a | External | • 2019/20 Audit<br>• 2020/21 T&L | 92% (12/13) |

[1] Vice Chair SID to 30/03/20

[2] Vice Chair from 01/04/20

[3] Chair of the Corporation from 01/04/20

[4] Vice Chair from 29/10/18

[5] Chair of the Corporation to 31/03/20

| Name | Date of first apt | Current term of office to | Date of retirement or resignation | Status | Committees served | Corporation Attendance % |
|---|---|---|---|---|---|---|
| Frank Toop | 16/09/20 | 15/09/23 | 16/02/21 | External | Audit & Risk (Chair) | 100% (2/2) |
| Phil Frier | 21/12/20 | 21/12/23 | n/a | External | Teaching & Learning | 100% (2/2) |
| Tosin Adebisi | 21/12/20 | 21/12/23 | n/a | External | Teaching & Learning | 100% (2/2) |
| Kirstin Baker | 21/12/20 | 21/12/23 | n/a | External | Finance | 100% (2/2) |
| Anne Ackord | 21/12/20 | 21/12/23 | n/a | External | Audit & Risk | 100% (2/2) |
| Frances Duncan | 06/05/21 | 05/05/24 | n/a | External | Teaching & Learning | n/a |
| Mark Crowter | 24/04/21 | 23/04/24 | n/a | External | Audit & Risk (Chair) | n/a |
| Chris Hill | 21/12/20 | 21/12/23 | n/a | Staff | Finance/Teaching & Learning | 100% (2/2) |
| Paul Lansdowne | 21/12/20 | 21/12/23 | n/a | Staff | Teaching & Learning | 100% (2/2) |
| Klaidon Osborne | 21/12/20 | 21/12/21 | 10/03/21 | Student | Teaching & Learning | 100% (1/1) |
| Robert McCloskey | 21/12/20 | 21/12/21 | n/a | FE Student | Teaching & Learning | 100% (2/2) |
| Allyshia Vallier | 30/03/21 | 31/07/22 | n/a | HE Student | Teaching & Learning | n/a |

Total number of Board meetings during 2019/20 – 10

Total number of Board meetings during 2020/21 (up to point of signing) – 3 (Oct, Dec 2020 and Mar 2021)

**The governance framework**

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 information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. At its meeting on the 27 April 2020, the Board resolved to move to a wider committee governance structure as of September 2020. The statutory committees of Audit and Remuneration Committees would remain in place, supported by a Finance Committee and a Teaching and Learning Committee.

Each committee has terms of reference, which were approved by the corporation in July 2020. Full minutes of all meetings, except those deemed to be confidential by the corporation, are available on the college's website gbmc.ac.uk or from the clerk to the corporation at the College's registered address.

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis. Corporation and Committee meetings continued during the COVID pandemic although they were conducted remotely as required.

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

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

**Appointments to the corporation**

Any new member appointments to the corporation are a matter for the consideration of the corporation as a whole. At the point of merger, a governor recruitment and search procedure was implemented which has a selection panel that shortlists and interviews candidates with recommendations submitted to the full Corporation for consideration.

Members of the Corporation are appointed for a term of office not normally exceeding three years and can potentially serve a further two three-year terms of office (i.e. a maximum of nine years). The Board makes decisions on the re-appointment of Members taking into consideration past performance, the future skill set needed by the Board and consideration whether there is a need for the recruitment of new Members with a fresh perspective.

**Corporation performance**

As part of the College SAR, the corporation assessed the effectiveness of leadership and management and graded itself as 'Requires Improvement' on the Ofsted Scale in November 2019. The new Governance committee structure ensures that leaders and managers are more effectively challenged and supported and this in turn, leads to improvements in standards. As a result, leadership and management was graded 'Good' in the 2019/20 Self-Assessment Review approved at the 21 December 2020 Corporation meeting.

**Remuneration Committee**

Throughout the year ending 31 July 2020 the college's Remuneration Committee comprised three members of the corporation. The Committee's responsibilities include the consideration and determination of the grading, pay and conditions of service of the Accounting Officer and other Senior Post Holders. The College has adopted the AoC's Senior Staff Remuneration Code.

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

**Audit Committee**

The Audit Committee comprises three members of the corporation (excluding the Accounting Officer and Chair) and two co-optees. The Committee operates in accordance with written terms of reference approved by the corporation.

The Audit Committee meets a minimum of three times a year and for the year ended 31 July 2020 the Committee met four times. It provides a forum for reporting by the college's internal auditors and financial statements auditors, who have access to the Committee for independent discussion without the presence of college management.

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

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

The Audit Committee also advises the corporation on the appointment of internal auditors and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the corporation.

The Corporation resolved to change the name of the Audit Committee to the Audit and Risk Committee on 21 December 2020, to emphasise its central role in the oversight of college risk management systems.

**Finance Committee**

The first meeting of the Finance Committee took place on the 23 September 2020. This was followed by fortnightly meetings until the Recovery Plan had been submitted and monthly thereafter. Termly meetings will commence in the 2021 spring term. Membership consists of five external Governors, a staff governor and the Interim CEO. The COO is also in attendance.

The Committee is responsible for oversight of all aspects of the College's finances, financial policies, controls and strategy.

**Teaching & Learning Committee**

The Teaching & Learning Committee meets at least once a term and to date meetings have been held on 19 October and 23 November 2020. Membership comprises of six external Governors, the Interim CEO, two Staff Governors and two Student Governors. The Principal is also in attendance at each meeting. The Committee is responsible for the development of the curriculum to ensure that it meets the needs of stakeholders and to monitor the effectiveness of systems and processes in place to support the quality of education, teaching and learning and outcomes for students.

The committee will review all provision delivered by the College including:

- Education programmes for young people
- Apprenticeships
- Adult learning programmes
- Learners with high needs
- Higher education
- International

## 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 CEO/COO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Greater Brighton Metropolitan College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Greater Brighton Metropolitan College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

*The risk and control framework*

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

- 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
- the adoption of formal project management disciplines, where appropriate.

Greater Brighton Metropolitan 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 minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity for the Colleges and the Audit Committee provides the governing body with a report of its work. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the CEO/COO has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

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

The Executive 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 Executive 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 Executive team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Executive team, Internal Audit, and the Audit Committee, and taking account of events since 31 July 2020.

The Audit Committee produces an annual report setting out the work it has undertaken in the year, which provides an opinion on the effectiveness of the regularity, risk management and internal control and governance arrangements. Part of the supporting assurance is taken from the opinion of the Internal Audit Service. This stated that 'Greater Brighton Metropolitan College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We have however only been able to provide a weak level of assurance around the Budgetary and Financial Control arrangements in place at the College'. The recommendations raised in relation to the work undertaken on Budgetary and Financial Control arrangements have subsequently been fully implemented. It is considered that no other significant internal control weaknesses or failures have arisen during the Financial Year or after the year end but before the date of signing the Financial Statements.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, 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 undertaken an assessment of its current position, future prospects, and principal risks, in relation to its ability to continue in operation and to meet its liabilities over the period of its Strategic Plan.

In the period following the merger, income reduced significantly, and has been below the levels anticipated in the merger plans. Although some corresponding cost reductions have been achieved, these have not been sufficient to meet the College's targets for operational financial performance, and there has been a significant impact on liquidity.

The College has breached its operational leverage financial covenant relating to its term loan with Barclays in three successive years. On this basis the full remaining amount of the loan of £10.8m has been classified as a current liability, contributing to a net current liability position for both the Group and the College as at 31 July 2020 of £8.0m. During the period, the Bank has remained supportive, and, although no formal waiver has been granted, letters of comfort have been issued for the years ending 31 July 2018, 31st July 2019 and 31st July 2020, indicating that the outstanding amount will not be required to be immediately repaid due to the covenant breach. The Bank has also agreed that the covenant tests should be reviewed ahead of the 31st July 2021, taking account of the action being taken by the College to address is financial position as set out below, and the associated financial projections. The Barclays facilities have a final repayment date of 31 March 2022; initial discussions with the Bank indicate that this will be rolled forward to August 2022 allowing a long-term position to be agreed as part of the planned merger.

A strategy to address the College's liquidity position was developed and implemented, in conjunction with the Bank and Funding Body at the end of the 2017/18 Financial Year. This reduced annual debt repayments by renegotiating terms on the facilities in place with Barclays and the Merger Transition Loan. In addition, the financing for the Pelham Redevelopment Project was structured to be repaid over an extended period, resulting in a cash inflow to improve the liquidity position.

However, the impact of the Covid-19 pandemic in 2019/20, on an already weak liquidity position, was significant, and the College required exceptional financial support (EFS) from its Funding Body. This was paid in May and June 2020, with a facility of £5.8m being granted to cover the period running to the end of 2020. The facility is interest free and potentially repayable in the future should the DfE assess that recovery is affordable by the College.

As a result of the EFS, and following the annual assessment of Financial Health by the ESFA, the College was issued with a Financial Notice to Improve (FNtI). This required the development of a Recovery Plan which was submitted in October 2020, and subsequently accepted by the ESFA in November 2020.

The Recovery Plan set out how the College would improve its Financial Health, as assessed by the ESFA, by making significant efficiency savings and cost reductions.

As part of the FNtI the College has received diagnostic visits from the FE Commissioner (FEC) Team. Following the visit in November 2020, the FEC recommended that the College undertake a formal Structures and Prospects Appraisal (SPA) which commenced in December 2020 and concluded in March 2021. The outcome of the SPA was a formal recommendation by the FEC that the College should progress a merger with the Chichester College Group, which was accepted by the GB Met Board in March 2021.

The process of implementation of the merger has commenced. Whilst this is progressing as planned, there is full due diligence and public consultation still to be undertaken, and it is too early for the merger to be considered to be certain. The SPA did not identify alternative merger partners, and therefore the fall-back position would be for the College to continue on a standalone basis.

Implementation of the Recovery Plan is continuing alongside the merger process, and is on track to deliver the required savings. However, there has been a significant adverse impact on cashflow during the early part of 2021 due the third national lockdown put in place in response to the ongoing Covid-19 pandemic. Financial projections continue to be updated, but currently show that there is forecast to be a requirement for additional short-term liquidity support in the first part of 2022, ahead of the anticipated merger date of 31 July 2022.

At this stage it is not possible to know exactly what level of support will be required, and for what period, and therefore the College has yet to seek to secure formal agreement of a specific facility. The College will also be taking all action possible to mitigate the position, and to minimise the requirement. However, as additional support is forecast to be required, the College has engaged fully with all the key stakeholders and believes that sufficient support will be made available as required, via the ESFA, as further EFS, and from the bank in the form of continued provision of the existing facilities.

On this basis, the College believes it will be able to continue in operation and meet its liabilities over the period ahead of the planned merger. It is therefore considered that the 'going concern' assumption remains appropriate and accordingly the College will continue to adopt the going concern basis in the preparation of its Financial Statements. However, whilst taking this position, the College recognises that, in the absence of both certainty over the merger successfully completing and formal commitment of financial support to cover the forecast shortfall in the period to August 2022, a material uncertainty exists in relation to this assumption.

Approved by order of the Corporation on 9th June 2021 and signed on its behalf by:

**Sue Berelowitz**
**Chair of Governors**

**Andrew Green**
**Accounting Officer**

## Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

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 Corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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

Approved by order of the Corporation on 9th June 2021 and signed on its behalf by:

**Sue Berelowitz**

**Chair of Governors**

**Date 09 June 2021**

**Andrew Green**

**Accounting Officer**

**Date 09 June 2021**

## 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 grant funding agreements and contracts between the Education and Skills Funding Agency (ESFA) and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with *the College accounts direction 2019 to 2020 – Financial reporting requirements for sixth-form and further education colleges* issued by the ESFA, *Accounts Direction* issued by the Office for Students and United Kingdom generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation

The Corporation is also required to prepare a Strategic 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 funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 9th June 2021 and signed on its behalf by:

Sue Berelowitz

**Sue Berelowitz**

**Chair of Governors**

# INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF GREATER BRIGHTON METROPOLITAN COLLEGE

**Opinion**

We have audited the financial statements of Greater Brighton Metropolitan College (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2020 which comprise the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated and College Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**Basis for opinion**

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

**Material uncertainty relating to going concern**

We draw attention to note 1 in the financial statements, which states that, as of 31 July 2020, the Group and College had net current liabilities of £8m; that there were unwaived covenant breaches as at 31 July 2020 and that a covenant breach is forecast for the year ending 31 July 2021; the repayment date of existing bank facilities is 31 March 2022; and that the Group and College forecasts that further financial support, which is not yet committed, will be required in the forecast period to 31 July 2022 and that a proposed merger with another college is being pursued but is not sufficiently progressed to have certainty that the merger will successfully complete . As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

**Opinion on other matters prescribed by the Office for Students' Accounts Direction**
In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Reasearch England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

**Responsibilities of the Corporation of Greater Brighton Metropolitan College**
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 27, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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

**Use of our report**
This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 11 November

2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

**RSM UK AUDIT LLP**
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 10 June 2021

## Consolidated and College Statements of Comprehensive Income

| | Notes | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | Group £'000 | College £'000 | Group £'000 | College £'000 |
| **Income** | | | | | |
| Funding body grants | 2 | 25,535 | 25,535 | 28,253 | 28,180 |
| Tuition fees and education contracts | 3 | 7,070 | 7,070 | 8,365 | 8,355 |
| Other grants and contracts | 4 | 831 | 831 | 2,150 | 2,150 |
| Other income | 5 | 866 | 893 | 1,507 | 1,543 |
| Investment income | 6 | 1 | 1 | 2 | 2 |
| **Total income** | | **34,303** | **34,330** | **40,277** | **40,230** |
| **Expenditure** | | | | | |
| Staff costs | 7 | 26,295 | 26,085 | 26,248 | 25,940 |
| Restructuring costs | 7 | 163 | 142 | 488 | 488 |
| Other operating expenses | 8 | 9,538 | 9,808 | 13,251 | 13,635 |
| Depreciation | 11 | 3,093 | 3,093 | 3,251 | 3,251 |
| Interest and other finance costs | 9 | 892 | 892 | 831 | 831 |
| **Total expenditure** | | **39,981** | **40,020** | **44,069** | **44,145** |
| **Deficit before other gains and losses** | | **(5,678)** | **(5,690)** | **(3,792)** | **(3,915)** |
| (Loss)/Gain on disposal of fixed assets | | (40) | (40) | 10,526 | 10,526 |
| **(Deficit)/Surplus before tax** | | **(5,718)** | **(5,730)** | **6,734** | **6,611** |
| **Taxation** | 10 | - | - | - | - |
| **(Deficit)/Surplus for the year** | | **(5,718)** | **(5,730)** | **6,734** | **6,611** |
| Other comprehensive income | | - | - | - | - |
| Actuarial (loss)/gain in respect of pensions schemes | 24 | (8,402) | (8,402) | (1,169) | (1,169) |
| **Total Comprehensive Income for the year** | | **(14,120)** | **(14,132)** | **5,565** | **5,442** |
| **Represented by:** | | | | | |
| Unrestricted comprehensive income | | (14,120) | (14,132) | 5,565 | 5,442 |
| Restricted comprehensive income | | - | - | - | - |
| | | **(14,120)** | **(14,132)** | **5,565** | **5,442** |

## Consolidated and College Statements of Changes in Reserves

| | Income and expenditure account | Revaluation reserve | Restricted reserves | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Group** | | | | |
| **Balance at 1st August 2018** | (2,393) | 19,011 | 71 | 16,689 |
| Surplus from the income and expenditure account | 6,734 | - | - | 6,734 |
| Other comprehensive income | (1,169) | - | - | (1,169) |
| Transfers between: | | | | |
| Restricted and income and expenditure reserves | 3 | - | (3) | - |
| Revaluation and income and expenditure reserves | 6,587 | (6,587) | - | - |
| | 12,155 | (6,587) | (3) | 5,565 |
| **Balance at 31st July 2019** | 9,762 | 12,424 | 68 | 22,254 |
| Deficit from the income and expenditure account | (5,718) | - | - | (5,718) |
| Other comprehensive income | (8,402) | - | - | (8,402) |
| Transfers between: | | | | |
| Restricted and income and expenditure reserves | 13 | - | (13) | - |
| Revaluation and income and expenditure reserves | 190 | (190) | - | - |
| Total comprehensive income for the year | (13,917) | (190) | (13) | (14,120) |
| **Balance at 31st July 2020** | (4,155) | 12,234 | 55 | 8,134 |
| **College** | | | | |
| **Balance at 1st August 2018** | (2,258) | 19,011 | 71 | 16,824 |
| Surplus from the income and expenditure account | 6,611 | - | - | 6,611 |
| Other comprehensive income | (1,169) | - | - | (1,169) |
| Transfers between: | | | | |
| Restricted and income and expenditure reserves | 3 | - | (3) | - |
| Revaluation and income and expenditure reserves | 6,587 | (6,587) | - | - |
| | 12,032 | (6,587) | (3) | 5,442 |
| **Balance at 31st July 2019** | 9,774 | 12,424 | 68 | 22,266 |
| Deficit from the income and expenditure account | (5,730) | - | - | (5,730) |
| Other comprehensive income | (8,402) | - | - | (8,402) |
| Transfers between: | | | | |
| Restricted and income and expenditure reserves | 13 | - | (13) | - |
| Revaluation and income and expenditure reserves | 190 | (190) | - | - |
| Total comprehensive income for the year | (13,929) | (190) | (13) | (14,132) |
| **Balance at 31st July 2020** | (4,155) | 12,234 | 55 | 8,134 |

## Consolidated and College Balance sheets as at 31 July 2020

| | Notes | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | Group | College | Group | College |
| | | £'000 | £'000 | £'000 | £'000 |
| **Fixed Assets** | | | | | |
| Tangible assets | 11 | 66,081 | 66,081 | 55,246 | 55,246 |
| Investments | 12 | 15 | 15 | 28 | 28 |
| **Total Fixed assets** | | **66,096** | **66,096** | **55,274** | **55,274** |
| **Current assets** | | | | | |
| Stocks | | 60 | 60 | 26 | 26 |
| Debtors amounts falling due within one year | 13 | 11,981 | 11,981 | 2,805 | 2,805 |
| Debtors, Amounts falling due past one year | 14 | - | - | 9,950 | 9,950 |
| Cash at bank and in hand | | 2,073 | 2,073 | 4,164 | 4,164 |
| **Total Current assets** | | **14,114** | **14,114** | **16,945** | **16,945** |
| **Less: Creditors – amounts falling due within one year** | 15 | (22,146) | (22,146) | (17,264) | (17,252) |
| **Net current assets/(liabilities)** | | **(8,032)** | **(8,032)** | **(319)** | **(307)** |
| **Total assets less current liabilities** | | **58,064** | **58,064** | **54,955** | **54,967** |
| Less: Creditors – amounts falling due after more than one year | 16 | (25,166) | (25,166) | (18,762) | (18,762) |
| **Provisions** | | | | | |
| Defined benefit obligations | 18 | (24,079) | (24,079) | (13,130) | (13,130) |
| Other provisions | 18 | (685) | (685) | (809) | (809) |
| **Total net assets** | | **8,134** | **8,134** | **22,254** | **22,266** |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure account | | (4,155) | (4,155) | 9,762 | 9,774 |
| Revaluation reserve | | 12,234 | 12,234 | 12,424 | 12,424 |
| **Restricted Reserves** | | | | | |
| Expendable | | 3 | 3 | 3 | 3 |
| Permanent | | 52 | 52 | 65 | 65 |
| **Total reserves** | | **8,134** | **8,134** | **22,254** | **22,266** |

**The financial statements on pages 31 to 62 were authorised for issue by the governing body on 9th June 2021 and were signed on its behalf by:-**

**Sue Berelowitz**
**Chair of Governors**

**Andrew Green**
**Accounting Officer**

## Consolidated statement of Cash flows

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| (Deficit)/Surplus for the year | | (5,718) | 6,734 |
| **Adjustment for non cash items** | | | |
| Depreciation | 11 | 3,093 | 3,251 |
| Deferred capital grants released to income | | (826) | (832) |
| (Increase)/Decrease in stocks | | (34) | 12 |
| Decrease/(Increase) in debtors | 13,14 | 774 | (600) |
| Decrease in creditors | 15,16 | (1,350) | (1,120) |
| Pensions costs less contributions payable | 24 | 2,155 | 1,336 |
| Pension finance cost | 9 | 314 | 327 |
| **Adjustment for investing or financing activities** | | | |
| Interest received | 6 | (1) | (2) |
| Interest payable | 9 | 578 | 504 |
| Loss /(Profit) on sale of fixed assets | | 40 | (10,526) |
| **Net Cash inflow from operating activities** | | **(974)** | **(916)** |
| **Cash flows from investing activities** | | | |
| Decrease in value of investments | | 13 | 4 |
| Proceeds from sale of fixed assets | | - | 5,501 |
| Receipt of deferred capital grant | | 1,903 | 1,274 |
| Payments made to acquire fixed assets | 11 | (12,717) | (1,750) |
| | | **(10,801)** | **5,029** |
| **Cash flows from financing activities** | | | |
| Interest paid | 9 | (545) | (465) |
| Interest received | 6 | 1 | 2 |
| Interest element of finance lease rental payments | 9 | (33) | (39) |
| New secured loans | | 10,362 | 500 |
| Repayments of amounts borrowed | | (326) | (867) |
| Capital element of finance lease rental payments | | 226 | 181 |
| | | **9,685** | **(688)** |
| (Decrease)/Increase in cash and cash equivalents in the year | | (2,091) | 3,425 |
| Cash and cash equivalents at beginning of the year | 20 | 4,164 | 739 |
| Cash and cash equivalents at end of the year | 20 | 2,073 | 4,164 |

## Notes to the financial statements

### 1. Statement of accounting policies and estimation techniques

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

**General Information**

Greater Brighton Metropolitan College is a college established under the Further and Higher Education Act 1992 as a general FE college. The nature of the College's operations is set out in the Member's report.

**Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Account for Further and Higher Education 2019 (SORP 2019), the College Accounts Direction for 2019 to 2020, and Regulatory Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Basis of Accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-cash assets.

The consolidated financial statements are presented in sterling which is also the functional currency of the college.

Monetary amounts in the financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the College and its subsidiary, (Greater Brighton Skills Ltd) controlled by the group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS102, the activities of the student union have not been consolidated because the college does not control these activities. All financial statements are made up to the 31 July 2019.

Advantage has been taken of the exemption from disclosing the College's cash flow statement.

**Going concern**

The College has undertaken an assessment of its current position, future prospects, and principal risks, in relation to its ability to continue in operation and to meet its liabilities over the period of its Strategic Plan.

In the period following the merger, income reduced significantly, and has been below the levels anticipated in the merger plans. Although some corresponding cost reductions have been achieved, these have not been sufficient to meet the College's targets for operational financial performance, and there has been a significant impact on liquidity.

The College has breached its operational leverage financial covenant relating to its term loan with Barclays in three successive years. On this basis the full remaining amount of the loan of £10.8m has been classified as a current liability, contributing to a net current liability position for both the Group and the College as at 31 July 2020 of £8.0m. During the period, the Bank has remained supportive, and, although no formal waiver has been granted, letters of comfort have been issued for the years ending 31 July 2018, 31st July 2019 and 31st July 2020, indicating that the outstanding amount will not be required to be immediately repaid due to the covenant breach. The Bank has also agreed that the covenant tests should be reviewed ahead of the 31st July 2021, taking account of the action being taken by the College to address is financial position as set out below, and the associated financial projections. The Barclays facilities have a final repayment date of 31 March 2022; initial discussions with the Bank indicate that this will be rolled forward to August 2022 allowing a long-term position to be agreed as part of the planned merger.

A strategy to address the College's liquidity position was developed and implemented, in conjunction with the Bank and Funding Body at the end of the 2017/18 Financial Year. This reduced annual debt repayments by renegotiating terms on the facilities in place with Barclays and the Merger Transition Loan. In addition, the financing for the Pelham Redevelopment Project was structured to be repaid over an extended period, resulting in a cash inflow to improve the liquidity position.

However, the impact of the Covid-19 pandemic in 2019/20, on an already weak liquidity position, was significant, and the College required exceptional financial support (EFS) from its Funding Body. This was paid in May and June 2020, with a facility of £5.8m being granted to cover the period running to the end of 2020. The facility is interest free and potentially repayable in the future should the DfE assess that recovery is affordable by the College.

As a result of the EFS, and following the annual assessment of Financial Health by the ESFA, the College was issued with a Financial Notice to Improve (FNtI). This required the development of a Recovery Plan which was submitted in October 2020, and subsequently accepted by the ESFA in November 2020.

The Recovery Plan set out how the College would improve its Financial Health, as assessed by the ESFA, by making significant efficiency savings and cost reductions.

As part of the FNtI the College has received diagnostic visits from the FE Commissioner (FEC) Team. Following the visit in November 2020, the FEC recommended that the College undertake a formal Structures and Prospects Appraisal (SPA) which commenced in December 2020 and concluded in March 2021. The outcome of the SPA was a formal recommendation by the FEC that the College should progress a merger with the Chichester College Group, which was accepted by the GB Met Board in March 2021.

The process of implementation of the merger has commenced. Whilst this is progressing as planned, there is full due diligence and public consultation still to be undertaken, and it is too early for the merger to be considered to be certain. The SPA did not identify alternative merger partners, and therefore the fall-back position would be for the College to continue on a standalone basis.

Implementation of the Recovery Plan is continuing alongside the merger process, and is on track to deliver the required savings. However, there has been a significant adverse impact on cashflow during the early part of 2021 due the third national lockdown put in place in response to the ongoing Covid-19 pandemic. Financial projections continue to be updated, but currently show that there is forecast to be a requirement for additional short-term liquidity support in the first part of 2022, ahead of the anticipated merger date of 31 July 2022.

At this stage it is not possible to know exactly what level of support will be required, and for what period, and therefore the College has yet to seek to secure formal agreement of a specific facility. The College will also be taking all action possible to mitigate the position, and to minimise the requirement. However, as additional support is forecast to be required, the College has engaged fully with all the key stakeholders and believes that sufficient support will be made available as required, via the ESFA, as further EFS, and from the bank in the form of continued provision of the existing facilities.

On this basis, the College believes it will be able to continue in operation and meet its liabilities over the period ahead of the planned merger. It is therefore considered that the 'going concern' assumption remains appropriate and accordingly the College will continue to adopt the going concern basis in the preparation of its Financial Statements. However, whilst taking this position, the College recognises that, in the absence of both certainty over the merger successfully completing and formal commitment of financial support to cover the forecast shortfall in the period to August 2022, a material uncertainty exists in relation to this assumption.

**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 FRS 102. 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.

Apprenticeship grant income, both levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year

The recurrent grant from OfS represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being 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 discretionary support funds, educational maintenance allowances, adult learner grants and HE access funds. Related payments received from the FE Funding Bodies or OfS, and subsequent disbursements to students, are excluded from the Statement of comprehensive income, where the College does not have control of the economic benefit related to the transaction and are shown separately in note 26, except for the element of grant received which is available to the College to cover administrative costs.

**Post-retirement 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.

*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 interest and other finance costs.
Actuarial gains and losses are recognised immediately in other comprehensive income.

**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 monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

## Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

*Land and Buildings*

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years with only minor exceptions. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future.

*Equipment*

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

- technical equipment 10 years
- furniture, fixtures and fittings 10 years
- computer equipment 6 years
- motor vehicles 10 years

## 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.

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 life 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.

**Investments**

Investments held as fixed assets or endowment assets are included in the balance sheet at market value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

**Stocks**

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

**Foreign currency translations**

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

**Cash and cash equivalents**

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

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

**Financial liabilities and equity**

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

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

**Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way any commercial organisation.

**Provisions**

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

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.

Other key sources of estimation uncertainty:

**Tangible fixed assets**

Tangible fixed assets, 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 24, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

**Impairment of fixed assets**

The Group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flows and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

## 2. Funding body grants

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| **Recurrent grants** | | | | |
| Education and Skills Funding Agency - Adult | 5,149 | 5,149 | 5,324 | 5,324 |
| Education and Skills Funding Agency - 16 - 18 | 15,420 | 15,420 | 16,484 | 16,484 |
| Education and Skills Funding Agency - Apprenticeships | 2,330 | 2,330 | 4,014 | 3,941 |
| Office for Students | 401 | 401 | 541 | 541 |
| **Specific grants** | | | | |
| Teacher Pension Scheme contribution grant | 626 | 626 | - | - |
| Education and Skills Funding Agency - Non Recurrent grant | 270 | 270 | 1,058 | 1058 |
| Non-Recurrent grants - Other | 512 | 512 | | |
| Releases of government capital grants | 783 | 783 | 778 | 778 |
| HE development grant | 43 | 43 | 54 | 54 |
| **Total** | **25,535** | **25,535** | **28,253** | **28,180** |

## 3. Tuition fees and education contracts

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Apprenticeship fees and contracts | 66 | 66 | 79 | 79 |
| Fees for FE loan supported courses* | 1,490 | 1,490 | 1,287 | 1,287 |
| Fees for HE loan supported courses | 4,202 | 4,202 | 4,665 | 4,665 |
| ESFA funded provision - Adult Skills | 51 | 51 | 93 | 93 |
| Full Cost Provision* | 582 | 582 | 1,379 | 1,369 |
| Adult Community Learning* | 189 | 189 | 203 | 203 |
| International student fees* | 490 | 490 | 659 | 659 |
| **Total tuition fees** | **7,070** | **7,070** | **8,365** | **8,355** |
| Education contracts | - | - | - | - |
| **Total** | **7,070** | **7,070** | **8,365** | **8,355** |

* Non-qualifying courses as defined in section 83(1) of Higher Education and Research Act 2017

## 3A. Total grant and fee income

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £’000 | £’000 | £’000 | £’000 |
| Grant income from the OfS | 401 | 401 | 541 | 541 |
| Grant income from other bodies | 25,134 | 25,134 | 27,712 | 27,639 |
| **Total grants** | **25,535** | **25,535** | **28,253** | **28,180** |
| Fee income for taught awards (exclusive of VAT) | 4,202 | 4,202 | 4,665 | 4,665 |
| Fee income from non-qualifying courses (excl. of VAT) | 2,868 | 2,868 | 3,700 | 3,690 |
| **Total tuition fees and education contracts** | **7,070** | **7,070** | **8,365** | **8,355** |
| **Total grant and fee income** | **32,605** | **32,605** | **36,618** | **36,535** |

**4. Other grants and contracts**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Other grant income | 108 | 108 | 1,932 | 1,932 |
| Other contract income | 290 | 290 | 218 | 218 |
| Coronavirus Job Retention Scheme grant | 434 | 434 | - | - |
| **Total** | **831** | **831** | **2,150** | **2,150** |

The college furloughed some premises staff, technicans and administrators under the government's Coronavirus Job Retention Scheme. The funding received in respect of 204 staff of £434k relates to staff costs which are included within the staff costs note below as appropriate. None of the furloughed staff were grant funded.

**5. Other Income**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Residences, catering and conferences | 679 | 679 | 1,105 | 1,105 |
| Other income generating activities | 140 | 140 | 314 | 314 |
| Miscellaneous income | 47 | 74 | 88 | 124 |
| | **866** | **893** | **1,507** | **1,543** |

**6. Investment income**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Other Investment Income | 1 | 1 | 2 | 2 |
| **Total** | 1 | 1 | 2 | 2 |

## 7. Staff Costs

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group Number | College Number | Group Number | College Number |
| Teaching staff | 508 | 508 | 784 | 784 |
| Non teaching staff | 630 | 600 | 882 | 852 |
| | **1,138** | **1,108** | **1,666** | **1,636** |

| **Staff costs for the above persons:** | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Wages and salaries | 18,578 | 18,382 | 19,774 | 19,494 |
| Social security costs | 1,509 | 1,495 | 1,611 | 1,583 |
| Other pension costs | 6,208 | 6,208 | 4,863 | 4,863 |
| **Payroll sub-total** | **26,295** | **26,085** | **26,248** | **25,940** |
| Restructuring costs: | | | | |
| Contractual | 129 | 108 | 60 | 60 |
| Non contractual | 34 | 34 | 428 | 428 |
| | **26,458** | **26,227** | **26,736** | **26,428** |

Restructuring costs relate to redundancies and severances.

**7. Staff Costs (cont.)**

**Key management personnel (KMP)**

Key management personnel are those persons having authority and personality for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises of the Chief Executive Officer, Chief Operating Officer, the Principal, and the HR Director (who left the College on 15 March 2020 with no replacement).

The number of KMP and other staff who received annual emoluments; excluding pension contributions but including benefits in kind, in the following ranges was:

| | Key management personnel | | Other Staff | |
|---|---|---|---|---|
| | 2020 No: | 2019 No: | 2020 No: | 2019 No: |
| £60,001 to £65,000 | - | - | 2 | 3 |
| £65,001 to £70,000 | - | - | 5 | 3 |
| £75,001 to £80,000 | 1 | 1 | - | - |
| £80,001 to £85,000 | - | - | - | - |
| £95,001 to £100,000 | 1 | 1 | - | - |
| £105,001 to £110,000 | 1 | 2 | - | - |
| £145,001 to £150,000 | 1 | 1 | - | - |
| | **4** | **5** | **7** | **6** |

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

| | Group and College 2020 No. | Group and College 2019 No. |
|---|---|---|
| The number of KMP including the Accounting Officer was: | 4 | 5 |

KMP emoluments are made up as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Salaries - gross of salary sacrifice and waived emoluments | 406 | 428 |
| Employers' National Insurance | 52 | 54 |
| Benefits in kind | 3 | 4 |
| | 461 | 486 |
| Pension contributions | 106 | 103 |
| **Total emoluments** | **567** | **589** |

## 7. Staff Costs (cont.)

### Emoluments of Key management personnel, Accounting Officer and other higher paid staff (cont.)

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Interim Accounting Officer (from 6 Jul 20 to 31 Jul 20)** | | |
| Salaries | 8 | - |
| Benefits in kind | - | - |
| | 8 | - |
| Pension Contributions | 2 | - |
| Total | 10 | - |
| **Former Accounting Officer (from 1 Aug 20 to 5 Jul 20)** | | |
| Salaries (inc. payment in lieu of notice) | 198 | 144 |
| Compensation paid to the former postholder | - | - |
| Benefits in kind | - | 2 |
| | 198 | 146 |
| Pension contributions | 40 | 38 |
| Total | 238 | 184 |

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total renumeration

| | 2020 No. | 2019 No. |
|---|---|---|
| **Former Accounting Officer** | | |
| Basic salary as a multiple of median basic salary of staff | 6.1 | 5.39 |
| Total renumeration as a multiple of median total remuneration of staff | 6.36 | 5.78 |
| **Interim Accounting Officer** | | |
| Basic salary as a multiple of median basic salary of staff | 4.61 | - |
| Total renumeration as a multiple of median total remuneration of staff | 4.8 | - |

The above disclosure excludes any staff that worked at the college through an agency.

The performance of key management personnel, inc. Accounting Officer is reviewed twice a year, as part of the College's appraisal framework, to assess value and performance delivered against objectives based on strategic priorities and annual plans. Appraisals are subsequently received by the Remuneration Committee to judge performance and consider total emolument. Decisions on the salaries of key management personnel, inc. Accounting Officer are informed by market intelligence including data on other further education colleges of a comparable size, institutional and personal performance and affordability. Interim Accounting Officer was key management personnel before taking the responsibility of Accounting Officer, he was subjected the above emoluments assessment.

**8. Other operating expenses**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Teaching costs | 3,747 | 3,747 | 4,200 | 4,200 |
| Non teaching costs | 3,150 | 3,420 | 6,255 | 6,639 |
| Premises costs | 2,641 | 2,641 | 2,796 | 2,796 |
| **Total** | **9,538** | **9,808** | **13,251** | **13,635** |

**Surplus/(Deficit) before tax is stated after charging *:**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Auditor's remuneration: | | | | |
| Financial statements audit | 86 | 86 | 58 | 58 |
| Teachers pension audit | 2 | 2 | 2 | 2 |
| Maths Excellent Assurance report | 2 | 2 | - | - |
| Internal audit | 45 | 45 | 32 | 32 |
| Losses/ (Gains) on disposal of tangible fixed | 86 | 86 | (10,526) | (10,526) |
| Depreciation | 3,093 | 3,093 | 3,251 | 3,251 |
| Hire of plant and machinery - operating leases | 151 | 151 | 239 | 239 |

* includes VAT

**9. Interest and other finance costs**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| On bank loans, overdrafts and other loans | 545 | 545 | 465 | 465 |
| On finance leases | 33 | 33 | 39 | 39 |
| On enhanced pension | 16 | 16 | 17 | 17 |
| Net interest on defined pension liability (note 24) | 298 | 298 | 310 | 310 |
| **Total** | **892** | **892** | **831** | **831** |

**10. Taxation**

The College was not liable for any Corporation Tax arising out of its activities during the current or previous year.

**11. Tangible fixed assets**

| Group and College | Land and buildings | | | | |
|---|---|---|---|---|---|
| | Freehold | Long leasehold | Equipment | Motor vehicle | In course of construction |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| At 1 August 2019 | 64,999 | 16,639 | 14,507 | - | - |
| Additions | 12,884 | 35 | 1,146 | | - |
| Disposals | (144) | - | (75) | | |
| Transfers | 168 | 1 | (212) | | |
| **At 31 July 2020** | **77,907** | **16,675** | **15,366** | **-** | **-** |
| **Depreciation** | | | | | |
| At 1 August 2019 | 26,052 | 3,243 | 11,604 | - | - |
| Charge for the year | 1,235 | 585 | 1,273 | | |
| Elimination in respect of disposals | (7) | - | (75) | | |
| Transfers | 226 | - | (269) | | |
| **At 31 July 2020** | **27,506** | **3,828** | **12,533** | **-** | **-** |
| **Net book value at 31 July 2020** | **50,401** | **12,847** | **2,833** | **-** | **-** |
| Net book value at 31 July 2019 | 38,947 | 13,396 | 2,903 | - | - |

Land and buildings with a net book value of £16,200k have been financed by exchequer funds.

The net book value of equipment includes an amount of £930k (2018/19 – £656k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £698k (2018/19 – £877k).

**12. Non current Investments**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| HSBC ordinary shares at market value | 15 | 15 | 28 | 28 |
| **Total** | **15** | **15** | **28** | **28** |

* The college owes 100% of Greater Brighton Skills Limited of the 10, 10p ordinary shares. The company was incorporated in England and Wales on 27th October 2016. College has decided the delivery of apprenticeship would be more effectively done in house and the company is being closed down.

| 13. Debtors: amounts dalling due within one year | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 507 | 507 | 574 | 574 |
| Prepayments and accrued income | 787 | 787 | 1,263 | 1,263 |
| Amounts owed by the Education & Skills Funding Agency | 737 | 737 | 968 | 968 |
| Amounts owed from sale of land | 9,950 | 9,950 | - | - |
| **Total** | **11,981** | **11,981** | **2,805** | **2,805** |

| 14. Debtors: amounts falling due after more than one year | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed from sale of land | - | - | 9,950 | 9,950 |
| **Total** | **-** | **-** | **9,950** | **9,950** |

| 15. Creditors: amounts falling due within one year | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans and overdrafts | 10,707 | 10,707 | 11,033 | 11,033 |
| Other loan | 132 | 132 | - | - |
| ESFA emergency financial support | 5,362 | 5,362 | - | - |
| Obligations under finance leases | 350 | 350 | 473 | 473 |
| Payments received in advance | 548 | 548 | 593 | 593 |
| Trade payables | 209 | 209 | 794 | 794 |
| Taxation and social security | 317 | 317 | 409 | 396 |
| Accruals | 3,184 | 3,184 | 2,548 | 2,549 |
| Deferred income - government capital grants | 749 | 749 | 816 | 816 |
| Amounts owed to the Education & Skills Funding Agency | - | - | 87 | 87 |
| Other Creditors | 588 | 588 | 511 | 511 |
| **Total** | **22,146** | **22,146** | **17,264** | **17,252** |

| 16. Creditors: amounts falling due after more than one year | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Other loan | 4,868 | 4,868 | - | - |
| Merger Transition Loan | 2,100 | 2,100 | 2,100 | 2,100 |
| Obligations under finance leases | 603 | 603 | 254 | 254 |
| Deferred income - government capital grants | 17,595 | 17,595 | 16,408 | 16,408 |
| **Total** | **25,166** | **25,166** | **18,762** | **18,762** |

At 31 July 2019 and 2020 the bank loans falling due after more than one year have been reclassified as creditors falling due within one year due to the breach of the bank covenants with Barclays plc at the balance sheet date.

**17. Maturity of debt - Group and College**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| In one year or less | 10,707 | 11,033 |
| Between one and two years | - | - |
| Between two and five years | - | - |
| In five years or more | - | - |
| **Total** | **10,707** | **11,033** |

**(b) Other Loan**

The other loan is repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| In one year or less | 132 | - |
| Between one and two years | 526 | - |
| Between two and five years | 1,579 | - |
| In five years or more | 2,763 | - |
| **Total** | **5,000** | **-** |

**(c) Merger Transition Loan**

The merger transition loan is repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| In one year or less | - | - |
| Between one and two years | - | - |
| Between two and five years | 300 | 204 |
| In five years or more | 1,800 | 1,896 |
| **Total** | **2,100** | **2,100** |

**(d) Finance leases**

The net finance lease obligations to which the institution is committed are:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| In one year or less | 350 | 473 |
| Between two and five years | 603 | 254 |
| In five years or more | - | - |
| **Total** | **953** | **727** |

**(e) ESFA Emergency Funding**

ESFA Emergency Funding is repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| In one year or less | 5,362 | - |
| Between two and five years | - | - |
| In five years or more | - | - |
| **Total** | **5,362** | **-** |

**17. Maturity of debt - Group and College (cont.)**

Loan repayment terms are as follows:

**(a) Bank loans and overdrafts**

- Loan 1: £8.31m secured loan at 2.6% above Libor with Barclays Bank Plc, payable in quarterly instalments until March 2022.
- Loan 2: £1.69m secured loan at 2.6% above Libor with Barclays Bank Plc, payable in quarterly instalments until March 2022.

There is a preferential fixed legal charge of £4.075m over the freehold land being Northbrook College Sussex, 65 Broadwater Road, Worthing and Links College 14-16 Centre, Northbrook College Sussex, 1 Carnegie Road, Worthing and registered at HM Land Registry with title number WSX342884.

Quarterly repayments for both loans were based on a notional 20-year repayment period, after an extension in February 2019.

**(b) Other loan**

£5m secured loan at 4.6% with Worthing Borough Council, payable in biannual instalments until December 2039.

There is a fixed legal charge over the land and buildings known as part of Northbrook College, Littlehampton Road, Goring by Sea

The College agreed with the Lender in March 2019 that no further capital repayments would be made until a review point in June 2022. In March 2019 the interest rate was amended to be based on the Public Works Loan Board Standard Rate for a loan with a term of not more than one year in duration.

**(c) Merger Transition Loan**

£2.85m secured loan at 2.5% above Libor with The Secretary of State for Education (as Lender), payable in quarterly instalments. The capital repayments of remaining £2.1m have been deferred subject to outcome of further negotiations.

There is a fixed legal charge over the remaining value of freehold land being Northbrook College Sussex, 65 Broadwater Road, Worthing and Links College 14-16 Centre, Northbrook College Sussex, 1 Carnegie Road, Worthing and registered at HM Land Registry with title number WSX342884.

**(d) Finance leases**

Finance lease obligations are secured on the assets to which they relate.

**(e) ESFA Emergency Funding**

£5.36m ESFA Emergency Financial Support, no interest repayable but requires additional reporting on recovery plan.

A condition subsequent of this facility is that the DfE are granted security over the College's freehold property at Pelham Street, Brighton, West Durrington, and Broadwater. This will be in the form of legal charges which will rank as secondary to those already in place. Work to implement this condition is in progress.

**18. Provisions - Group and College**

| | Note | Defined benefit Obligations | Enhanced Pensions | Total |
|---|---|---|---|---|
| | | **£'000** | **£'000** | **£'000** |
| At 1 August 2019 | | (13,130) | (809) | (13,939) |
| Amounts Utilised | | 2,259 | - | 2,259 |
| Addition charged to SOCI | 24 | (13,208) | 124 | (13,084) |
| **At 31 July 2020** | | (24,079) | (685) | (24,764) |

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 24.

The enhanced pension provision relates to the cost of staff who have already left the College's employment 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: | 2020 | 2019 |
|---|---|---|
| Price Inflation | 2.2% | 2.4% |
| Discount Rate | 1.3% | 2.0% |

## 19. Endowment Reserves

| | Restricted permanent endowments £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|---|
| **Balances at 1 August 2019** | | | |
| Capital | 68 | 68 | 71 |
| Accumulated income | | | |
| | 68 | 68 | 71 |
| (Decrease) in market value of investments | (13) | (13) | (3) |
| **Total endowment comprehensive income for the year** | **(13)** | **(13)** | **(3)** |
| **At 31 July 2020** | **55** | **55** | **68** |
| **Analysis by type of purpose:** | | | |
| Scholarships and bursaries | 55 | 55 | 68 |
| | 55 | 55 | 68 |
| Analysis by asset | | | |
| Current and non-current asset investments | | 15 | 28 |
| Cash & cash equivalents | | 40 | 40 |
| | | 55 | 68 |

| **Balances at 31 July 2020:** | **£'000** |
|---|---|
| Chettle Fund | 52 |
| Anthony Amies | 1 |
| Evelyn Spencer | 2 |
| | 55 |

### 20. Consolidated analysis of changes in net debt

| | At 1 August 2019 | Cashflows | New finance leases | At 31 July 2020 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Cash in hand and at bank | 4,164 | (2,091) | - | 2,073 |
| Bank overdrafts | - | - | - | - |
| | 4,164 | (2,091) | - | 2,073 |
| Bank and other loans due within one year | (11,033) | 194 | - | (10,839) |
| Bank and other loans due after one year | | (4,868) | | (4,868) |
| Finance leases | (727) | 688 | (914) | (953) |
| ESFA emergency financial support | | (5,362) | | (5,362) |
| Merger Transition Loan | (2,100) | | | (2,100) |
| | (13,860) | (9,348) | (914) | (24,122) |
| **Total** | **(9,696)** | **(11,439)** | **(914)** | **(22,049)** |

### 21. Capital commitments

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Commitments contracted for at 31 July | 6,825 | 6,825 | 14,666 | 14,666 |

### 22. Lease obligations

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Future minimum lease payments due under non-cancellable operating leases are as follows:** | | |
| **Land and Buildings** | | |
| Expiring within one year | 78 | 78 |
| Expiring between two and five years inclusive | 312 | 312 |
| Expiring later than five years | 8,055 | 8,133 |
| | **8,445** | **8,523** |
| **Equipment** | | |
| Expiring within one year | 148 | 172 |
| Expiring between two and five years inclusive | 302 | 215 |
| | **450** | **387** |

Included in the obligation for land and buildings are amounts payable under the terms of the lease for land at Shoreham airport of £78k per annum. The lease is for 125 years and is due to expire in 2128.

**23. Events after the reporting period**

Sue Berelowitz, Chair of Governors, announced on 01 April 2021 that the Board voted to approve Chichester College Group (CCG) as GB MET's merger partner following the structure and prospects appraisal (SPA). The period of due diligence started on the same day with the aim to achieve the merger by August 2022.

**24. Defined benefit obligations**

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

**Total pension cost for the year**

| | | 2020 | | 2019 |
|---|---|---|---|---|
| | | £'000 | | £'000 |
| Teachers' Pension Scheme: Contributions paid | | 1,841 | | 1,361 |
| Local Government Pension Scheme | | | | |
| Contributions paid | 2,259 | | 2,212 | |
| FRS 102 charge | 2,155 | | 1,336 | |
| Charge to the Statement of Comprehensive Income | | 4,414 | | 3,548 |
| Enhanced pension charge to Statement of Comprehensive Income | | (47) | | (46) |
| **Total pension cost for year** | | **6,208** | | **4,863** |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £407k were payable to the schemes as at 31 July 2020 (2019: £375k) and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

### 24. Defined benefit obligations (cont.)

### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teachers' pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

The employer's pension costs paid to TPS in the period amounted to £1,841k (2019: £1,361k).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

### FRS 102 (28)

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

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

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2020 was £2,758k, of which employer's contributions totalled £2,259k and employees' contributions totalled £499k. The agreed contribution rates for future years are 27.2% for employers and between 5.5% and 12.5% for employees, depending on salary.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

**24. Defined benefit obligations (cont.)**

A recent ruling by the Supreme Court has denied the Government's right to appeal the McCloud judgement. This judgement was in relation to the public service pensions age discrimination cases. With this decision the Government's right to appeal is now fully exhausted and as such an estimate has been included in these financial statements. This impact is recognised as a past service cost where an 'adjustment factor' has been applied. This has been based on the Government Actuary's Department figure of 3.2% which represents the impact on scheme liabilities expressed as a percentage of active liabilities (as per the report issued on 10 June 2019) but reflecting the West Sussex Pension Fund's withdrawal, promotional and inflationary salary increase assumptions. The actuary has not made any other adjustments to reflect potential differences from the scheme split between pre 2014 and post 2014 active liabilities

**Principal actuarial assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

| | At 31 July 2020 | At 31 July 2019 |
|---|---|---|
| Rate of increase in salaries | 2.90% | 3.10% |
| Rate of increase for pensions in payment/inflation | 2.20% | 2.40% |
| Discount rate for scheme liabilities | 1.40% | 2.10% |
| Inflation assumption (CPI) | 0.00% | 1.50% |
| Commutation of pensions to lump sums | 50.00% | 50.00% |

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

| | At 31 July 2020 | At 31 July 2019 |
|---|---|---|
| *Retiring today* | | |
| Males | 21.8 | 21.8 |
| Females | 23.6 | 23.6 |
| *Retiring in 20 years* | | |
| Males | 23.0 | 23.6 |
| Females | 25.5 | 25.5 |

**24. Defined benefit obligations (cont.)**

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

| | Fair Value at 31 July 2020 | Fair Value at 31 July 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Equities | 42,042 | 39,687 |
| Bonds | 29,106 | 26,712 |
| Property | 5,660 | 6,106 |
| Cash | 4,043 | 3,816 |
| **Total market value of assets** | **80,850** | **76,321** |
| **Weighted average expected long term rate of** | | |
| **Actual return on plan assets** | **3,590** | **5,957** |

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fair value of plan assets | 80,850 | 76,321 |
| Present value of plan liabilities | (103,785) | (88,322) |
| Present value of unfunded liabilities | (1,144) | (1,129) |
| **Net pensions liability (Note 18)** | (24,079) | (13,130) |

| **Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| **Amounts included in staff costs** | | |
| Current service cost | (4,412) | (3,142) |
| Past service cost | (2) | (441) |
| **Total** | (4,414) | (3,583) |
| **Amounts included in interest and other finance** | | |
| Pension finance costs | (298) | (310) |
| | (298) | (310) |
| **Amounts recognised in Other Comprehensive Income** | | |
| Return on pension plan assets | 1,977 | 4,002 |
| Experience losses arising on defined benefit obligations | 249 | 21 |
| Changes in assumptions underlying the present value of plan liabilities | (10,722) | (5,114) |
| Amount recognised in Other Comprehensive Income | (8,496) | (1,091) |

**24. Defined benefit obligations (cont.)**

**Movement in net defined benefit liability during the year**

| | 2020 £'000 |
|---|---|
| (Deficit) in scheme at 1 August | (13,130) |
| Movement in year: | |
| Current service cost | (4,412) |
| Employer contributions | 2,259 |
| Past service cost | (2) |
| Net interest on the defined (liability)/asset | (298) |
| Actuarial loss | (8,496) |
| **Net defined benefit liability at 31 July** | **(24,079)** |

**Asset and Liability Reconciliation**

| | 2020 £'000 |
|---|---|
| **Changes in the present value of defined benefit obligations** | |
| **Defined benefit obligations at start of period** | 89,451 |
| Current Service cost | 4,412 |
| Interest cost | 1,911 |
| Contributions by Scheme participants | 499 |
| Experience gains and losses on defined benefit obligations | (249) |
| Changes in financial assumptions | 10,722 |
| Estimated benefits paid | (1,819) |
| Past Service cost | 2 |
| **Defined benefit obligations at end of period** | **104,929** |
| **Reconciliation of Assets** | |
| **Fair value of plan assets at start of period** | **76,321** |
| Interest on plan assets | 1,613 |
| Return on plan assets | 1,977 |
| Employer contributions | 2,259 |
| Contributions by Scheme participants | 499 |
| Benefits paid | (1,819) |
| **Fair value of plan assets at end of period** | **80,850** |

**25. Related party transactions**

The total expenses paid to or on behalf of the Governors during the year was £nil (2019: £750; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. At the year end the amount outstanding to Governors was £nil.

No Governor has received any remuneration or waived payments from the College during the year (2019: None).

Natalie Brett, one of the governors, is the Pro Vice Chancellor & Head of College University of the Arts London of which the College has paid £172k during 19/20 for exam registration fees (2019: £136k). At the year end the amount outstanding was £nil.

**26. Amounts disbursed as agent**

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Learner Support Funds** | | |
| ESFA Funding body grants - Advanced Learning Loan bursary | 201 | 196 |
| Other ESFA Funding body grants | 534 | 618 |
| Brought forward unspent from prior year | 14 | |
| | **749** | **814** |
| Disbursed to students | 719 | 746 |
| Administration costs | 30 | 30 |
| **Balance unspent as at 31 July, included in creditors** | **-** | **38** |

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.

**27. Access and participation expenditure**

| | 2020<br>£'000 |
|---|---|
| Access investment | 58 |
| Financial support provided to students | 135 |
| Support for disabled students | 8 |
| Research and evaluation related to access and participation activities | - |
| | **201** |

The above amounts included the cost of staff who are intrinsic to the delivery of the access and participation activities. This staff cost of £57k are already included in the overall staff costs figures as shown in note 7.

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF GREATER BRIGHTON METROPOLITAN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY**

**Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 11 November 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Greater Brighton Metropolitan College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. 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 ESFA has other assurance arrangements in place.

We are independent of Greater Brighton Metropolitan College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

**Responsibilities of Corporation of Greater Brighton Metropolitan College for regularity**

The Corporation of Greater Brighton Metropolitan College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Greater Brighton Metropolitan College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

**Reporting accountant's responsibilities for reporting on regularity**

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

**Use of our report**

This report is made solely to the Corporation of Greater Brighton Metropolitan College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Greater Brighton Metropolitan College and the Secretary of State for Education acting through the ESFA 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 Greater Brighton Metropolitan College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

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Date: 10 June 2021