



## Reports and Financial Statements

31 July 2022

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## **OPERATING AND FINANCIAL REVIEW**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2022.

#### **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.

#### **Our Mission**

To transform the lives of our students and our community through our provision of exceptional education.

#### **Public Benefit**

Varndean College is an exempt charity under the Part 3 of the Charities Act 2011 and 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 16 to 17. 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 and inclusive student support systems
- Links with employers, industry and commerce

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

The College's strategic plan was published in the autumn term 2022. It sets out the College's core values, the four main pillars of its strategy and the foundations that underpin these aims:

Our students are at the heart of all we do. We will provide an exceptional experience and preparation for life so that all of our students flourish at college maximising opportunities for their future employment, education and lives.

#### **Our Pillars**

##### **Environmental Sustainability**

We will be a leading college in sustainability, becoming carbon neutral by 2030. We will conserve natural resources to protect the global ecosystem and will develop our estate as an area of biodiversity. We will develop our curriculum so that all students are carbon literate.

##### **Our Curriculum**

We will provide an innovative, aspirational and inclusive curriculum which promotes the value of learning, fosters curiosity and knowledge and enables all students to achieve excellence. We will deliver provision which enables the ambitions of our students and responds to individual and local needs.

##### **Global Citizenship**

We will develop our students to be citizens of the world through opportunities to work alongside those from different backgrounds, including our international student community. We will develop students' personal and employability skills, to fully prepare them for their future careers and education.

##### **Community & Partnerships**

We will lead and be renowned for partnership work and collaboration that increases the educational and

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employment opportunities for different groups of students, and helps our College community to grow and thrive. Through these relationships we will support adults and 16-19 year olds to progress into technical training, apprenticeships, employment and higher education.

### **Our Foundations**

#### **Our Staff**

We will value and empower our greatest resource, our staff, so that they benefit from a purposeful, supportive and kind workplace and community, which strives for excellence, ensuring student success and serving the wider community.

#### **Financial Sustainability**

We will secure the future of the college, its students, staff and estate through excellent financial and resource management to enable an exceptional student experience, a happy, secure and consistent workplace and a growing and thriving community asset.

A number of KPIs are in place for each strategic aim with a defined reporting structure. The Corporation will receive progress updates throughout the year.

### **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 operations, that generate a financial contribution to the College
- to generate sufficient levels of income to support the College estate
- to continue to grow the College's shorter-term liquidity
- to seek funds for continued capital investment
- to achieve a Financial Health rating of at least Good

### **External Performance Indicators**

The College is committed to observing the importance of sector measures and indicators. 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 using three key performance indicators, EBITDA, a sector-based adjusted current ratio and debt ratio. The grade for 2021-22 is Good.

These performance ratios are currently under review by the ESFA and may also include Debt Service Cover Ratio and Cash Generated from operations.

Additional financial performance indicators used and reported by the College are Cash Days and Staff Cost Ratio.

## **DEVELOPMENT AND PERFORMANCE**

### **Financial position**

The College generated a deficit in the year of £604,000 (2020/21: deficit £746,000) before actuarial gains and losses.

The College has general reserves of £1,820,000 and a bank balance of £863,000. This follows the annual adjustment to pension liabilities of £4,161,000. Following the impact of the pandemic during 2019/20 and

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2020/21, the College has worked to return to a financial health of Good and to restore cash balances over time in order to maintain a sufficient contingency fund and 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 2021/22 the funding bodies provided 88% of the College's total income (2020/21 92%).

At the balance sheet date, the College had net current liabilities of £1,123,000 (2021: net current liabilities £1,331,000) and net assets of £3,774,000.

### **Treasury policies and objectives**

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short-term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation.

### **Cash flows**

For the year ended 31 July 2022, there was a cash inflow of £325,000 (2021: £222,000). The College managed its funds sufficiently through the year and an overdraft was not required during the period from February to April when the College receives its lowest funding according to the ESFA funding profile.

### **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.

### **Student numbers**

The College is funded according to the number of eligible students enrolled in the previous year. In 2021/22, the College enrolled 2,672 learners (2020/21: 2,478) of which 1,881 were funded 16-18 students and 427 funded adult learners. The remaining learners generate additional income for the College through tuition fees for a variety of provision, including international students.

### **Student achievements**

The College could not be prouder of its students this year and is celebrating the considerable achievements of its students who have yet again achieved an outstanding record of A Level and Vocational course results overall. GCSE and International Baccalaureate results are also excellent.

For the majority of students, this was their first public examination as their GCSEs were replaced by Centre Assessed Grades following the very first lockdown in March 2020. Throughout their studies students were unsure of just how their final grade would be calculated this year, as there was a 'Plan B- Covid Contingency Plan' in place until April 22 in case examinations were cancelled. Despite this, students have been exceptional and have risen to these challenges, demonstrating remarkable resilience, positivity and strength of character.

The overall pass rate at A level is 97% with the majority of subjects achieving a 100% pass rate and a third of our students achieving the very highest of grades of A\* and A, 55% of students achieved A\*-B and three quarters of students A\*-C grades.

Students have been similarly successful in our vocational courses with a 98% pass rate overall, with 56% of students gaining the very highest grades of Distinction\* and Distinction.

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- 100% pass in A level Maths with 35% of students receiving an A or A\*
- 100% 3D Design students got a high grade with 74% receiving an A\* or A
- 75% of A level English students received an A\* - B grade
- 100% pass rate in all Arts A Levels with high grades of 94% in Photography, 90% in Fine Art
- 70% of students completing the EPQ gained an A\* - B grade with 47% gaining an A\* or A
- 60% of BTEC Environmental Sustainability students gained the highest grade of a D\*
- 56% of BTEC Sport students studying Level 3 Sport Science gained the highest grade of a D\*
- 60% of Level 3 double Health & Social Care gained a Distinction or above

This A Level success follows on from Varndean's successful International Baccalaureate results in July, when the IB students achieved a pass rate of 97%, with an average point score of 36.67, equivalent to at least three A grades at A Level. An incredible 29% scored 40 points or more, the equivalent of 3 A\* grades at A Level and 60% of subject scores were at the top grades of 6 and 7. 93% of our IB UCAS applicants received offers for Russell Group universities with two-thirds of the Oxbridge applicants securing their places.

Value added in the last academic year continued to be outstanding. The College is in the top 10% of providers with an ALPS of 2 for A-Level, the majority of our provision. This means that students who study at The College are likely to get at least one grade higher than a good provider and that we add value to every student. Our GCSE provision continues to be amongst the best in the country for GCSE English retake and is 50% above national benchmarks.

### **Curriculum developments**

The College:

- Maintains an approach to the 16-18 curriculum founded meeting the skills agenda and enabling true social mobility. Values are based on inclusivity, breadth and balance through choice of qualification courses, enrichment opportunities, pastoral care and guidance, employer opportunities and additional support.
- Has encouraged the continued development of adult education provision 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.
- Is trail blazing in its partnerships, working with the local LSEP and being jointly awarded Strategic Development Fund with all the other FE providers in Sussex to lead on Sustainability in the curriculum.

### **Future developments**

The College continues to successfully increase its 16-18 student numbers for 2021-22. There is likely to be continued moderate growth in following years and the College is exploring options to support this growth and to replace the areas of its accommodation that are inefficient and deteriorating. The College is working with the FEC team, DfE and consultants to develop a property masterplan.

The College has engaged with the active support offered by the FEC team around curriculum planning efficiencies to gain further efficiencies with their curriculum delivery model.

The College is seeking to maximise commercial opportunities for income generation. Enrolments of international students in 2021/22 are higher than anticipated following a targeted effort to secure interest from alternative markets. Other areas identified for growth include estates lettings and vocational adult education.

The College will continue to strive to be a leading college in sustainability on the AOC Roadmap. The College has made excellent progress so far having been a pilot organisation for the development of a Carbon Literacy Qualification accredited by Manchester Metropolitan University. We have been officially accredited as a Carbon Literate Organisation and gained a Bronze Carbon Literacy Award in July 2022.

## RESOURCES

Tangible resources include the main College site and £1,166,000 (2021: £774,000) held in current assets. Cash resources have further improved from 2020/21 and the financial plan for 2022/23 projects further increases.

### Financial

The College has £3,774,000 (2021: £217,000) of net assets including £nil pension liability (2021: £3,508,000).

### People

The College employed 165 people (expressed as full-time equivalents), of whom 88 are teaching staff.

### Reputation

The College has an excellent reputation locally and nationally. In its last Ofsted inspection in 2018 it was rated Good. Maintaining this reputation is essential for the College's success at attracting students and external relationships. 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.

## 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 Audit Committee 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 Audit Committee will also consider any risks which may arise as a result of new areas 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.

The key risks currently graded as significant are:

### 1. Financial Sustainability

The College has a comprehensive range of controls and mitigating actions to ensure that it continues to be able to provide high quality education and support for all of its students and to progress the strategic plan.

### 2. Accommodation

Planned growth in student numbers may be restrained by the size and quality of the accommodation. The College has developed an accommodation masterplan to address its future needs alongside careful curriculum planning to ensure effective space utilisation.

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### **3. Critical Incident Planning**

The College Critical Incident Plan (CIP) should be reviewed and tested regularly alongside planned awareness training for staff. Risk assessments can support the CIP by identifying risk circumstances and appropriate controls.

### **4. Cyber Security**

Strong IT security controls is central to the College's online and digital functions to safeguard College operations, data and systems.

## **Uncertainties at 31<sup>st</sup> July**

### **CPI assumption**

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. Although Pension Increase orders have always been set with reference to the September CPI for the last 10 years and the September RPI for the preceding 20 years, they are not automatically set and they are only known with absolute certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year. Similarly, the likely level of the forthcoming Pension Increase Order 2023 was not known at 31 July. Consequently, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

### **Energy costs**

Energy costs rose sharply through 2021/22. The College entered into a fixed contract to October 2023 prior to the rises from Spring 2022. Costs for 2022/3 are less than the current Government supported discounted rate through the Energy Bill Relief Scheme and are forecasted at the fixed unit prices. Costs for 2023/24 and beyond are unknown.

### **Ukraine**

At the present time we have not seen any significant impact as a result of the Russian invasion of Ukraine apart from the general economic impact being experienced across the UK. However, the impact of rising inflation is a serious concern for the Corporation and we are seeing significant increases in the costs of utilities, services and consumables. There has been no indication from the Department of Education that the current rate of funding will be increased to address the rising costs. Staffing costs will also rise significantly in 2022/3 following the NJC Support staff pay agreement in November 2022 of 5%.

The longer -term impact of the UK leaving the EU, the pandemic and the conflict in Ukraine a concern and an area of uncertainty for the College.

## **STAKEHOLDERS**

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

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

### Trade union facility time

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

Numbers of employees who were 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	£3,818
Total pay bill	£8,403,000
Percentage of total bill spent on facility time	0.05%

Time spent on paid trade union activities as a percentage of total paid facility time	5.9%
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## EQUALITY AND DIVERSITY

### 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 is a member of the Black FE Leadership Group and proudly anti-racist. They are working closely with Brighton and Hove anti racist strategy to ensure that this is embedded across the college community.

The College welcomes 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;



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- 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.

### **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.

### **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 7<sup>th</sup> December 2022, and signed on its behalf by

J Arnold, 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 2021 to 31 July 2022 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);  
  
and
- ii. In accordance with the guidance to Colleges from the Association of Colleges (AoC) Code of Good Governance for English Colleges (“the code”), which the Corporation adopted at its July 2021 Corporation Meeting, following a compliance review and recommendations from its Search and Governance Committee. Any outstanding actions which arose from the review, would be kept under review and progressed. Prior to this, the Corporation had due regard to the UK Corporate Governance Code (2018) insofar as it was applicable to the further education sector.

The Corporation is the legal entity that operates Varndean College. The legal status of the Corporation is both a statutory Corporation established under the FHEA 1992 and an exempt charity. The College is an activity through which the Corporation achieves its charitable purpose. The Corporation’s Board (Governing Body) has overall responsibility for the conduct of the College.

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 Governing Body recognises that as a body entrusted with public and private funds, it has a particular duty to observe the highest standards of good governance at all times. The Corporation adopted the Association of Colleges’ revised Code of Good Governance in July 2021 and they continue to monitor and embed this. Progress reports are presented annually, with the most recent presented to the Search and Governance Committee in the Summer Term 2022. The Search and Governance Committee monitors compliance with the Code via a detailed Code compliance checklist and action plan, the latter of which records progress on any outstanding matters and is presented termly to that Committee which then updates Corporation.

### **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 and 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 (including Risk matters), Search and Governance Committee, SPH Remuneration Committee and Finance Committee. There is also an Accommodation Working Group of Governors which reports to Corporation.

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

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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.

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.

The Governing Body does have more than one Governor who has served more than 8 years, being the maximum service recommended by the AoC's Code of Good Governance. The Corporation's Search and Governance Committee reviews all Governor appointments and reappointments to ensure that there remains a good balance, without bias within the overall Corporation membership and reappoints Governors for a longer than the recommended service, where they provide exceptional service and they contribute to the overall skill set and experience.

The Corporation is responsible for ensuring that appropriate training is provided to Governors as required. During the 2021/2022 academic year, Governors were offered various training including the Education Training Foundation's (ETF) Governance Development Programme and the SFCA programme of Governance webinars. Furthermore, Chair of Finance and Audit Committees were invited to attend the AoC's new networking meetings for Committee Chairs. A record of all Governor training is maintained by the Clerk and a summary of training is circulated for review annually to the Search and Governance Committee. In addition, annually Governors are issued with an individual governance self-assessment questionnaire, which includes a section on Governor training needs, and the responses are reviewed by the Search and Governance Committee and actioned as appropriate. Other training and development are offered to Governors as appropriate subject to budgetary restrictions and in-house pre-Corporation and pre-Committee training sessions are also provided as needed, including Safeguarding and Prevent training. All new Governors participate in the College's Governor induction process and are invited to attend the AoC new Governor induction events. The Clerk is also offered training as appropriate, including inhouse Safeguarding/Prevent training together with external training providing by the AoC/ETF and she recently completed the AoC Governance Professionals Development Programme Expert Level course and qualification and regularly attends the AOSEC Governance Professionals meetings and SFCA and AoC Conferences. Training records are maintained and reported to Governors via the Search and Governance Committee.

### **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 2021/2022 academic year, the Corporation's self-assessment has been graded as "good". The annual SAR is included within the relevant meeting papers at that time.

In line with the new guidance, the Corporation intends to commission an external governance review as required by the ESFA and the AoC Code of Good Governance, and the Corporation via its Search and Governance Committee are considering the options available including timing of the review.

### **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.

Since the decision at the July 2021 Corporation meeting to adopt the revised AoC's Code of Good Governance, as the Senior Post Holder Remuneration Code forms part of this revision, the College is required to adopt or have due regard for the Remuneration Code, as set out in Annex 1 of the Code. In accordance with the Code, the Remuneration Committee has provided an Annual Remuneration Report to the Board for approval, in respect of the period 1<sup>st</sup> August 2021 to 31<sup>st</sup> July 2022. The Report will be published on the College's website.

Details of the remuneration of the Principal for the year ended 31 July 2022 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.

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 with effect from the end of the 2019/2020 academic year and the College went through a tendering process for a new audit firm to carry out the College's internal assurance work. The new internal assurance firm, Wylie and Bisset, was appointed by Corporation at its July 2021 Meeting with immediate effect. The Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

During the accounting period, the Audit Committee met three times on the following dates and all meetings were quorate:

2<sup>nd</sup> December 2022  
15<sup>th</sup> March 2022  
21<sup>st</sup> June 2022

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Attendance Record for Audit Committee Members:

<b>Member</b>	<b>Term of Office (Start/Finish)</b>	<b>Attendance</b>
Alan Walker	From February 2020	3 out of 3 100%
Brendan Ward	From February 2020	3 out of 3 100%
Paul Herridge	From April 2019	1 out of 3 33%
Richard Seager	From March 2009, and as co-opted Member of Audit Committee from July 2021	3 out of 3 100%
John O'Sullivan	From July 2022	n/a

The Audit Committee monitors the risk management process at the College (previously the Risk Management Group reviewed the College's risk management and reported to Audit Committee).

The Principal, Donna-Marie Janson, is invited to attend Audit Committee Meetings, along with the Deputy Principal, James Gordon and the Vice-Principal, Elaine French.

### **Finance Committee (Finance Working Group until the end of the 2020/2021 academic year)**

With effect from the 2021/2022 academic year the Group was re-named the Finance Committee, with new terms of reference approved by Corporation at its December 2021 meeting on the recommendation of the Finance Committee. The Committee is expected to meet once per term. Prior to the 2021/2022 academic year, the Finance Working Group was tasked with undertaking 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.

### **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.

#### *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 2022 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 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## VARNDEAN COLLEGE

### *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, Wylie and Bisset (appointed at July 2021 Corporation, following the resignation of Mazars in June 2020). The internal assurance provision operates in accordance with the requirements of the ESFA's post 16 Audit Code of Practice.

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

### *Risks faced by the Corporation*

Overall responsibility for risk management within the College rests with the Principal as Accounting Officer, together with the Governing Body, with the Audit Committee providing assurance to the Board (until December 2021, the Audit Committee took into account recommendations from the Risk Management Group, at which point the RMG was disbanded and risk duties and responsibilities were incorporated into the Audit Committee's terms of reference), regarding the effectiveness of the arrangements which are in place. The Senior Leadership Team scores and tracks the likelihood and impact of risks on a termly basis noting any mitigation or action to be taken. The Risk Register is maintained at management level with assurance provided to Corporation Committees. The process is reviewed once per term by the Audit Committee. All Audit Committee meetings consider risk as a standing agenda item and regularly reviews both the Risk, Register, Risk Assurance Map and Risk Management Policy, together with various risk related reports provided by the External and Internal Auditors. "Fraud" is also a standing item on the Audit Committee meeting agendas. Further information relating to risk has been included in the Principal Risk and Uncertainties section of this Annual Report. The Board also places reliance on the Search and Governance Committee which monitors and reviews risks relating specifically to governance, in addition to its responsibilities relating to good governance practice, such as effective succession planning.

### *Control weakness identified*

No control weaknesses have been identified during the year, and no concerns were raised by the Audit Committee.

### *Responsibilities under Funding Agreements*

The Governing Body has ensured the appropriate use of funds as detailed in the Regularity Self-Assessment Questionnaire. At no time during this accounting period has the Accounting Officer, who has the responsibility to ensure compliance with the funding conditions, considered it necessary to advise the Governing Body that any action or policy under its consideration was incompatible with the funding agreement. The College's funding agreement with the ESFA is reviewed annually by the Senior Management Team and significant changes and their implications are considered by the Resources Committee and Corporation, ensuring that all requirements of that agreement are met. The Audit Committee believes that the Corporation has satisfactorily discharged its responsibilities as set out in these annual financial statements.

## VARNDEAN COLLEGE

The Governing Body has monitored the submission of financial plans through timely approvals of budgets and forecasts, together with regular monitoring of management accounts. The Annual Report and Financial Statements are submitted to the Education and Skills Funding Agency (ESFA) within the deadline required and a copy is made available on the College's website, once approved by the Governing Body, for access by all.

The Governing Body has also ensured that the terms and conditions of specific funding streams such as capital grants have been met and the details of which are monitored closely.

### *Statement from the Audit Committee*

The Audit Committee has advised the Governing Body that the College has in place an effective framework for governance and risk management. The Audit Committee has also confirmed that the Governing Body has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2021-2022 and up to the date of this approval of these Financial Statements are:

- i) The appointment and remuneration of the internal auditors, following the resignation of Mazars in June 2020. Wylie and Bisset were appointed in July 2021, following the recommendation of the Audit Committee. No internal audit work was carried out in the academic year 2020/2021 owing to the pandemic/lockdown and the consequential delay in appointment of the successor Internal Assurance providers.
- ii) Internal Assurance Strategy and Plan
- iii) Performance Indicators for Internal Audit
- iv) Financial Statements Audit, including the regularity audit and Letters of Representation
- v) Review of progress made on the implementation of recommendations made by the Financial Statements Auditor
- vi) External Audit Findings Report
- vii) Performance Indicators for External Audit and reappointment
- viii) Regularity Audit Self-Assessment Questionnaire
- ix) External Audit Plan for the year ended 31<sup>st</sup> July 2022, including remuneration.
- x) Risk Management – the Committee receives regular risk management reports and noted progress against the risk management action plan. It also reviewed the Risk Register and considers that effective controls are in place. The Committee was also presented with and considered the Risk Register and Risk Assurance Map, the latter of which included risk assurance for other Corporation Committees. Reports/Minutes from Risk Management Group (until December 2021 when the Group was disbanded).
- xi) Other Matters: Committee action points and rolling action plan, Annual Report of the Audit Committee, progress with internal and external audit recommendations, Audit Committee self-assessment and review of terms of reference, Freedom of Information, Data Protection and Privacy Policy, Anti-Bribery Policy, Anti-Fraud and Irregularity Policy, Financial Regulations, IT/ILT Strategy, Fraud.

### *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

## VARNDEAN COLLEGE

- comments made by the College's financial statements auditors in their management letters and other reports.

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.

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

The College was evaluated as part of the Sussex Coast Area Based Review of sixth form provision in the autumn term of 2015. The Review Board was satisfied that on the basis of the submitted financial plan the College would be financially sustainable as an independent organisation.

Since the review, the College has achieved significant growth in student numbers. It is expected that further additional growth will occur in the coming years. In March 2020, the College had to respond to the Covid-19 pandemic. The financial impact was a reduction in income resulting from reduced adult and international student tuition fees. The College was able to mitigate the additional costs associated with online teaching and remote working, followed by the restricted return to operations, by securing savings across other areas of the budget. Tuition fee income for the year returned to levels similar to 2018/19. The Corporation considers that the College will continue to have adequate resources to continue in operational existence for the foreseeable future. The forecast financial health rating for 2021/22 is Good. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

J Arnold  
Chair

Donna-Marie Janson  
Principal

Date: 7/12/22

Date: 7/12/22



**VARNDEAN COLLEGE**

**MEMBERS OF VARNDEAN CORPORATION (From 1 August 2021 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>
Cintha Archer		2yr	Dec 2022	Parent		50% (3 of 6)
Jill Arnold	May 2021	4 yr	May 2025	Governor	Chair of Governors wef 2022/2023 academic year. Finance Committee (from March 2021 as co-opted Member until May 2021 when appointed as a Governor). Search and Governance Committee (from July 2022), SPH Remuneration Committee (From July 2022), Accommodation Working Group (from July 2022)	100%
Belinda Dutch		2yr	Dec 2022	Parent		67% (4 of 6)
Thomas Dyer	May2022	1yr	May 2023	Student		100% (2 of 2)
Ayas Fallon-Khan	Dec 2009 Dec 2013 Dec 2013 Dec 2017 Dec 2021	4 yr 4 yr 4 yr	Dec 2013 Dec 2017 Dec 2021 Dec 2025	Governor	Risk Management Group (until Dec 2021), Finance Committee (from Feb 2020), SPH Remuneration Committee (from August 2019) Accommodation Working Group	67% (4 of 6)
Jane Farrell	Dec 2016 Dec 2018	2 yr 4 yr	Dec 2018 Dec 2022 Dec 2026	Governor	Audit Committee (until October 2019) SPH Remuneration Committee (from January 2018) (Chair from 1 August 2019)	83% (5 of 6)
Paul Herridge	Feb 2019 Oct 2020	2 yr	Dec 2020 Dec 2024	Governor	Risk Management Group (from October 2019) and Chair post October 2019 until RMG disbanded Dec 2021), Audit Committee (from October 2019) Accommodation Working Group (Chair from July 2022)	83% (5 of 6)
Donna-Marie Janson	September 2020	Ex-officio		Principal	From September 2020: Search and Governance; Risk Management Group (until Dec 2021), Finance Committee, Accommodation Working Group	100%
Christine Lewis	October 2022	4 yr	Oct 2026	Governor		n/a
Simon Lindfield	Mar 2012 Mar 2020	4 yr 4 yr	Mar 2016 Mar 2020 Mar 2024	Governor	Finance Committee (Chair). Appointed Vice Chair of Corporation from Dec 2016, SPH Remuneration Committee, Accommodation Working Group, S & G Committee (resigned July 2021)	100%
Jack Pattison	May 2021	1 year	May 2022	Student		100% (4 of 4)
Martha Rayner	May 2022	1 year	May 2023	Student		50% (1 of 2)
Robyn Read	May 2021	1 year	May 2022	Student		75% (3 of 4)

## VARNDEAN COLLEGE

Janice Robinson	July 2008 July 2012 July 2020	4 yr 4 yr 4 yr	July 2012 July 2016 July 2020 July 2022 - retired	Governor	Chair of Governors (from July 2012 until July 2022) From July 2012 - Search and Governance (Chair), Finance Committee, SPH Remuneration Committee, Accommodation Working Group (Chair)	100%
Richard Seager	Jan 2016 Jan 2020	4 yr	Jan 2020 Dec 2023 Resigned as Governor (July 2021) retained as co-opted Audit Committee Member	Governor Co-opted Member of Audit Committee	Audit Committee	n/a
Katharine Travis	May 2015  May 2019	4 yr  4 yr	May 2019  May 2023	Governor	SPH Remuneration Committee (from August 2019) Search and Governance Committee (appointed Dec 2021)	33% (2 of 6)
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), Search and Governance Committee (appointed Dec 2021)	100%
Brendan Ward	Feb 2020	4 yr	Feb 2024	Governor	Audit Committee, Search and Governance Committee (from July 2021 and Chair from July 2022) Accommodation Working Group	67% (4 of 6)
Simon Waters	Oct 2017	4 yr	Oct 2021 – retired	Teaching Staff		0/1
John Williams	Oct 2021	4 yr	Oct 2025	Governor	Finance Committee	80% (4 of 5)
Aldona Wheeler	Mar 2017 Mar 2021	4 yr	Mar 2021 Mar 2025	Support Staff		83% (5 of 6)
Jason Wye	Dec 2021	4 yr	Dec 2025	Teaching Staff		80% (4 of 5)

NOTE 1: Attendance at Corporation Meetings during the period of the individual Governor's membership from 1<sup>st</sup> August 2021 for the 2021/2022 academic year – there were 6 Corporation meetings during the academic year.

NOTE 2: Governor attendance benchmark per annum is 70%. Overall Corporation attendance was 80% for 2021/2022.

NOTE 3: Finance Working Group until October 2021, replaced with Finance Committee.

From 1 August 2021 until the date of this report, the following individuals were Members of the Audit Committee but not Members of the Corporation:

Richard Seager – Audit Committee – Governor until resigned with effect from July 2021, after which he remained as co-opted Member of Audit Committee)

John O'Sullivan – Audit Committee – appointed July 2022 (with effect from 2022/2023 academic year)

Louise Pennington – Clerk to the Governors/Governance Director and is a qualified Company Secretary, being an Associate of the Chartered Governance Institute and is also a Fellow of the Chartered Insurance Institute.

J Arnold  
Chair

Donna-Marie Janson  
Principal

Date: 7/12/22

Date: 7/12/22

**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 Arnold  
Chair

Donna-Marie Janson  
Principal

Date: 7/12/22

Date: 7/12/22

**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 2021 to 2022 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 Arnold  
Chair

Date: 7/12/22

**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 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

We have nothing to report in this regard.

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

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

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

### **Responsibilities of Corporation**

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

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

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

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

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

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

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

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

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

## VARNDEAN COLLEGE

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

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

Date: 19 December 2022

**Statement of Comprehensive Income  
For The Year Ended 31 July 2022**

	Notes	2022 £'000	2021 £'000
<b>INCOME</b>			
Funding body grants	2	9,405	9,020
Tuition fees and charges	3	975	480
Other income	4	255	209
Investment income	5	-	-
<b>TOTAL INCOME</b>		<u>£10,635</u>	<u>£9,709</u>
<b>EXPENDITURE</b>			
Staff costs	6	8,403	7,761
Other operating expenses	8	1,801	1,568
Depreciation	11	935	946
Loss on disposal of assets	11	18	-
Impairment loss		-	110
Interest and other finance costs	9	82	70
<b>TOTAL EXPENDITURE</b>		<u>£11,239</u>	<u>£10,455</u>
Deficit before tax		(604)	(746)
Taxation	10	-	-
<b>DEFICIT FOR THE YEAR</b>		<u>(604)</u>	<u>(746)</u>
Actuarial gain in respect of pension schemes	17	4,161	65
<b>TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR</b>		<u>£3,557</u>	<u>£(681)</u>

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



**VARNDEAN COLLEGE**

**Statement of Changes in Reserves  
For the Year Ended 31 July 2022**

	<b>Income and expenditure account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
At 31 July 2020	(1,240)	2,138	898
Deficit from the income and expenditure account	(746)	-	(746)
Other comprehensive expenditure	65	-	65
Transfers between revaluation and income and expenditure reserves	92	(92)	-
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2021	(1,829)	2,046	217
Deficit from the income and expenditure account	(604)	-	(604)
Other comprehensive income	4,161	-	4,161
Transfers between revaluation and income and expenditure reserves	92	(92)	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total comprehensive income/(expenditure) for the year	3,649	(92)	3,557
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 July 2022	<u>£1,820</u>	<u>£1,954</u>	<u>£3,774</u>

# VARNDEAN COLLEGE

## Balance Sheet at 31 July 2022

	Notes	2022 £'000	2021 £'000
<b>NON CURRENT ASSETS</b>			
Tangible assets	11	10,651	11,235
<b>CURRENT ASSETS</b>			
Stock	12	10	8
Trade and other receivables	13	293	228
Cash and cash equivalents		863	538
		<u>1,166</u>	<u>774</u>
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
	14	<u>(2,289)</u>	<u>(2,105)</u>
<b>NET CURRENT (LIABILITIES)</b>			
		(1,123)	(1,331)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		9,528	9,904
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
	15	(5,652)	(6,040)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Defined benefit obligations	17	-	(3,508)
Other provisions	16	(102)	(139)
<b>TOTAL NET ASSETS</b>			
		<u>£3,774</u>	<u>£217</u>
<b>RESERVES</b>			
General reserve		1,820	(1,829)
Revaluation reserve		1,954	2,046
<b>TOTAL RESERVES</b>			
		<u>£3,774</u>	<u>£217</u>

The financial statements on pages 23 to 40 were approved by the Corporation on 7<sup>th</sup> December 2022, and signed on its behalf by:

J Arnold  
Chair

Donna-Marie Janson  
Principal

**VARNDEAN COLLEGE**

**Statement of Cash Flows  
For the Year Ended 31 July 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>		
Deficit for the year	(604)	(746)
<b>Adjustment for non-cash items</b>		
Depreciation	935	946
Impairment loss	-	110
Loss on disposal of assets	18	-
(Increase)/Decrease in stocks	(2)	6
(Increase)/Decrease in debtors	(65)	36
Increase in creditors	170	371
Deferred capital grants released to income	(335)	(335)
Pensions costs less contributions payable	626	507
<b>Adjustment for investing or financing activities</b>		
Repayment of capital investment through service contract	(18)	(18)
Investment income	-	-
<b>Net cash flow from operating activities</b>	<u>725</u>	<u>877</u>
<b>Cash flows from investing or financing activities</b>		
Investment income	-	-
Interest element of finance lease payments	(21)	(19)
Deferred capital grants repaid	(15)	-
Payments made to acquire fixed assets	(171)	(400)
Capital element of finance lease payments	(193)	(236)
	<u>(400)</u>	<u>(655)</u>
<b>Increase in cash and cash equivalents in the year</b>	<u><b>325</b></u>	<u><b>222</b></u>
Cash and cash equivalents at beginning of the year	538	316
Cash and cash equivalents at end of the year	<u>863</u>	<u>538</u>

**Notes to the Financial Statements  
For the Year Ended 31 July 2022**

**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 2021 to 2022* 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 forecast for 2021-22 anticipated a return to tuition fee income levels similar to that received prior to the pandemic. This expectation was exceeded and cash reserves have improved significantly. The College has adequate resources to maintain operations and the financial health rating for 2021/22 is Good.

**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.

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 pension Fund (ESPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

## VARNDEAN COLLEGE

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 ESPF are measured using closing market values. ESPF 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.

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	20% - 33.3% per year
Software	10% 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 losses in the same way as owned assets.

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

### **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.

**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 2020 to value the pensions liability at 31 July 2022. 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>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Recurrent grant – ESFA	8,827	8,452
Non-recurrent grant – ESFA 16-19 Tuition Fund	85	67
Non - recurrent grant – Covid 19 Mass Testing funding	11	34
Releases of deferred capital grants	335	335
Other funds	147	132
	<hr/>	<hr/>
	£9,405	£9,020
	<hr/> <hr/>	<hr/> <hr/>

**3 TUITION FEES AND CHARGES**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
UK Further Education Students	215	189
Non EU	760	291
	<hr/>	<hr/>
	£975	£480
	<hr/> <hr/>	<hr/> <hr/>

## VARNDEAN COLLEGE

### 4 OTHER INCOME

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Other income generating activities	85	81
Other grant income	44	41
Other income	126	87
	<u>—</u>	<u>—</u>
	<b>£255</b>	<b>£209</b>
	<u><u>—</u></u>	<u><u>—</u></u>

### 5 INVESTMENT INCOME

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Other interest receivable	-	-
	<u>—</u>	<u>—</u>
	<b>£-</b>	<b>£-</b>
	<u><u>—</u></u>	<u><u>—</u></u>

### 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>2022</b> <b>Number</b>	<b>2021</b> <b>Number</b>
Teaching departments	88	87
Non-teaching staff	77	71
	<u>—</u>	<u>—</u>
	<b>165</b>	<b>158</b>
	<u><u>—</u></u>	<u><u>—</u></u>

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Staff costs for the above persons</b>		
Wages and salaries	6,107	5,676
Social security costs	546	476
Pension costs (including FRS 102 (28) adjustments of £564,000, 2021 - £442,693)	1,750	1,609
	<u>—</u>	<u>—</u>
	<b>£8,403</b>	<b>£7,761</b>
	<u><u>—</u></u>	<u><u>—</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 of 1% was approved by the Corporation in the Spring Term 2022 and awarded to staff with effect from 1 September 2021.



**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, Deputy Principal, Vice Principal Student Services and Vice Principal Resources.

	<b>2022 Number</b>	<b>2021 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>2022 No.</b>	<b>2021 No.</b>	<b>2022 No.</b>	<b>2021 No.</b>
£60,001 to £65,000 p.a.	1	2	-	-
£65,001 to £70,000 p.a.	2	-	-	-
£70,001 to £75,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	1	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

	<b>2022 £'000</b>	<b>2021 £'000</b>
Key management personnel emoluments are made up as follows:		
Salaries	294	291
National Insurance	37	35
Pension contributions	67	67
	—	—
Total emoluments	<u>£398</u>	<u>£393</u>

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

	<b>2022 £'000</b>	<b>2021 £'000</b>
Salary	99	96
Pension contributions	23	23
	—	—
Total emoluments	<u>£122</u>	<u>£119</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. 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>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	2.92	3.16
Principal and CEO's total remuneration as a multiple of the median of all staff	2.94	3.91

**8 OTHER OPERATING EXPENSES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Teaching departments	151	113
Teaching support services	109	56
Other support services	70	61
Administration and support services	450	381
General education expenditure	606	456
Premises costs – ongoing	341	307
Covid-related expenditure	8	99
Other expenses	66	95
	<u>£1,801</u>	<u>£1,568</u>

Other operating expenses include:

Auditors' remuneration		
Financial statements and regularity audit	21	22
Internal assurance / audit	11	2
Catering	17	39
Hire of other assets	20	20
	<u>      </u>	<u>      </u>

**9 INTEREST AND OTHER FINANCE COSTS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
On finance leases	21	19
Pension interest costs	61	51
	<u>£82</u>	<u>£70</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 2021	16,615	219	2,775	19,609
Additions	24	56	289	369
Disposals	(115)		(211)	(326)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2022	<u>16,524</u>	<u>275</u>	<u>2,853</u>	<u>19,652</u>
<b>DEPRECIATION</b>				
At 1 August 2021	6,314	110	1,950	8,374
Charge for the year	570	-	365	935
Disposals	(97)		(211)	(308)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2022	<u>6,787</u>	<u>110</u>	<u>2,104</u>	<u>9,001</u>
<b>NET BOOK VALUE</b>				
At 31 July 2022	<u>9,737</u>	<u>165</u>	<u>749</u>	<u>10,651</u>
At 31 July 2021	<u>10,301</u>	<u>109</u>	<u>825</u>	<u>11,235</u>
Inherited	1,962	-	-	1,962
Financed by capital grant	5,693	-	3	5,696
Other	2,082	165	746	2,993
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value at 31 July 2022	<u>£9,737</u>	<u>£165</u>	<u>£749</u>	<u>£10,651</u>

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 £5,693,000 (2021: £6,020,000) 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 £377,000 (2021 – £398,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £206,000 (2021 – £231,000). Also included are intangible assets with a net book value of £32,291.

12 STOCK

	2022 £'000	2021 £'000
Stock	<u>£10</u>	<u>£8</u>

**13 DEBTORS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	23	1
Prepayments and accrued income	221	175
Other debtors	49	52
	<u>£293</u>	<u>£228</u>
	<u>=====</u>	<u>=====</u>

**14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	192	181
Trade creditors	150	150
Other taxation and social security	134	124
Accruals	365	336
Amounts owed to funding body	235	189
Other creditors	878	790
Deferred income – government capital grants	335	335
	<u>£2,289</u>	<u>£2,105</u>
	<u>=====</u>	<u>=====</u>

**15 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	204	226
Other creditors due after one year	48	66
Deferred income – government capital grants	5,400	5,748
	<u>£5,652</u>	<u>£6,040</u>
	<u>=====</u>	<u>=====</u>

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Enhanced pension £'000</b>
At 1 August 2021	139
Expenditure in the year	(10)
Transferred from statement of comprehensive income (note 17)	(29)
Interest costs	2
	<u>—</u>
At 31 July 2022	<u>£102</u>
	<u>=====</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>2022</b>		<b>2021</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contributions to TPA		838		814
ESPF: Contributions paid	347		329	
FRS102 (28) adjustment	594		453	
	—		—	
Charge to the statement of comprehensive income		941		782
Enhanced pension charge to statement of comprehensive income (Note 16)		(29)		13
		—		—
Total pension cost (Note 6)		<u>£1,750</u>		<u>£1,609</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 £97,296 (2021: £95,761) and £36,708 (2021: £37,684) 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. From 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%.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2019 and updated to 31 July 2022 by a qualified independent actuary.

<b>At</b>	<b>31 July 2022</b>	<b>31 July 2021</b>
Rate of increase in salaries	2.8%	2.85%
Rate of increase for pensions/ inflation	2.8%	2.85%
Discount rate for liabilities	3.4%	1.6%
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:

<b>Current pensioners</b>	<b>31 July 2022</b>	<b>31 July 2021</b>
Males	21.2	21.2
Females	23.8	23.7
<b>Future pensioners</b>		
Males	22.1	22.0
Females	25.1	25.1

## VARNDEAN COLLEGE

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

	Value at 31 July 2022 £'000	Value at 31 July 2021 £'000	Value at 31 July 2020 £'000
Equities	6,935	6,510	5,433
Bonds	1,467	1,457	1,340
Property	832	635	595
Cash	207	171	74
	<u>          </u>	<u>          </u>	<u>          </u>
Total market value of assets	9,441	8,773	7,442
Present value of scheme liabilities	(8,939)	(12,281)	(10,513)
Unrecognised surplus	(502)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Recognised surplus/(Deficit) in the scheme	<u>          </u> £0	<u>          </u> £(3,508)	<u>          </u> £(3,071)

### Analysis of the amount charged to the statement of comprehensive income

	2022 £'000	2021 £'000
Employer service cost (net of employee contributions)	923	781
Past service cost	-	-
	<u>          </u>	<u>          </u>
Total operating charge	923	781
	<u>          </u>	<u>          </u>

### Analysis of net return on pension scheme

Expected return on pension scheme assets	138	98
Interest on pension liabilities	(197)	(147)
	<u>          </u>	<u>          </u>
Net return on assets	(59)	(49)
	<u>          </u>	<u>          </u>

### Amount recognised in Other Comprehensive Income

Actual return less expected return on pension scheme assets	158	965
Experience gains and losses arising on the scheme liabilities	(26)	173
Change in financial and demographic assumptions underlying the scheme liabilities	4,531	(1,073)
Unrecognised surplus	(502)	-
	<u>          </u>	<u>          </u>
Actuarial gain recognised in Other Comprehensive Income	4,161	65
	<u>          </u>	<u>          </u>

### Movement in deficit during year

Deficit in scheme at 1 August	(3,508)	(3,071)
Movement in year:		
Employer service cost (net of employee contributions)	(923)	(781)
Employer contributions	329	328
Past service costs	-	-
Net return on assets	(59)	(49)
Actuarial gain/(loss)	4,161	65
	<u>          </u>	<u>          </u>
Recognised surplus in scheme at 31 July	0	(3,508)
	<u>          </u>	<u>          </u>

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Asset and Liability Reconciliation</b>		
<b>Reconciliation of Liabilities</b>		
Liabilities at start of year	12,281	10,513
Current service cost	923	781
Interest cost	197	147
Employee contributions	107	100
Actuarial (gain)/ loss	(4,505)	900
Benefits paid	(64)	(160)
	<u>8,939</u>	<u>12,281</u>
<b>Reconciliation of Assets</b>		
Assets at start of year	8,773	7,442
Expected return on assets	158	965
Actuarial gain	138	98
Employer contributions	329	328
Employee contributions	107	100
Benefits paid	(64)	(160)
	<u>£9,441</u>	<u>£8,773</u>

The estimated value of employer contributions for the year ending 31 July 2023 is £345,000.

### 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.

**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). The DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 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 £838,000 (2021: £814,000).

**18 CAPITAL COMMITMENTS**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Commitments contracted for at 31 July	£0 =====	£0 =====

**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 £0 (2021: £39). No Governor has received any remuneration or waived payments from the College during the year (2021: None).

**20 AMOUNTS DISBURSED AS AGENT**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Funding body grants	222	207
Disbursed to students	(166)	(172)
	—	—
Balance unspent at 31 July	£56 =====	£35 =====

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 2022 is carried forward within other creditors and will be spent on qualifying purposes in 2022-23 alongside the 2022-23 allocations.



**21 EVENTS AFTER THE REPORTING PERIOD**

**ONS reclassification**

On 29 November 2022, the Office for National Statistics reclassified all College Corporations as Public Sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2023. The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but does not consider that they will have an impact on these financial statements.

## 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 2021 to 31 July 2022 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 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### Approach

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

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

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

The work undertaken to draw to our conclusion includes:

- 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 2021 to 31 July 2022 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: 19 December 2022