

**Reports and Financial Statements - 31 July 2020**

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# **VARNDEAN COLLEGE**

## **Operating and Financial Review**

### **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 the business affairs of Varndean College. The College is an exempt charity for the purposes of the Charities Act 2011.

#### **Mission**

Varndean College will, through the quality of its provision and support for a diverse community, encourage and inspire all its students to fulfil their potential.

#### **Public Benefit**

Varndean College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15 to 16. 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

#### **Implementation of strategic plan**

The College's strategic update identifies the following elements in the College's strategic direction:

The key elements of the College's strategic direction are:

##### **Strategic Aim 1:**

Inspiring personal and academic achievement so that all students achieve their full potential and make progress in realising their ambitions.

##### **Strategic Aim 2:**

Providing courses that match students' needs, abilities and aspirations, which enable students to progress.

##### **Strategic Aim 3:**

Securing student success through the provision of staffing and resources of the highest calibre.

##### **Strategic Aim 4:**

Providing strong leadership, governance and management that is focussed on our core values and secures the College's future.

##### **Strategic Aim 5:**

To improve the way the College manages its own environment.

## **VARNDEAN COLLEGE**

### **Operating and Financial Review (continued)**

#### **NATURE, OBJECTIVES AND STRATEGIES (continued)**

##### **Financial Objectives**

The College's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter-term liquidity
- to fund continued capital investment

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

##### **Performance Indicators**

The Framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

Each of these has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA") The Finance Record produces a financial health grading. The grade for 2019-20 is predicted to be Requires Improvement.

#### **FINANCIAL POSITION**

##### **Financial results**

The College generated a deficit in the year of £541,000 (2018/19: deficit £439,000).

The College has negative general reserves of £1,240,000 and a bank balance of £316,000. This follows the annual adjustment to pension liabilities of £1,240,000 and a decrease in planned income due to the impact of the global Covid-19 pandemic. The College has worked to mitigate the ongoing financial impact into 2020-21 and is planning to return to a financial health grade of Good. The College continues to plan to accumulate reserves and generate cash balances over time in order to maintain a contingency fund and to be able to re-invest in the College.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 85% of the College's total income (2018/19 85%).

At the balance sheet date, the College had net current liabilities of £1,121,000 (2019: net current assets £99,000).

### **Operating and Financial Review (continued)**

## **VARNDEAN COLLEGE**

### **FINANCIAL POSITION (continued)**

#### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum agreed with the Education and Skills Funding Agency ("ESFA"). All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

#### **Cash flows**

For the year ended 31 July 2020, there was a cash outflow of £1,776,000 (2019: inflow £889,000).

#### **Liquidity**

The size of the College's total borrowing and its approach to interest rate management have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

#### **Student numbers**

The College is funded according to the level of activity that it generates each year. In 2019/20 the College achieved a total of 2,840 learners (2018/19: 2,798).

#### **Student achievements**

In what has been an extraordinary and challenging year in educational history, the College is celebrating the achievements of its students who have yet again achieved an outstanding record of A Level and Vocational course results overall.

- The overall pass rate at A level was 99.5% with 48% achieving A\*-B and 73% A\*-C grades
- All vocational courses, BTEC and CTEC had a 100% pass rate, as well as our Level 3 CACHE course having exceptional results of 100%.
- Visual Arts courses (Art, Graphic Design, 3D Design, Textiles and Photography) once again continued to be outstanding, with 93% of students achieving A\*-C grades and 25% achieving the prestigious A\* grade.
- Our English, Humanities, Law Further Maths and the Extended Project Qualification also again delivered impressive results. In the Extended Project Qualification 100% of students passed, with 83% of them getting the very highest grades of A\*-B; similarly Law students gained 100% pass rate with 52% getting the very highest grades of A\*-B; in English Literature 57% of students got an A\*-B; Government and Politics students achieved a 56% A-B rate.

As well as offering traditional A Levels, Varndean College also offers a comprehensive programme of Level 3 vocational qualifications, which many students take either as standalone courses or in combination with A Levels. These results are impressive with many students moving on to higher education courses or direct into apprenticeships/employment.

## **VARNDEAN COLLEGE**

### **Operating and Financial Review (continued)**

#### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

This A Level success follows on from Varndean's successful International Baccalaureate results in July, when 42 IB Diploma students averaged 36 points, the equivalent to three A grades at A Level, with 12 students gaining an impressive 38 points or above (equivalent to 3 A\* grades), placing them in the top 3% of students worldwide.

Varndean College had a highly positive Ofsted visit in October 2018, which confirmed the College as being a 'good' college where students thrive and achieve. Many aspects of the report received outstanding recognition and praise, with the College's major strengths being identified as follows:

- Governors, leaders and managers have developed a highly inclusive culture that allows staff and students to thrive.
- Teachers know their students well and have high expectations. They use their own experiences and expertise to motivate students to achieve.
- Students have positive attitudes to their learning and are proud of their work. They are confident, self-assured, courteous and respectful. They feel that staff treat their health and wellbeing as a priority, which supports them to learn and achieve.
- A Level and vocational students make good progress and achieve well.
- Students on the IB course make outstanding progress. Their achievement is exceptionally high and well above the international average. They develop extremely high levels of skill, knowledge and understanding and the very large majority move on to their first-choice university.
- Students benefit from a broad and balanced curriculum that meets their individual needs.

#### **Curriculum developments**

The College:

- Maintains an approach to the 16-18 curriculum founded upon breadth and balance through choice of qualification courses, the independent study arising from them, additional support opportunities, guidance and tutorials, and an enrichment programme that includes access to student union activities;
- Has encouraged the continued development of adult education provision both for a limited number of full-time students and for a greater number of part-time evening students at the College and in outreach provision elsewhere in the City;
- Has worked in partnership with the LA and other local providers to deliver Information Communication Technology (ICT) and English for Speakers of Other Languages (ESOL) opportunities at a number of outreach locations in the centre and east of the City.

#### **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 is received. The target set by the Treasury for payment to suppliers within 30 days is 95%. The College incurred no interest charges in respect of late payment for this period.

#### **Operating and Financial Review Curriculum developments (continued)**

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

**Future developments**

The College continues to successfully increase its 16-18 student numbers for 2020-21. There is likely to be continued moderate growth in following years and the College is exploring options to support this growth and to replace deteriorating accommodation.

The College successfully secured £2.7m in 2018 from the Condition Improvement Fund to build a STEM Centre, comprising 4 science laboratories and 6 teaching classrooms. The building was completed in March 2020.

**RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site and £594,000 (2019: £2,303,000) held in current assets.

***Financial***

The College has £0.9 million (2019: £2.3 million) of net assets including £3,071,000 (2019: £1,831,000) pension liability and long-term debt of £nil (2019: £nil).

***People***

The College employs 152 people (expressed as full-time equivalents), of whom 85 are teaching staff.

***Reputation***

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

The College has an embedded system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

**Operating and Financial Review (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

## **VARNDEAN COLLEGE**

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2020, 85% of the College's revenue was public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Funding cannot be guaranteed.
- Efficiency gains required by the government

This risk is mitigated in a number of ways:

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

### **2. Withdrawal of government funded support schemes**

Monies to students requiring financial assistance is administered by the College through the Discretionary Learning Grant (DLG). These are funds allocated by the government. The College distributes the funds received to the students directly. The College will ensure:

- Funds received will be distributed as equitably as possible against tight criteria
- Funds are distributed in a timely manner
- Any appeals against college decisions will be dealt with at a senior level.

### **3. Funding of pension liabilities**

The financial statements report the share of the ESCC LGPS pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102 (Section 28).

### **4. Increased competition in local area for students**

The College continues to work to secure its market position with regard to students enrolling at the College and will:

- Offer an appropriate and diverse range of courses
- Look at new provision possibilities for the College such as level 4 and higher education (HE)
- Target marketing to specific students as required

## **Operating and Financial Review (continued)**

## **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

## **VARNDEAN COLLEGE**

### **5. Changes in funding methodology**

The College has been subject to a new funding methodology for the sector since 2013-14. Formula protection funding ceased to be available from 2018-19. The College continues to review its likely position to manage its curriculum offer to reflect the funding available and ensure that financial stability is maintained

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges, Varndean College has many stakeholders. These include:

- Students
- Parents
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local authorities
- Government Offices/ Regional Development Agencies
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

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

### **Equal opportunities and employment of disabled persons**

Varndean College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy, is published on the College's internet site.

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

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005 and in particular, makes the following commitments:

- a) most of the facilities are accessible to people with a disability;
- b) there is specialist equipment which the College can make available for use by students;
- c) the admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

### **Operating and Financial Review (continued)**

#### **Disability statement (continued)**



## **VARNDEAN COLLEGE**

- d) the College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support tutors who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- f) counselling and welfare services are described in the College Charter.

### **Maintenance programme**

The College carries out ongoing maintenance of the estate during the year. The cost of long term and corrective maintenance is charged to the income and expenditure account as incurred.

### **Staff and student involvement**

The College considers good communications with its staff and students to be very important and to this end publishes regular newsletters and bulletins which are available to all. The College encourages staff and student involvement through membership of formal committees and working parties.

### **Taxation**

The College believes that its activities are not liable to corporation tax.

### **Disclosure of information to auditors**

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

## **Operating and Financial Review (continued)**

### **Trade union facility time**

**VARNDEAN COLLEGE**

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

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

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

Total cost of facility time	£5114
Total pay bill	£7,019,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	4.5%
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**Professional Advisers**

External auditors: Mazars LLP, 2<sup>nd</sup> Floor, 6 Sutton Plaza, Sutton Court Road, Sutton, Surrey, SM1 4FS

Bankers: Lloyds Bank plc, 5 Preston Circus, Brighton, BN1 4LQ

Solicitors: Rix & Kay, 7 The Drive, Hove, BN3 3JS

Approved by order of the members of the Corporation on 27 January 2021, and signed on its behalf by

J Robinson, Chair

## **Statement of Corporate Governance and Internal Control**

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

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. The Corporation has not adopted the code of Good Governance for English Colleges recommended by the Association of Colleges (AoC).  
And
- iii. having due regard to the UK Corporate Governance Code (“the Code”) (2018) insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (“the Code”) issued by the FRC. Its purpose is to help the reader of the accounts understand how the principles are applied. In the opinion of the Corporation, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31<sup>st</sup> July 2020. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and the Principal Regulator is the Secretary of State for Education. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

### **The Corporation**

The composition of the Corporation is set out on page 16. It is the Corporation’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least once a term, but usually twice per term.

The Corporation conducts some of its business through committees. Each committee has terms of reference, which have been approved by the Corporation. The Committees are: Audit Committee, Search and Governance Committee, SPH Remuneration Committee. There are also a number of Governance Working Groups, including the Finance Working Group, Risk Management Group and the Accommodation Working Group.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Governors at the address below, and once approved on the College website ([varndean.ac.uk](http://varndean.ac.uk)).

Varndean College  
Surrenden Road  
Brighton  
BN1 6WQ

The Clerk to the Governors 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 Governors, who is responsible to the Corporation for ensuring compliance with all applicable procedures and regulations are complied. The appointment 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 Corporation meetings. Briefings are also provided on an ad-hoc basis.

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

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 of the Corporation and Principal are separate.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation receives recommendations from the Search & Governance Committee, comprising Governors and includes the Chair of Corporation, the Principal and up to two other Governors, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years and at the end of their term of office are eligible for re-appointment.

**Corporation Performance**

The Search and Governance Committee of the Corporation annually reviews the Corporation's own performance at its Autumn Term meeting and the Self-Assessment Report (SAR) arising from this, is recommended to Corporation for approval. References and excerpts from the Governance SAR are included within the whole College SAR which is also approved by Corporation. For the 2019/2020 academic year, the Corporation's self-assessment has been graded as "good" and in reaching this judgement account has been taken of the Ofsted Common Inspection Framework Effectiveness of Leadership and Management criteria. The annual SAR is included within the relevant meeting papers at that time.

**Senior Postholders (SPH) Remuneration Committee**

This Committee which comprises Governors other than the Principal, Staff and Student Governors, but does include the Chair of Governors, has the following responsibilities:

- a) To consider and recommend policy and procedures for the appointment, grading, professional development review, suspension, dismissal and determination of the pay and conditions of the holders of senior posts including the Clerk.
- b) To make recommendations to Corporation on the remuneration of Senior Postholders and to make such other recommendations to the Corporation as are deemed appropriate. Recommendations will also be based upon a satisfactory performance review and with reference to the requirements of the SPH Remuneration Policy.

In the last academic year, the Corporation, with advice from the Principal Recruitment Panel/SPH Remuneration Committee of the Corporation, following a recruitment process in light of the retirement of the existing Principal (Philip Harland) with effect from 31<sup>st</sup> August 2020, a new Principal, Donna-Marie Janson (the current Deputy Principal), was appointed with effect from 1<sup>st</sup> September 2020.

The Remuneration Committee has considered whether to recommend to Corporation that it should adopt the Remuneration Code (an additional element of the AoC's Code of Good Governance, which has not been adopted by the Corporation, as referred to earlier in the Report), to assess pay in line with the principles of the code for future remuneration decision making. The Committee resolved not to recommend that this be adopted at present.

## **VARNDEAN COLLEGE**

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

Details of the remuneration of the Principal for the year ended 31 July 2020 are set out in note 7 to the financial statements.

#### **Audit Committee**

The Audit Committee comprises Governors and may include co-opted Members, but does not include the Principal, Staff or Student Governors. At least one member must have relevant financial/audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee usually meets at least once a term and provides a forum for reporting by the College's internal assurance team and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes as appropriate and in accordance with an agreed plan. The auditors' findings are reported to Management and to the Audit Committee. The 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, which the Audit Committee also monitors.

The Audit Committee also advises the Corporation on the appointment of external auditors and their remuneration for both audit and non-audit work. From August 1 2013 there is no statutory obligation for sixth form colleges to have an audit firm to carry out internal audit and provide an assurance to the Audit Committee.

The Corporation had approved the College appointing one set of auditors to provide services for both Financial Statement/Regularity Audit and internal assurance. The College had appointed Mazars to this role and has worked closely with them to ensure that the appropriate level of assurances is provided to the Audit Committee and Corporation. Mazars gave notice to the College in respect of their internal assurance work and the College is in the process of tendering for a new audit firm to carry out the College's internal assurance work from 1<sup>st</sup> August 2020.

The Audit Committee receives reports from the Risk Management Group and monitors the risk management process at the College.

#### **Finance Working Group**

The Finance Working Group undertakes specified pieces of work related to the finances of the College and it meets as and when the Corporation requires a task to be carried out on its behalf, including a review of the annual budget and financial forecasts, but with effect from the 2020/2021 academic year, intends to meet once per term.

#### **Internal Control**

##### *Scope of responsibility*

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

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

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

*The 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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Varndean 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 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 governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Varndean College continues to adopt an internal assurance process provided by a third party. The College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified. The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with regular reports during the year on this assurance activity in the College which included third party reports on:

- Risk & Assurance Mapping
- Funded Learner Numbers
- Financial Planning & Budget setting

*Review of effectiveness*

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

- the work of the externally appointed internal assurance team.
- 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 in their management letters and other reports.

## **VARNDEAN COLLEGE**

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

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

The Senior Leadership 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 College departments. The Senior Leadership Team and the Audit Committee also receive regular reports from the internal Assurance Team which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and internal Assurance Team and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and Principal, 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**

For a number of years, the College has been concerned about its long term financial stability. This was given greater focus when the College was evaluated as part of the Sussex Coast Area Based Review of sixth form provision in the autumn term of 2015. The Corporation concluded that they wished to continue as a stand-alone institution and this was the position the Principal put forward. The Review Board insisted on a robust financial appraisal which substantiated the College's ability to remain independent. The Principal produced revised financial plans which were discussed in detail with the Review Board. The Board was satisfied that on the basis of these revised figures, which included strict control of costs, the College could remain independent. Since the review, the College has achieved significant growth in student numbers, partly due to the closure of a local Sixth Form centre. It is expected that further additional growth will occur in the next 2-3 years. The main focus of cost control is with regards to salary costs. Efficiency savings related to planned staff reductions in senior and other management positions over the last 1-2 years have enabled the College to operate within these revised targets.

In March 2020, the College had to respond to the Covid-19 pandemic. For the year ended 31 July 2020, the financial impact has been a 15% reduction in income resulting from adult student tuition fees. The College has been able to mitigate the additional costs associated with online teaching and remote working, followed by a restricted return to operations, by securing savings across other areas of the budget. In addition, advance payments for international tuition fees were not realised due to travel restrictions and this has significantly reduced the cash balance at the year end. The Balance Sheet reports net current liabilities at the year end. The financial health score for the year is Requires Improvement.

The forecast for 2020-21 anticipates a 50% reduction in international tuition income and a 25% decrease in adult tuition fees. Continuing additional costs relating to the on-going pandemic are being monitored closely and the College is seeking to recoup some of these through budget savings and additional funding where possible. The subsequent reduction in cashflow has resulted in the requirement for a short-term overdraft in March 2021 *agreed with the College's bank*. This has also been discussed with the ESFA. The Corporation considers that the College will continue to have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

#### **The impact of the Covid-19 pandemic**

In March 2020, the College closed due to the national lockdown. The majority of operations were moved online and systems set up to enable remote working for all staff. Provision was made for vulnerable students to attend College where necessary. There has been a focus on pastoral and wellbeing support for students and staff throughout this period with the college continuing to support students throughout the holidays as well as providing free school meal arrangements. IT equipment was loaned to all students who needed this to access their learning. Committee and Corporation meetings have continued online throughout the year. Summer 2020

## **VARNDEAN COLLEGE**

examinations were cancelled with processes undertaken to offer Centre Assessed Grades which were then standardised by Ofqual.

In September 2020, restricted operations were in place, with a planned, bi-weekly return to onsite teaching in year groups. The College has adhered to strict guidance relating to teaching operations, hygiene and infection control and reporting. A discrete risk assessment is in place and reviewed as guidance changes. At the date of this report, the College is closed once again until further notice. All classes are online and staff are working remotely unless they are unable to do so.

### **The impact of uncertainties due to Britain exiting the European Union**

As at 31 January 2020, the UK is no longer part of the EU and the impact of this on the College is still not clear. At the date of this report it is not yet possible to assess in detail the opportunities and threats that leaving the EU will present. The governors are managing these risks by closely monitoring developments, and are confident that the College will be able to amend and modify its procedures to remain fully compliant with any new rules and regulations.

J Robinson  
Chair

Donna-Marie Janson  
Principal

Date: 12 February 2021

Date: 12 February 2021



**VARNDEAN COLLEGE**

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

**MEMBERS OF VARNDEAN CORPORATION (From 1 August 2019 to the date of this report)**

<b>Name</b>	<b>Date appointed/Re appointed</b>	<b>Term of office</b>	<b>Date of Expiry of office or Resignation</b>	<b>Status</b>	<b>Committees served Note 1 refer below</b>	<b>Attendance Note 1 refer below</b>
Andrew Breckenridge	Oct 2019	4 yr	Oct 2023 Resigned September 2020	Governor		100% (2 meetings)
Ayas Fallon-Khan	Dec 2009 Dec 2013 Dec 2013	4 yr 4 yr 4 yr	Dec 2013 Dec 2017 Dec 2021	Governor	Risk Group, Finance Working Group, Audit Committee (from October 2019 and Chair interim appointment until February 2020) SPH Remuneration Committee (from August 2019) Accommodation Working Group	100%
Jane Farrell	Dec 2016 Dec 2018	2 yr 4 yr	Dec 2018 Dec 2022	Parent Governor	Audit Committee (until October 2019) SPH Remuneration Committee (from January 2018) (Chair from 1 August 2019)	100%
Philip Harland	Sept 2006	Ex-offi cio	Retired August 2020	Principal	Search & Governance; Risk Management Group; Finance Working Group, Accommodation Working Group	67% (2 of 3)
Paul Herridge	Feb 2019 Oct 2020	2 yr	Dec 2020 Dec 2023	Parent Governor	Risk Management Group (from October 2019) and Chair post October 2019, Audit Committee (from October 2019)	100%
Ethan Hilton	May 19	1 yr	Mar 2020	Student		67% (2 of 3)
Dawn Howard	Feb 2019	2 yr	Dec 2020 Resigned September 2020	Parent		100%
Donna-Marie Janson	September 2020	Ex-offi cio		Principal	From September 2020: Search and Governance; Risk Management Group, Finance Working Group, Accommodation Working Group	N/A
Izzy Langhamer	May 19	1 yr	Mar 2020	Student		67% (2 of 3)
Simon Lindfield	Mar 2012 Mar 2020	4 yr 4 yr	Mar 2016 Mar 2020 Mar 2024	Governor	Finance Working Group (Chair). Appointed Vice Chair of Corporation from Dec 2016, SPH Remuneration Committee, Accommodation Working Group, joined S & G Committee	100%
Cathy McDonnell	Dec 2014	2yr 4yr	Dec 2016 Dec 2020	Parent Governor	Audit	0% (2 meeting)
John McKee	Feb 2020	4 yr	Feb 2024	Governor		N/A
Billy McNally	March 2017	4 yr	March 2021 Resigned October 2019	Governor	Finance Working Group	N/A

## VARNDEAN COLLEGE

Janice Robinson	July 2008 July 2012 July 2020	4 yr 4 yr 4 yr	July 2012 July 2016 July 2020 July 2024	Governor	Chair of Governors (from July 2012) From July 2012 - Search and Governance (Chair), Finance Working Group, SPH Remuneration Committee, Accommodation Working Group (Chair)	100%
Bo-Min Ryu	May 2020	1 yr	May 2021	Student		N/A
Richard Seager	Jan 2016 Jan 2020	4 yr	Jan 2020 Dec 2023	Governor	Audit Committee Search and Governance Committee	67% (2 of 3)
Lucy Townsend	May 2020	4 yr	May 2021	Student		N/A
Katharine Travis	May 2015  May 2019	4 yr  4 yr	May 2019  May 2023	Governor	SPH Remuneration Committee (from August 2019)	67% (2 of 3)
Alan Walker	Oct 2019	4 yr	Oct 2023	Governor	Audit Committee (from October 2019 and Chair from February 2020), Accommodation Working Group (from October 2019)	100% (2 meetings)
Brendan Ward	Feb 2020	4 yr	Feb 2024	Governor	Audit Committee	N/A
Simon Waters	Oct 2017	4 yr	Oct 2021	Teaching Staff		33%
Aldona Wheeler	Mar 2017	4 yr	Mar 2021	Support Staff		100%

NOTE 1: Attendance at Corporation Meetings during the period of the individual Governor's membership from 1<sup>st</sup> August 2019 for the 2019/2020 academic year – there were 3 Corporation meetings during the academic year and refer Note 3 below.

NOTE 2: Governor attendance benchmark per annum is 70%. There were five Corporation Meetings during 2019/2020 academic year.

NOTE 3: In light of the Covid-19 Pandemic, the Corporation established an Emergency Governance Committee (EGC) to deal with Corporation business and the EGC had 3 meetings during this accounting year, on 13<sup>th</sup> May, 9<sup>th</sup> June and 8<sup>th</sup> July 2020. There was also another meeting on 16<sup>th</sup> September 2020. The Members of this Committee were Janice Robinson (Chair), Simon Lindfield (Vice-Chair), Jane Farrell (Chair of Remuneration Committee), Paul Herridge (Chair of Risk Group) and the Principal (Philip Harland for the accounting year to 31<sup>st</sup> July 2020 and his successor, Donna-Marie Janson, thereafter); Alan Walker (Chair of Audit Committee) was also invited to attend the EGC meetings. All EGC Committee members were present at each of the Meetings, which were held remotely.

From 1 August 2019 until the date of this report, the following individuals were Members of the Audit Committee but not Members of the Corporation (refer Note 1 above):

Peter Baker – Audit Committee

Mrs L Pennington – Clerk to the Governors

**VARNDEAN COLLEGE**

J Robinson  
Chair

Donna-Marie Janson  
Principal

Date: 12 February 2021

Date: 12 February 2021

**Statement of Regularity, Propriety and Compliance**

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

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

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

J Robinson  
Chair

Donna-Marie Janson  
Principal

Date: 12 February 2021

Date: 12 February 2021

**Statement of the 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 Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 an Operating and Financial Review 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 to 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

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

J Robinson  
Chair

Date: 12 February 2021

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF VARNDEAN COLLEGE**

**Opinion**

We have audited the financial statements of Varndean College ("the College") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

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

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF VARNDEAN COLLEGE  
(continued)**

We have nothing to report in this regard.

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

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

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

**Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 19, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intend to cease operations, or have no realistic alternative but to do so.

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

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

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

**Use of the audit report**

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

Mazars LLP  
Chartered Accountants and Statutory Auditor  
2<sup>nd</sup> Floor, 6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey  
SM1 4FS

**VARNDEAN COLLEGE**

Date:

**Statement of Comprehensive Income  
For The Year Ended 31 July 2020**

	<b>Notes</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>INCOME</b>			
Funding body grants	2	7,733	7,144
Tuition fees and charges	3	867	945
Other income	4	404	343
Investment income	5	1	2
<b>TOTAL INCOME</b>		<b>£9,005</b>	<b>£8,434</b>
<b>EXPENDITURE</b>			
Staff costs	6	7,019	6,475
Other operating expenses	8	1,662	1,768
Depreciation	11	817	594
Interest and other finance costs	9	58	36
<b>TOTAL EXPENDITURE</b>		<b>£9,556</b>	<b>£8,873</b>
Deficit before tax		(551)	(439)
Taxation	10	-	-
<b>DEFICIT FOR THE YEAR</b>		<b>(551)</b>	<b>(439)</b>
Actuarial loss in respect of pension schemes	17	(867)	(546)
<b>TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR</b>		<b>£(1,418)</b>	<b>£(985)</b>

The income and expenditure account is in respect of continuing activities.



**VARNDEAN COLLEGE****Statement of Changes in Reserves  
For the Year Ended 31 July 2020**

	<b>Income and expenditure account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
At 31 July 2018	979	2,322	3,301
Deficit from the income and expenditure account	(439)	-	(439)
Other comprehensive expenditure	(546)	-	(546)
Transfers between revaluation and income and expenditure reserves	92	(92)	-
At 31 July 2019	86	2,230	2,316
Deficit from the income and expenditure account	(551)	-	(551)
Other comprehensive expenditure	(867)	-	(867)
Transfers between revaluation and income and expenditure reserves	92	(92)	-
Total comprehensive income for the year	(1,326)	(92)	(1,418)
Balance at 31 July 2020	<u>£(1,240)</u>	<u>£2,138</u>	<u>£898</u>

**VARNDEAN COLLEGE**

**Balance Sheet at 31 July 2020**

	Notes	2020 £'000	2019 £'000
<b>NON CURRENT ASSETS</b>			
Tangible assets	11	11,542	9,776
<b>CURRENT ASSETS</b>			
Stock	12	14	13
Trade and other receivables	13	264	198
Cash and cash equivalents		316	2,092
		<u>594</u>	<u>2,303</u>
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
	14	(1,715)	(2,204)
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>			
		(1,121)	99
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>10,421</u>	<u>9,875</u>
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
	15	(6,290)	(5,576)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Defined benefit obligations	17	(3,071)	(1,831)
Other provisions	16	(162)	(152)
<b>TOTAL NET ASSETS</b>			
		<u>£898</u>	<u>£2,316</u>
<b>RESERVES</b>			
General reserve		(1,240)	86
Revaluation reserve		2,138	2,230
<b>TOTAL RESERVES</b>			
		<u>£898</u>	<u>£2,316</u>

The financial statements on pages 22 to 42 were approved by the Corporation on 27 January 2021, and signed on its behalf by:

J Robinson  
Chair

Donna-Marie Janson  
Principal

**VARNDEAN COLLEGE**

**Statement of Cash Flows  
For the Year Ended 31 July 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>		
Deficit for the year	(551)	(439)
<b>Adjustment for non-cash items</b>		
Depreciation	817	594
(Increase)/decrease in stocks	(1)	2
(Increase)/decrease in debtors	(66)	49
(Decrease)/Increase in creditors	(666)	480
Deferred capital grants released to income	(335)	(220)
Pensions costs less contributions payable	380	290
<b>Adjustment for investing or financing activities</b>		
Repayment of capital investment through service contract	(18)	-
Investment income	(1)	(2)
<b>Net cash flow from operating activities</b>	<u>(441)</u>	<u>754</u>
<b>Cash flows from investing or financing activities</b>		
Investment income	1	2
Interest element of finance lease payments	(13)	-
Deferred capital grants received	1,087	1,697
Payments made to acquire fixed assets	(2,283)	(1,439)
Capital element of finance lease payments	(127)	(125)
	<u>(1,335)</u>	<u>135</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<u>(1,776)</u>	<u>889</u>
Cash and cash equivalents at beginning of the year	2,092	1,203
Cash and cash equivalents at end of the year	<u>316</u>	<u>2,092</u>

**Notes to the Financial Statements  
For the Year Ended 31 July 2020**

**1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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

**Basis of preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* 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 on a going concern basis under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards. The financial impact of the Covid-19 pandemic has been a reduction in tuition income and cash balance at the year end, with the Balance Sheet reporting net current liabilities. The forecast for 2020-21 anticipates a further reduction in tuition income and some additional costs relating to the on-going situation. The subsequent reduction in cashflow has resulted in the requirement for a short-term overdraft in March 2021 *agreed with the College's bank*.

The Corporation believes the going-concern basis continues to be appropriate as the banking facilities available to the College will enable liabilities to be settled as they fall due. In addition, strategic and operational plans are in progress to ensure the on-going solvency of the College and that surpluses can be generated year by year in future.

**Recognition of income**

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of October following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. The costs of any fees waived by the college are included as expenditure.

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

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**Statement of Principal Accounting Policies (continued)**

All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the statement of comprehensive income to accumulated income within endowment funds.

**Post-retirement benefits**

Retirement benefits open to all employees of the College are provided by the Teacher's Pension Scheme (TPS) and the East Sussex Superannuation Scheme (ESSS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over the 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 quinquennial valuations using a prospective benefit method. As stated in note 17, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year.

The assets of the ESSS are measured using closing market values. ESSS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of changes in reserves.

**Enhanced pensions**

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the college's statement of comprehensive 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 Association of Colleges.

**Tangible Fixed Assets**

***Freehold land and buildings***

Land and buildings inherited from the Local Education Authority and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement costs as the open market value for existing use is not readily obtainable. Land and buildings acquired 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 up to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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 life of the related asset on a basis consistent with the depreciation policy.

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**Statement of Principal Accounting Policies (continued)**

**Tangible Fixed Assets (continued)**

There were no finance costs directly attributable to the construction of buildings capitalised as part of the cost of these 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.

***Assets in the course of construction***

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

***Subsequent expenditure on existing fixed assets***

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

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

***Equipment***

Equipment costing less than £500 per individual item is written off to the statement of comprehensive income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

All equipment is depreciated on a straight-line basis over its remaining useful economic life to the College. These are currently:

Equipment	20.0% per year
Vehicles	33.3% per year
Furniture	10.0% per year
Computers	33.3% per year

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

**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 finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment

## **VARNDEAN COLLEGE**

losses in the same way as owned assets.

### **Notes to the Financial Statements For the Year Ended 31 July 2020 (continued)**

#### **Statement of Principal Accounting Policies (continued)**

##### **Leased assets (continued)**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

##### **Stock**

Stock is stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

##### **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 Chapter 3 Part 11 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 receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

##### **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

##### **Provisions**

Provisions are recognised when the institution 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.

##### **Maintenance of premises**

The cost of long-term and routine corrective maintenance is charged to the statement of comprehensive income as incurred.

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**Other key sources of estimation uncertainty**

**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 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value 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.

**2 FUNDING BODY GRANTS**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Recurrent grant – ESFA	7,351	6,879
Releases of deferred capital grants	335	220
Other funds	47	45
	<u>£7,733</u>	<u>£7,144</u>

**3 TUITION FEES AND CHARGES**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
UK Further Education Students	274	322
Non EU	593	623
	<u>£867</u>	<u>£945</u>

**4 OTHER INCOME**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Other income generating activities	179	83
Other grant income	41	41
Other income	184	219
	<u>£404</u>	<u>£343</u>

**5 INVESTMENT INCOME**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Other interest receivable	1	2
	<u>£1</u>	<u>£2</u>



**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**6 STAFF COSTS**

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

	<b>2020 Number</b>	<b>2019 Number</b>
Teaching departments	85	85
Non-teaching staff	67	64
	<u>152</u>	<u>149</u>
	<u><u>152</u></u>	<u><u>149</u></u>
	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Staff costs for the above persons</b>		
Wages and salaries	5,208	5,045
Social security costs	445	414
Pension costs (including FRS 102 (28) adjustments of £331,000, 2019 - £278,585)	1,366	1,016
	<u>£7,019</u>	<u>£6,475</u>
	<u><u>£7,019</u></u>	<u><u>£6,475</u></u>

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

A pay increase was approved by the Corporation in the Spring Term 2020 and awarded to staff with effect from 1 September 2019. The increase varied across scale points. The overall effect was approximately 1.8%.

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**7 KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College have been represented by the Senior Leadership Team. At the start of the year, this comprised the Principal, Vice Principal, Curriculum Director and Business Director. In September 2019, a new Vice Principal was appointed.

	<b>2020 Number</b>	<b>2019 Number</b>
The number of key management personnel including the Accounting Officer was:	4	4
	—	—

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

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2020 No.</b>	<b>2019 No.</b>	<b>2020 No.</b>	<b>2019 No.</b>
£50,001 to £55,000	1	1	-	-
£60,001 to £65,000 p.a.	1	2	-	-
£65,001 to £70,000 p.a.	1	1	-	-
£115,001 to £120,000 p.a.	1	1	-	-
	<u>4</u>	<u>5</u>	<u>-</u>	<u>-</u>

Key management personnel emoluments are made up as follows:	<b>2020 £'000</b>	<b>2019 £'000</b>
Salaries	300	295
Pension contributions	53	49
	—	—
Total emoluments	<u>£353</u>	<u>£344</u>

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	<b>2020 £'000</b>	<b>2019 £'000</b>
Salary	117	117

**VARNDEAN COLLEGE**

Pension contributions	14	19
	<u>          </u>	<u>          </u>
Total emoluments	£131	£136
	<u>          </u>	<u>          </u>

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

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**7 KEY MANAGEMENT PERSONNEL (CONTINUED)**

No costs were incurred by the College on behalf of members, key management personnel or other higher paid staff in relation to overseas activities.

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	3.48	3.86
Principal and CEO's total remuneration as a multiple of the median of all staff	3.67	3.87

**8 OTHER OPERATING EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teaching departments	239	228
Teaching support services	157	183
Other support services	35	79
Administration and support services	383	381
General education expenditure	565	587
Premises costs – ongoing	206	241
Other expenses	77	69
	<u>          </u>	<u>          </u>
	£1,662	£1,768
	<u>          </u>	<u>          </u>

Other operating expenses include:

Auditors' remuneration		
Financial statements and regularity audit	15	15
Internal assurance / audit	5	7
Catering	14	20
Hire of other assets	15	14
	<u>          </u>	<u>          </u>



Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

9 INTEREST AND OTHER FINANCE COSTS

	2020 £'000	2019 £'000
On finance leases	13	5
Pension interest costs	45	31
	<u>£58</u>	<u>£36</u>

10 TAXATION

The members do not believe the College was liable for any corporation tax arising out of its activities during this period.

11 TANGIBLE ASSETS

	Freehold land and buildings £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
<b>COST OR VALUATION</b>				
At 1 August 2019	13,042	1,477	1,950	16,469
Additions	2,155	10	418	2,583
Transfer	1,242	(1,242)	-	-
Disposals	-	-	(192)	(192)
	<u>16,439</u>	<u>245</u>	<u>2,176</u>	<u>18,860</u>
<b>DEPRECIATION</b>				
At 1 August 2019	5,197	-	1,496	6,693
Charge for the year	556	-	261	817
Elimination in respect of disposals	-	-	(192)	(192)
	<u>5,753</u>	<u>-</u>	<u>1,565</u>	<u>7,318</u>
<b>NET BOOK VALUE</b>				
At 31 July 2020	<u>10,686</u>	<u>245</u>	<u>611</u>	<u>11,542</u>
At 31 July 2019	<u>7,845</u>	<u>1,477</u>	<u>454</u>	<u>9,776</u>
Inherited	2,145	-	-	2,145
Financed by capital grant	6,347	-	19	6,366
Other	2,194	245	592	3,031
Net book value at 31 July 2020	<u>£10,686</u>	<u>£245</u>	<u>£611</u>	<u>£11,542</u>

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**11 TANGIBLE ASSETS (CONTINUED)**

Land and buildings inherited from the local education authority are included on an existing use basis as valued by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation are included at valuation and depreciated over their remaining useful lives. The inherited assets were valued on incorporation in 1992. The historical cost of the inherited assets to the College is nil.

Land and buildings with a net book value of £6,437,000 (2019: £3,816,000) have been funded by exchequer funds. Should these assets be sold, the College would either have to surrender the sale proceeds, or use them in accordance with its Financial Memorandum.

The net book value of equipment includes an amount of £282,000 (2019 – £208,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £136,000 (2019 – £82,000).

**12 STOCK**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Stock	£14	£13
	<u>          </u>	<u>          </u>

**13 DEBTORS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Trade debtors	37	9
Prepayments and accrued income	212	187
Other debtors	15	2
	<u>          </u>	<u>          </u>
	<b>£264</b>	<b>£198</b>
	<u>          </u>	<u>          </u>

Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	137	91
Trade creditors	181	262
Other taxation and social security	116	104
Accruals	309	318
Amounts owed to funding body	154	126
Other creditors	483	1,081
Deferred income – government capital grants	335	222
	<u>£1,715</u>	<u>£2,204</u>
	<u>=====</u>	<u>=====</u>

15 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	157	134
Other creditors due after one year	54	-
Deferred income – government capital grants	6,079	5,442
	<u>£6,290</u>	<u>£5,576</u>
	<u>=====</u>	<u>=====</u>

Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

16 PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Enhanced pension £'000</b>
At 1 August 2019	152
Expenditure in the year	(11)
Transferred from statement of comprehensive income (note 17)	21
	—
At 31 July 2020	<u>£162</u>

The enhanced pension provision related to the cost of all staff who have already left the College's employment. This provision has been calculated in accordance with guidance issued by the funding bodies.

17 PENSIONS AND SIMILAR OBLIGATIONS

The College employees belong to two principal pension schemes, the East Sussex Pension Fund (ESPF) and the Teachers' Pension Scheme England and Wales (TPS). Both are defined benefit schemes.

The total pension cost for the College was:

	<b>2020 £'000</b>	<b>£'000</b>	<b>2019 £'000</b>	<b>£'000</b>
Contributions to TPA		729		510
ESSS: Contributions paid	285		211	
FRS102 (28) adjustment	331		278	
	—		—	
Charge to the statement of comprehensive income		616		489
Enhanced pension charge to statement of comprehensive income (Note 16)		21		17
		—		—
Total pension cost (Note 6)		<u>£1,366</u>		<u>£1,016</u>

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

Contributions amounting to £86,173 (2019: £64,621) and £33,606 (2019: £25,646) were payable to the TPA and ESPF schemes respectively at the year end and are included in other creditors.

**ESPF**

The ESPF is a funded defined benefit scheme, with assets held in separate trustee administered funds. Since 1 April 2017 the employer contribution was 18% with a secondary rate paid as an annual lump sum. From April 2020 the employer contribution rate was 19.8%.



Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

17 PENSIONS AND SIMILAR OBLIGATIONS (continued)

ESSS (continued)

FRS 102 (28)

Principal Actuarial assumptions (continued)

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

At	31 July 2020	31 July 2019
Rate of increase in salaries	2.1%	2.8%
Rate of increase for pensions/ inflation	2.1%	2.4%
Discount rate for liabilities	1.4%	2.1%
Commutation of pensions to lump sums pre April 2008	50%	50%
Commutation of pensions to lump sums post April 2008	75%	75%

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

Current pensioners	31 July 2020	31 July 2019
Males	21.6	21.2
Females	23.9	23.5
<b>Future pensioners</b>		
Males	22.5	22.1
Females	25.3	24.9

The College's share of the assets in the scheme were:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000	Value at 31 July 2018 £'000
Equities	5,433	5,349	5,112
Bonds	1,340	1,573	996
Property	595	708	711
Cash	74	236	284
	—	—	—
Total market value of assets	7,442	7,866	7,111
Present value of scheme liabilities	(10,513)	(9,697)	(8,104)
	—	—	—
Deficit in the scheme	£(3,071 )	£(1,831)	£(993)

Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

17 PENSIONS AND SIMILAR OBLIGATIONS (continued)

ESSS (continued)

Analysis of the amount charged to the statement of comprehensive income

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Employer service cost (net of employee contributions)	590	457
Past service cost	-	38
	<u>          </u>	<u>          </u>
Total operating charge	590	495
	<u>          </u>	<u>          </u>

Analysis of net return on pension scheme

Expected return on pension scheme assets	167	201
Interest on pension liabilities	(209)	(232)
	<u>          </u>	<u>          </u>
Net return on assets	(42)	(31)
	<u>          </u>	<u>          </u>

Amount recognised in Other Comprehensive Income

Actual return less expected return on pension scheme assets	(764)	390
Experience gains and losses arising on the scheme liabilities	600	(1)
Change in financial and demographic assumptions underlying the scheme liabilities	(703)	(935)
	<u>          </u>	<u>          </u>
Actuarial loss recognised in Other Comprehensive Income	(867)	(546)
	<u>          </u>	<u>          </u>

Movement in deficit during year

Deficit in scheme at 1 August	(1,831)	(993)
Movement in year:		
Employer service cost (net of employee contributions)	(590)	(457)
Employer contributions	259	234
Past service costs	-	38
Net return on assets	(42)	(31)
Actuarial loss	(867)	(546)
	<u>          </u>	<u>          </u>
Deficit in scheme at 31 July	(3,071)	(1,831)
	<u>          </u>	<u>          </u>

Asset and Liability Reconciliation

Reconciliation of Liabilities

Liabilities at start of year	9,697	8,104
Current service cost	590	495
Interest cost	209	232
Employee contributions	80	73
Actuarial loss	103	936
Benefits paid	(166)	(143)
	<u>          </u>	<u>          </u>
Liabilities at end of year	10,513	9,697
	<u>          </u>	<u>          </u>

Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)

17 PENSIONS AND SIMILAR OBLIGATIONS (continued)

ESSS (continued)

	2020 £'000	2019 £'000
<b>Reconciliation of Assets</b>		
Assets at start of year	7,866	7,111
Expected return on assets	(764)	390
Actuarial gain	167	201
Employer contributions	259	234
Employee contributions	80	73
Benefits paid	(166)	(143)
	<u>£7,442</u>	<u>£7,866</u>

The estimated value of employer contributions for the year ending 31 July 2021 is £261,000.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

**Notes to the Financial Statements  
For the Year Ended 31 July 2020 (continued)**

**17 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

**Teachers' Pension Scheme (continued)**

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £729,000 (2019: £510,000).

**18 CAPITAL COMMITMENTS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	£188	£1,846
	=====	=====

**19 RELATED PARTY TRANSACTIONS**

Due to the nature of the College's operations and the composition of the Members of Corporation (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Members' interests are disclosed in the Register of interests.

The total expenses paid to or on behalf of the Governors during the year was £95 (2019: £nil). No Governor has received any remuneration or waived payments from the College during the year (2019: None).

**Notes to the Financial Statements  
For the Year Ended 31 July 2019 (continued)**

**20 AMOUNTS DISBURSED AS AGENT**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants	422	223
Disbursed to students	(394)	(209)
	<u>—</u>	<u>—</u>
Balance unspent at 31 July	£28	£14
	<u>==</u>	<u>==</u>

Funding body grants are available solely for students. The College acts only as paying agent. The grants and disbursements are therefore excluded from the statement of comprehensive income. The balance unspent at 31 July 2020 is carried forward within other creditors and will be spent on qualifying purposes in 2020-21 alongside the 2020-21 allocations.

## **Reporting Accountants' Report on Regularity to the Corporation of Varndean College**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Varndean College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Varndean College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Varndean College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Varndean College and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Varndean College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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.

### **Approach**

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

**Reporting Accountants' Report on Regularity to the Corporation of Varndean College (continued)**

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the ESFA
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

Signed:

Mazars LLP  
2<sup>nd</sup> Floor, 6 Sutton Plaza, Sutton Court Road, Sutton, Surrey, SM1 4FS

Date: