

**BROOKSBY MELTON COLLEGE**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 JULY 2017**

## **BROOKSBY MELTON COLLEGE**

### **KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS**

#### **Key management personnel**

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

Chris Ball – Principal and CEO; Accounting Officer  
Mark Bendle – Assistant Principal  
Stuart Wright – Director of Curriculum (GFE & HE)  
Maureen Nelson – Director of Landbased and Learner Services  
Lisa Craddock - Director of Organisational Development and Business Services  
Mhairi Massey - Director of Corporate Services  
Stella Dickie – Director of Finance

#### **Board of Governors**

A full list of Governors is given on pages 11 and 12 of these financial statements.

Mrs Lesley Muscott acted as Clerk to the Corporation throughout the period.

#### **Professional advisers**

##### **Financial statements auditors and reporting accountants**

RSM UK Audit LLP  
Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SD

##### **Internal auditors**

MacIntyre Hudson  
Peterbridge House  
The Lakes  
Northampton  
NN4 7HB

##### **Bankers**

Barclays Bank plc  
Town Hall Square  
Leicester  
LE1 9AA

##### **Solicitors**

Browne Jacobson LLP  
Mowbray House  
Castle Meadow Road  
Nottingham  
NG2 1BJ

# **BROOKSBY MELTON COLLEGE**

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## **NATURE, OBJECTIVES AND STRATEGIES**

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

### **Legal Status**

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

### **Mission**

The College's Mission as approved by its members is:

"Through its specialist courses and unique assets Brooksby Melton College will strive to continue to meet the needs of students, businesses and employers across Melton, Leicestershire and the East Midlands."

### **Public benefit**

Brooksby Melton College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11 and 12.

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

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

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

The College's subsidiary companies where possible pay over the whole of their distributable reserves to the College under the gift aid scheme to further support the above public benefits.

## **IMPLEMENTATION OF STRATEGIC PLAN**

In November 2015 after a period of development and consultation, the Board of Governors approved a 5 year Strategic Plan for the period 1 August 2015 to 31 July 2020.

Through this process the College identified, as key strategic priorities, the need to focus on:

- Further improve the quality of the College's curriculum from good to good with some outstanding elements.
- Further develop high quality teaching resources that promote a good student experience.
- Continue to enable high levels of success with high rates of progression into work or further study.

### IMPLEMENTATION OF STRATEGIC PLAN (continued)

- Continue to maximise opportunities for students to further develop their literacy and numeracy skills.
- Maintain and further develop a highly motivated, efficient and effective workforce.
- Continue to maintain and further develop the College estate.
- Commit to ongoing investment that provides for the future security of the College.
- Grow the College income and diversifying income streams to reduce dependence on any single source of funding.
- Continue to realign the College curriculum offer by consolidating existing provision and developing new provision around our specialist areas.
- Provide support and facilities that allow students with additional needs to access specialist vocational courses and develop their employability skills.
- Further develop relationships with employers, key stakeholders and partners.
- Continue to increase the number of students living at College and further develop support mechanisms that enable students to overcome barriers to attending and achieving.

### Financial Objectives

The College's financial objectives for 2016/17 were:

- 100% delivery of 16-19 funding and 81% delivery of adult grant funding
- Deliver £300k of 16-18 apprenticeships
- Enrol 180 Higher Education students
- Payroll costs 64% of income
- Underlying operating deficit of £135k to invest in growth in the curriculum, funded by profit on disposal of non-critical assets
- 32% of income non- grant related
- £476k cash generated from operations

### Performance Indicators

The College's specific key performance indicators for 2016/17 and achievement of those objectives is addressed below:

Objective	2016/17 Performance Indicator	Achievement
Achievement of Funding Target	985 16-19 students and 100% delivery of funding and 81% delivery of adult grant funding.	1,010 16-19 students and funding fully delivered. Adult 78% delivered against budgeted target.
16-18 apprenticeship income	Deliver £300k	Delivered £326k
Higher Education	180 students	118 students completed the year. 141 students enrolled.
Staff Costs as % of Income	64%	62% Staff costs including contracted out services but before exceptional restructuring and FRS 102 pension costs.

BROOKSBY MELTON COLLEGE  
MEMBERS' REPORT

Objective	2016/17 Performance Indicator	Achievement
Annual Operating Surplus	Annual operating deficit of £135k agreed to fund growing curriculum areas. The deficit would be funded by the sale of non critical assets.	Underlying operating deficit of £187k, profit on disposal of assets of £62k.
Diversification of income	32% of non-grant related income	30% of non-grant related income.
Cash generated in year from operations	£476k	Net cash flow from operating activities £479k
Curriculum Self Assessment/ Ofsted Grades	Curriculum self assessment good with outstanding features.	OFSTED inspection in November 2016 is graded as Good with some outstanding features. Overall 2016/17 self-assessment is graded as good with outstanding features.
Overall Achievement Rates	16-18 National rate 80.2% 19+ National rate 85.9%	Anticipated achievement rates: 16-18 - 81.4% 19+ - 87.7%

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "satisfactory" financial health grading. The current rating of satisfactory is considered an acceptable outcome given the completion of the extensive capital project programme and investment in growth curriculum areas.

## FINANCIAL POSITION

### Financial Results

The Group generated a deficit before other gains and losses in the year of £764k (2015/16 £910k), with total comprehensive income of £173k, (2015/16 (£446k)). The total comprehensive income in 2016/17 is stated after accounting for the disposal of an agricultural building and land.

The Group has accumulated general reserves of (£4,433k) (2015/16 (£4,820k)) and cash balances of £358k (2015/16 £198k). The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

In line with the investment in new teaching and learning facilities Governors approved the investment in staffing to ensure that a high quality experience would be provided for the two new curriculum areas being developed within the College namely Sport Science and Hospitality and Catering. This up-front investment would not immediately generate revenue for the College given the College's over-delivery against the 16-18 funding target. To ensure financial viability, this up-front investment was financed by the sale of surplus non-teaching assets. Profit on sale of these fixed assets was £62k (2015/16 £358k).

	£'000
Deficit on continuing operations after depreciation, exceptional items and before tax 2016/17	(764)
FRS 102 pensions adjustment	572
Contractual restructuring costs	5
Underlying operating deficit 2016/17	<u>(187)</u>

### **Financial Results..continued**

The College has three wholly owned subsidiary companies: Brooksby Enterprises Limited, Brooksby Natural Resources Limited and Melton Leisure Services Limited. The principal business activities of Brooksby Enterprises Limited are weddings, commercial catering and letting (including conferences and courses for business) along with the commercial operation of an equestrian centre. The primary business activity of Brooksby Natural Resources Limited is the receiving of Certain and Surface rent together with royalty income from the extraction of minerals from the quarry it operates. The main business activities of Melton Leisure Services Limited are the operation of a theatre and room hire. In the current year Brooksby Enterprises Limited reported a profit before tax and gift aid distribution of £102k, (2016: £128k), Brooksby Natural Resources Limited reported a profit before tax of £22k (2016: £14k) and Melton Leisure Services Limited reported a profit before tax of £16k (2016: £13k).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the funding bodies provided 70% (2016: 68%) of the College's total income.

### **Treasury Policies and Objectives**

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

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

### **Cash flows and liquidity**

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

### **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. At the balance sheet date the income and expenditure reserve stands at (£4,433k) (2015/16 (£4,820k)). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of operating surpluses.

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

### **Financial Health**

The strategic plan demonstrates an improving financial health position within the ESFA financial health grading of satisfactory. The College delivers quarterly management accounts and meets with representatives of the ESFA on a quarterly basis as part of the ESFA's early intervention programme. The strategic plan demonstrates that bank covenants in respect of borrowings are comfortably met.

### **Student numbers**

In 2016/17 the College delivered activity that produced £7,553k in funding body main allocation funding (2015/16 £7,093k). The College had 2021 funded students (16-19, 19+ and Apprentices).

### **Student achievements**

The College continues to deliver substantial vocational programmes of study with a high proportion being within specialist areas; 43% of 16-19 students Core aim was within SSA3 (Agriculture, Horticulture and Animal Care).

For the 2016/17 funding year 99% of 16-19 year old funded students undertook study programmes of 450 Hours or more compared to 98% in 2015/16.

When comparing the College based 'education and training' leaver count for the hybrid end year 2016/17; ESFA (16-19) funded enrolments made up 80% of the provision with the Diploma qualification type for all ages and levels making up 31% of all enrolments across the College.

The College anticipates official data to confirm it has maintained its high qualification pass rates across the majority of qualification types for hybrid end year 2016/17 with 16-18 and 19+ Diploma Achievement rates to be above 15/16 Specialist National rates by 3.2% and 4.6%, respectively.

There has been a significant improvement in the 'Basic Skills Maths and English' category; with the overall achievement rate projected to be some 7.5% above the 'All' providers 15/16 national achievement rate.

The recent Ofsted inspection on 1 and 2 November 2016 confirmed that the College continues to be good. Curriculum planning matches local needs well and reflects the College's commitment to providing a high quality vocational offer that specialises in land-based industries, rural hospitality, sport, performing arts and media studies.

### **Student Success**

2016/17 was a successful year for students studying at Brooksby Melton College. Listed below are just a few of their achievements:

- In November 2016, Brooksby Melton College apprentice Brittany Osborne was named Apprentice of the Year in the Agriculture, Horticulture and Animal Care category at the Coventry and Warwickshire Apprentice of the Year Awards. The incredibly prestigious presentation ceremony, where Brittany received her trophy, was held at Coventry Cathedral.
- In July, the College concluded another exciting and successful year in partnership with MTFC, with seven students having signed professional contracts with the football club over the course of the year.
- These signings follow an extremely successful season for the MTFC youth team, who have been crowned as EFL Youth Alliance Champions for the second consecutive season, making them the first team to ever successfully defend this title.
- BMC student Joe Smith won first place at this year's Teflon Diamond Standard Awards, a prestigious inter-college competition aimed at highlighting and recognising excellence in the catering industry. The final, which was held at Waitrose Cookery School on 25th January, saw Joe rise above the competition to win this prestigious culinary award.

### **Curriculum developments**

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.

### **Curriculum developments..continued**

The College has responded to clearly identified local needs and developed progression routes on a broad range of courses. Many programmes accessed at Level 1/Foundation can be followed through to Level 2 and beyond.

The College continues to develop its academy programme with Mansfield Town Football Club and commenced a new academy programme with Leicester Tigers in September 2017.

Programmes of Higher Education study continue to be developed, including an ongoing partnership with Bolton University and the University of East Anglia.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The college is committed to achieving this target. The College incurred no interest charges in respect of late payment for this period.

### **Future prospects**

The College continues to assess the efficiency and effectiveness (success rates) of its Programme Team Areas, and has developed an internal resource allocation model to reflect the ESFA's allocation of funding to the College as a whole. This means that in future resources will be focused on efficient and successful courses in ESFA priority areas with other areas and courses being assessed as to their longer term viability.

With regard to the improved facilities provided by the new and refurbished buildings across both campuses, the College seeks to increase both FE and HE student numbers over the next five years.

The successful outcome of the Strategic Area Review process sees the College remaining independent while collaborating with other colleges in the area on Apprenticeships and purchasing.

The College has a successful planning application for affordable housing within Melton Mowbray on its King Street site and an appeal for a housing development on its Spinney site has been allowed and planning permission granted. The proceeds of the sales, minus planning costs, will be utilised to refurbish the Melton Theatre and Brooksby Hall.

The College has maintained an ESFA satisfactory financial health score throughout its period of 16-18 growth, development of the sport academies and significant investment in facilities and resources. The weak financial health score, although graded as satisfactory, placed the College in a state of Early Intervention by the ESFA. This is a preventative measure and there are no indications in the 3 year ESFA plan that the College will not be able to meet its liabilities. The current strategic thinking sees the College strengthening its specialisms, creating stronger links with employers, launching a new RAC apprenticeship programme in 2018 and reducing its reliance on recurrent government grants.

### **RESOURCES**

The Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the two main college sites, both significantly enhanced after a £27m capital programme over the last three years.

## **Financial**

The Group has net assets of £6,432k (including a £7,642k pension liability) and has long term debt of £3m.

## **People**

The Group employs 235 people (expressed as full time equivalents), of whom 78 are teaching staff.

## **Reputation**

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to develop and embed the 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 College Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed every term by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

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

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17 70% of the College's revenue was ultimately public funded and this level of requirement is expected to continue in the short term. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Devolution of the adult education budget
- There is a decline in the numbers of 16-18 year olds to 2018 nationally and regionally.
- Apprenticeship reforms
- The recent introduction of the apprenticeship levy significantly affecting the marketplace, though the full implications are not yet known as government policy continues to develop.
- The funding focus for adults is shifting to those in work or supporting programmes that result in employment.

### **1. Government funding..continued**

This risk is mitigated in a number of ways:

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

### **2. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Brooksby Melton College sets tuition fees in accordance with the need to be competitive in the local market and attract students from both the UK and Overseas for its HE courses. The price elasticity of adult learning for the College and the impact of increases in degree level fees charged by Universities are not yet fully understood. The risk for the College is that demand falls off as fees increase.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Comparing prices with other local providers

### **3. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed deficit recovery plan with the Leicestershire LGPS.

### **4. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as satisfactory as described above. This is largely the consequence of growth and investment. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and universities, Brooksby Melton College has many stakeholders. These include:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers
- Local Authorities
- Government Offices/ Regional Development Agencies/LEPs
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

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

## **EQUALITY**

Brooksby Melton College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's internet site.

The College considers all applications 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. An equalities plan is published each year and monitored by managers and governors.

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

### **Disability statement**

The College seeks to achieve the objectives set down in the Equality Act 2010:

- As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2003/04, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants 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.

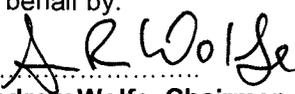
**Disability statement..continued**

- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

**Disclosure of information to auditors**

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

Approved by order of the members of the Corporation on 29 November 2017 and signed on its behalf by:

  
.....  
**Andrew Wolfe, Chairman**

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the code"); and
3. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

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

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

### The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name Surname, First name	Date of Initial Appointment	End Date of Current Appointment	Date of Resignation	Category of Governor	Committees Served	Directors of College Subsidiary Companies	% Attendance in 2016/17
Alcraft, David	01-Mar-09	28-Feb-21		Governor	Audit		75%
Ball, Christopher	26-Aug-08	n/a	25-Oct-17	Principal	F&GP, Devl, Q&S, S&G	BNR, MLS, BEL	68%
Bendle, Mark	25-Oct-17	n/a		Acting Principal	F&GP, Q&S, S&G		100%
Farish, Neil	1-Apr-17	31-Mar-21		Governor	F&GP		100%
Hall, Suzanne	21-Nov-08	31-Oct-20		Governor (Vice Chair)	Audit (Chair), Rem (Chair), Q&S		92%
Bridget Hollis	1-Feb-14	31-Jan-18		Staff Governor	Q&S		83%

BROOKSBY MELTON COLLEGE  
MEMBERS' REPORT

Name Surname, First name	Date of Initial Appointment	End Date of Current Appointment	Date of Resignation	Category of Governor	Committees Served	Directors of College Subsidiary Companies	% Attendance in 2016/17
Irving, David	01-Jun-05	31-May-17	31-Dec-16	Governor (Chair Board)	F&GP, Rem	BNR, MLS	88%
Jamieson, Bruce	01-Jan-07	31-Dec-18		Governor	Audit, Devl, Q&S (Chair)	MLS, BNR	95%
Jones, Trevor	01-Aug-14	31-July-18		Governor	F&GP (Chair)	BNR,MLS	77%
Jordan, Peter	1-April-15	31-Mar-19		Governor	F&GP, Q&S		100%
Marks, Ron	01-Apr-07	31-April-19		Governor	Devl, F&GP,	MLS, BEL	100%
Posnett, Pam	01-Aug-12	31-Jul-20		Governor	Devl, S&G		28%
Smethurst, Eric	16-Dec-09	31-Dec-17		Governor	Audit, S&G (Chair)	BEL	60%
Diana, Tieman	1-Nov-13	31-Oct-17	31-Oct-17	Governor	Q&S, S&G		87%
Wakeling, Ruth	01-Aug-07	31-Jul-19		Governor	S&G	BEL	75%
Walker, Kerstin	01-Jan-12	31-Dec-19	01-Jan-17	Governor	Audit, Rem Q&S (Chair)		83%
Wilson, Jane	01-Jun-17	30-May-21		Governor	Audit		100%
Wolfe, Andrew	01-Aug-12	31-Jul-20		Governor (Vice Chair / Chair Board)	Devl (Chair), F&GP, Rem	BNR, BEL	83%
Foster-Cleaver, Milly	05-Oct-16	31-Jul-17		Student Governor			67%
Webster, Amber	05-Oct-16	31-Jul-17		Student Governor			20%
Richardson-Walsh, Drew	01-Jun-17	30-May-21		Governor	Q&S		100%

Clerk to the Corporation – Lesley Muscott

**Key to Abbreviations used in the above table:**

Devl Development Committee  
 F&GP Finance and General Purposes Committee  
 Q&S Quality and Standards Committee  
 Rem Remuneration Committee  
 S&G Search and Governance Committee  
 BEL Brooksby Enterprises Limited  
 BNR Brooksby Natural Resources Limited  
 MLS Melton Leisure Services Limited

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 approximately every eight weeks, September to July.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Finance and General Purpose, Quality and Standards, Remuneration, Development and Search and Governance. Full minutes of all meetings, except those deemed to be confidential

BROOKSBY MELTON COLLEGE  
MEMBERS' REPORT

**The Corporation..continued**

by the Corporation, are available on the College's website [www.brooksbymelton.ac.uk](http://www.brooksbymelton.ac.uk) or from

Brooksby Melton College  
Brooksby  
Melton Mowbray  
Leicestershire  
LE14 2LJ

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. There is also a programme of briefing and training events for governors to update knowledge of governance issues, and understanding of national policy developments and initiatives.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate, and which have been defined by the Board in separate role descriptions.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee 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 4 years. The Corporation has also agreed a policy of limiting to 12 years the number of years a member may serve.

**Corporation performance**

The Corporation will carry out the formal self assessment of its own performance for the year ended 31<sup>st</sup> July 2017 in early 2018. It however in the meantime sees no reason to revise the previous grading of good.

**Remuneration Committee**

The Remuneration Committee comprised a Chair and three other members of the Corporation (excluding the Accounting Officer) during the year ended 31 July 2017. The Committee's responsibilities include the making of recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

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

### **Audit Committee**

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

The Audit Committee meets on at least one occasion each term and provides a forum for reporting by the College's Internal 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 in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendation and Internal Audit receives a progress tracking report at each committee meeting to ensure appropriate action is being taken to address the recommendations in the timeframes agreed with the Audit Committee.

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

### **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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### **The purpose of the system of Internal Control**

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

#### **Capacity to Handle Risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## BROOKSBY MELTON COLLEGE MEMBERS' REPORT

### **The risk and control framework**

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

- An annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

Brooksbury Melton College has an Internal Audit service, which operates in accordance with requirements of the ESFA's Post 16 Audit Code of Practice. The work of the Internal Audit service is informed by an analysis of the risks to which the College is exposed, and annual Internal Audit plans are based on this analysis. The analysis of risks and the Internal Audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum, the Head of Internal Audit (HIA) provides the Corporation with an annual report on Internal Audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of effectiveness**

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

- The work of the Internal Auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the Internal Control framework
- Comments made by the College's financial statements Auditors, the appointed funding auditors in their management letters and other reports.

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

The College Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The College Management Team and Audit Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the College Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the College Management Team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

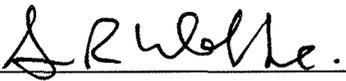
BROOKSBY MELTON COLLEGE  
MEMBERS' REPORT

**Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The 3 year plan prepared for the ESFA demonstrates an improving financial position, compliance with bank covenants and sustainable growth. The financial health while still graded as satisfactory is strengthening and the College is making steps to further reduce its reliance on government funding. The Corporation has confidence that the College is able to fulfil its obligations and undertake its activities for the period of the plan.

Approved by order of the members of the Corporation on 29 November 2017 and signed on its behalf by:



**Andrew Wolfe**

**Chairman**



**Mark Bendle**

**Accounting Officer**

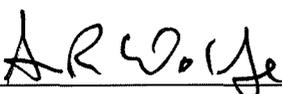
**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY  
AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

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

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

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

Approved by order of the members of the Corporation on 29 November 2017 and signed on its behalf by:



**Andrew Wolfe**                      **Chairman**



**Mark Bendle**                      **Accounting Officer**

## STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the College's financial memorandum / funding agreement between the Education and Skills Funding Agency (ESFA) and the Corporation of the College requires the Corporation of the College to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction issued by the ESFA and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

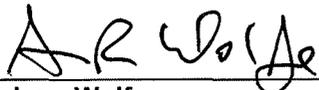
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum/Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

**Approved by order of the members of the Corporation on 29 November 2017 and signed on its behalf by:**

  
\_\_\_\_\_  
Andrew Wolfe Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF BROOKSBY MELTON COLLEGE**

### **Opinion**

We have audited the financial statements of Brooksby Melton College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter.

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

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

### **Responsibilities of the Corporation of Brooksby Melton College**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 18, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency / the Funding Agreement published by the Education Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

**RSM UK AUDIT LLP**  
Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire

Date: 15/12/17

**BROOKSBY MELTON COLLEGE**  
**CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
<b>Income</b>					
Funding body grants	2	8,336	8,336	7,692	7,692
Tuition fees and education contracts	3	1,229	1,229	1,376	1,376
Other grants and contracts	4	10	10	-	-
Other income	5	2,382	1,923	2,211	1,584
Investment income	6	-	98	1	128
<b>Total income</b>		<b>11,957</b>	<b>11,596</b>	<b>11,280</b>	<b>10,780</b>
<b>Expenditure</b>					
Staff costs	7	7,847	7,847	7,387	7,387
Other operating expenses	8	3,485	3,157	3,487	3,017
Depreciation and amortisation	11-14	1,061	1,047	909	897
Interest and other finance costs	9	328	328	407	407
<b>Total expenditure</b>		<b>12,721</b>	<b>12,379</b>	<b>12,190</b>	<b>11,708</b>
<b>Deficit before other gains and losses</b>		<b>(764)</b>	<b>(783)</b>	<b>(910)</b>	<b>(928)</b>
Profit on disposal of tangible fixed assets		62	62	358	358
<b>Deficit before tax</b>		<b>(702)</b>	<b>(721)</b>	<b>(552)</b>	<b>(570)</b>
Taxation	10	(4)	-	(1)	-
<b>Deficit for the year</b>		<b>(706)</b>	<b>(721)</b>	<b>(553)</b>	<b>(570)</b>
Remeasurement of net defined benefit pension liability	23	879	879	107	107
<b>Other comprehensive income for the year</b>		<b>879</b>	<b>879</b>	<b>107</b>	<b>107</b>
<b>Total comprehensive income for the year</b>		<b>173</b>	<b>158</b>	<b>(446)</b>	<b>(463)</b>

**BROOKSBY MELTON COLLEGE**

**CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES**

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>College</b>			
<b>Balance at 1 August 2015</b>	(4,047)	11,331	7,284
Deficit for the year	(570)	-	(570)
Other comprehensive income	107	-	107
Transfers between revaluation and income and expenditure reserves	252	(252)	-
<b>Total comprehensive income for the year</b>	<u>(211)</u>	<u>(252)</u>	<u>(463)</u>
<b>Balance at 31 July 2016</b>	<u>(4,258)</u>	<u>11,079</u>	<u>6,821</u>
Deficit for the year	(721)	-	(721)
Other comprehensive income	879	-	879
Transfers between revaluation and income and expenditure reserves	214	(214)	-
<b>Total comprehensive income for the year</b>	<u>372</u>	<u>(214)</u>	<u>158</u>
<b>Balance at 31 July 2017</b>	<u>(3,886)</u>	<u>10,865</u>	<u>6,979</u>

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 1 August 2015</b>	(4,626)	11,331	6,705
Deficit for the year	(553)	-	(553)
Other comprehensive income	107	-	107
Transfers between revaluation and income and expenditure reserves	252	(252)	-
<b>Total comprehensive income for the year</b>	<u>(194)</u>	<u>(252)</u>	<u>(446)</u>
<b>Balance at 31 July 2016</b>	<u>(4,820)</u>	<u>11,079</u>	<u>6,259</u>
Deficit for the year	(706)	-	(706)
Other comprehensive income	879	-	879
Transfers between revaluation and income and expenditure reserves	214	(214)	-
<b>Total comprehensive income for the year</b>	<u>387</u>	<u>(214)</u>	<u>173</u>
<b>Balance at 31 July 2017</b>	<u>(4,433)</u>	<u>10,865</u>	<u>6,432</u>

**BROOKSBY MELTON COLLEGE**

**CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2017**

	<b>Notes</b>	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	11	44	50
Tangible assets	13	<u>39,966</u>	<u>40,673</u>
		<u>40,010</u>	<u>40,723</u>
<b>Current assets</b>			
Stocks	16	143	146
Debtors	17	911	680
Cash at bank and in hand		<u>358</u>	<u>198</u>
		1,412	1,024
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	<u>(2,498)</u>	<u>(2,451)</u>
<b>Net current liabilities</b>		<u>(1,086)</u>	<u>(1,427)</u>
<b>Total assets less current liabilities</b>		38,924	39,296
Creditors: amounts falling due after more than one year	19	(24,705)	(24,932)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	21	(7,642)	(7,946)
Other provisions	21	<u>(145)</u>	<u>(159)</u>
<b>Total net assets</b>		<u>6,432</u>	<u>6,259</u>
<b>Reserves</b>			
<b>Unrestricted reserves</b>			
Income and expenditure account		(4,433)	(4,820)
Revaluation reserve		<u>10,865</u>	<u>11,079</u>
<b>Total reserves</b>		<u>6,432</u>	<u>6,259</u>

The financial statements on pages 21 to 42 were approved and authorised for issue by the Corporation on 29 November 2017 and were signed on its behalf on that date by:



Andrew Wolfe  
Chairman



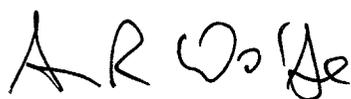
Mark Bendle  
Accounting Officer

**BROOKSBY MELTON COLLEGE**

**COLLEGE BALANCE SHEET AS AT 31 JULY 2017**

	<i>Notes</i>	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	12	38	41
Tangible assets	14	39,472	40,168
Investments	15	-	-
		<u>39,510</u>	<u>40,209</u>
<b>Current assets</b>			
Stock	16	134	138
Debtors	17	1,858	1,665
Cash at bank and in hand		155	24
		<u>2,147</u>	<u>1,827</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	<u>(2,186)</u>	<u>(2,178)</u>
<b>Net current liabilities</b>		<u>(39)</u>	<u>(351)</u>
<b>Total assets less current liabilities</b>		39,471	39,858
Creditors: amounts falling due after more than one year	19	(24,705)	(24,932)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	21	(7,642)	(7,946)
Other provisions	21	<u>(145)</u>	<u>(159)</u>
<b>Total net assets</b>		<u>6,979</u>	<u>6,821</u>
<b>Reserves</b>			
<b>Unrestricted reserves</b>			
Income and expenditure account		(3,886)	(4,258)
Revaluation reserve		10,865	11,079
<b>Total reserves</b>		<u>6,979</u>	<u>6,821</u>

The financial statements on pages 21 to 42 were approved and authorised for issue by the corporation on 29 November 2017 and were signed on its behalf on that date by:



Andrew Wolfe  
Chairman



Mark Bendle  
Accounting Officer

**BROOKSBY MELTON COLLEGE****CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 JULY 2017

	2017 £'000	2016 £'000
<b>Operating activities</b>		
Deficit for the year	(702)	(552)
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	1,061	910
Profit on sale of fixed assets	(62)	(358)
Decrease/(Increase) in stocks	3	(19)
Increase in debtors	(231)	(19)
Decrease in creditors	(276)	(544)
Decrease in provisions	(12)	(7)
Pension costs less contributions payable	572	523
Investment income	-	(1)
Interest payable	127	127
<b>Cash generated from operations</b>	<u>480</u>	<u>60</u>
Taxation paid	(1)	(16)
<b>Net cash flow from operating activities</b>	<u>479</u>	<u>44</u>
<b>Investing activities</b>		
Proceeds from sale of fixed assets	101	436
Investment income	-	1
Purchase of tangible fixed assets	(387)	(389)
Capital grants received	20	-
	<u>(266)</u>	<u>48</u>
<b>Financing activities</b>		
Interest paid	(127)	(127)
Proceeds of new borrowings	322	-
Repayments of borrowings	(112)	-
Repayment of obligations under finance leases	(34)	(32)
	<u>49</u>	<u>(159)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<u>262</u>	<u>(67)</u>
Cash and cash equivalents at beginning of the year	<u>96</u>	<u>163</u>
Cash and cash equivalents at end of the year	<u>358</u>	<u>96</u>

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

#### **1 Accounting Policies**

##### **General Information**

Brooksby Melton College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 13. The nature of the College's operations are set out in the Members' report.

##### **Statement of Accounting Policies**

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

##### **Basis of Accounting**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further Education and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

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

In accordance with the 2015 FE HE SORP and FRS102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

##### **Basis of Consolidation**

The consolidated financial statements include the College and its subsidiaries, Brooksby Enterprises Limited, Melton Leisure Services Limited and Brooksby Natural Resources Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances and unrealised gains on transactions between the group entities are eliminated on consolidation. The activities of the College and the Student Union are managed on a unified basis. The activities of the Student Union have been consolidated in these financial statements. The College exercises control over the Student Union. All financial statements are made up to 31 July 2017.

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

#### **Going Concern**

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

The College currently has £3m of loans outstanding with bankers on terms negotiated in 2014 and 2017. Additionally there is a £0.5m facility available for unconditional drawdown. The terms of the existing agreement are for up to another 8 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of Income**

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is recognised when received or receivable.

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 achievement for the adult skills budget 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 following the year end and the results of any funding audits. Employer responsive grant income is recognised based on a year end reconciliation of income claimed.

16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

Government capital grants for assets, other than land, are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method. The deferred income is allocated between creditors due within one year and those due after more than one year. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

#### **Other income**

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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 earned on a receivable basis.

#### **Post Retirement Benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which are multi-employer defined benefit plans.

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### **Short term Employment benefits**

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

#### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's 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 funding bodies.

#### **Fixed Assets – Tangible fixed assets**

##### **Land and Buildings**

Land and buildings inherited from the local education authority are stated in the balance sheet at deemed cost (being the valuation amount at the point of inheritance less depreciation). The main educational campuses were valued on the basis of depreciated replacement cost as the open market value for existing use was not readily available; all other properties on the estate were valued at open market values for existing use. The associated credit is included in the revaluation reserve. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of 50 years.

Certain items of fixed assets were revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP and are measured on the basis of deemed cost, being the revalued amount at the date of revaluation.

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

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

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

On adoption of FRS 15 (tangible fixed assets), the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account 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:

- 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 £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

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

Plant and machinery	20% per year
Fixtures, fittings and equipment	10% per year
Motor vehicles	25% per year

#### **Fixed assets - Intangible assets**

Software development costs are depreciated over their useful economic life on a straight line basis as follows:

Software development costs	25% per year
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#### **Leased assets**

Costs in respect of operating leases are charged to Comprehensive Income on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

#### **Investments**

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

#### **Investments (continued)**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the college.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

#### **Stocks**

Stocks are held at the lower of cost and net realisable value. Farm stocks are valued annually by a firm of independent chartered surveyors.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### **Cash and cash equivalents**

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

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

#### **Financial instruments**

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

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

#### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 4% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

The farming activities are regarded separately for VAT purposes and hence all input tax suffered relating to goods and services purchased for farming activities are fully recoverable.

# **BROOKSBY MELTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2017**

#### **Provisions and contingent liabilities**

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

#### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 28, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff involved in the administration of Discretionary Support Fund applications and payments.

#### **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 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.

In preparing these financial statements, the following critical accounting estimates and assumptions have been applied:

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected 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.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

2	FUNDING BODY GRANTS	Year ended 31 July		Year ended 31 July	
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
		Group	College	Group	College
	<b>Recurrent grants</b>				
	Education and Skills Funding Agency - adult	559	559	681	681
	Education and Skills Funding Agency - 16-18	6,355	6,355	5,700	5,700
	Education and Skills Funding Agency - Apprenticeships	639	639	712	712
	Higher Education Funding Council	225	225	175	175
	<b>Specific grants</b>				
	Releases of government capital grants	549	549	420	420
	HE grant	9	9	4	4
		<b>8,336</b>	<b>8,336</b>	<b>7,692</b>	<b>7,692</b>
3	TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July		Year ended 31 July	
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
		Group	College	Group	College
	Adult education fees	139	139	136	136
	Fees for FE loan supported courses	232	232	180	180
	Fees for HE loan supported courses	818	818	983	983
		<b>1,189</b>	<b>1,189</b>	<b>1,299</b>	<b>1,299</b>
	Total tuition fees	40	40	77	77
	Education contracts	<b>1,229</b>	<b>1,229</b>	<b>1,376</b>	<b>1,376</b>
4	OTHER GRANTS AND CONTRACTS	Year ended 31 July		Year ended 31 July	
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
		Group	College	Group	College
	Other grants and contracts	10	10	-	-
		<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>
5	OTHER INCOME	Year ended 31 July		Year ended 31 July	
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
		Group	College	Group	College
	Catering & residences	354	354	354	354
	Farming activities	327	334	336	346
	Other income generating activities	1,445	627	1,435	493
	Miscellaneous income	256	608	86	391
		<b>2,382</b>	<b>1,923</b>	<b>2,211</b>	<b>1,584</b>
6	INVESTMENT INCOME	Year ended 31 July		Year ended 31 July	
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
		Group	College	Group	College
	Other interest receivable	-	-	1	1
	Distribution from subsidiary	-	98	-	127
		<b>-</b>	<b>98</b>	<b>1</b>	<b>128</b>

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE**

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

	2017 Number	2016 Number
Teaching staff	78	73
Non teaching staff	157	156
	<u>235</u>	<u>229</u>

**Staff costs for the above persons:**

	2017 £'000	2016 £'000
Wages & salaries	5,910	5,616
Social security costs	473	372
Other pension costs	1,297	1,102
<b>Payroll sub-total</b>	<u>7,680</u>	<u>7,090</u>
Contracted out staffing services	162	290
	<u>7,842</u>	<u>7,380</u>
Contractual restructuring costs	5	7
<b>Total staff costs</b>	<u>7,847</u>	<u>7,387</u>

**Key management personnel**

Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the College and are represented by the College Management Team which comprises the Principal, Assistant Principal, Director of Finance, Director of Curriculum (GFE & HE), Director of Landbased and Learner Services, Director of Organisational Development and Business Services and Director of Corporate Services.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	7	7

The number of key management personnel, who received annual emoluments, excluding pension contributions but including benefits in kind in the following ranges was:

	Key management personnel	
	2017 No.	2016 No.
£50,001 to £60,000	5	5
£70,001 to £80,000	1	1
£120,001 to £130,000	1	1
	<u>7</u>	<u>7</u>

Key management personnel compensation, including the Accounting officer, is made up as follows:

	2017 £'000	2016 £'000
Salaries	487	469
Employer's National Insurance	59	51
Benefits in kind	4	3
	<u>550</u>	<u>523</u>
Pension contributions	89	80
Total emoluments	<u>639</u>	<u>603</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is the highest paid key management personnel) of:

	2017 £'000	2016 £'000
Salaries	124	122
Employer's National Insurance	16	15
Benefits in kind	2	2
	<u>142</u>	<u>139</u>
Pension contributions	20	20
Total	<u>162</u>	<u>159</u>

**BROOKSBY MELTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2017**

**7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE (continued)**

**Governors' remuneration**

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year 4 (2016: 6) governors total expenses of £441 (2016: £834) were paid to or on behalf of 4 (2016: 6) in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

8 OTHER OPERATING EXPENSES	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Teaching costs	1,044	1,082	768	778
Non teaching costs	1,655	1,289	1,959	1,479
Premises costs	786	786	760	760
	<u>3,485</u>	<u>3,157</u>	<u>3,487</u>	<u>3,017</u>
<b>Deficit before taxation is stated after charging:</b>				
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Auditors' remuneration				
- financial statements audit	25	25	15	12
- internal audit	11	11	12	12
Other services provided by the financial statements auditor				
- taxation compliance	4	4	1	1
Hire of assets under operating leases	102	102	87	87
Cost of stock recognised as an expense	16	8	13	5

The financial statements auditors' remuneration includes £8,850 (2016: £3,635) in respect of the subsidiary undertakings.

9 INTEREST PAYABLE AND OTHER FINANCE COSTS	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
	Group	College	Group	College
On bank loans and overdrafts	123	123	123	123
On finance leases	4	4	4	4
Net interest on defined pension liability (note 21 and 23)	201	201	280	280
	<u>328</u>	<u>328</u>	<u>407</u>	<u>407</u>

**10 TAXATION - GROUP ONLY**

The college was not liable for any corporation tax arising out of its activities during this year or the prior year.

	2017	2016
	£'000	£'000
Current tax in relation to the subsidiaries		
United Kingdom corporation tax	<u>4</u>	<u>1</u>

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**11 INTANGIBLE FIXED ASSETS (GROUP)**

	Software £'000
<b>Cost</b>	
At 1 August 2016	207
Additions	18
<b>At 31 July 2017</b>	<u>225</u>
<b>Amortisation</b>	
At 1 August 2016	157
Charge for the year	24
<b>At 31 July 2017</b>	<u>181</u>
<b>Net book value</b>	
<b>At 31 July 2017</b>	<u>44</u>
Net Book Value	
At 31 July 2016	<u>50</u>

**12 INTANGIBLE FIXED ASSETS (COLLEGE)**

	Software £'000
<b>Cost</b>	
At 1 August 2016	187
Additions	18
<b>At 31 July 2016</b>	<u>205</u>
<b>Amortisation</b>	
At 1 August 2016	146
Charge for the year	21
<b>At 31 July 2017</b>	<u>167</u>
<b>Net book value</b>	
<b>At 31 July 2017</b>	<u>38</u>
Net Book Value	
At 31 July 2016	<u>41</u>

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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**13 TANGIBLE FIXED ASSETS (GROUP)**

	Freehold Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2016	44,772	946	2,402	34	48,154
Additions	229	27	107	6	369
Disposals	(39)	(28)	(5)	-	(72)
<b>At 31 July 2017</b>	<b>44,962</b>	<b>945</b>	<b>2,504</b>	<b>40</b>	<b>48,451</b>
<b>Depreciation</b>					
At 1 August 2016	5,441	689	1,330	21	7,481
Charge for the year	757	98	176	6	1,037
Disposals	-	(28)	(5)	-	(33)
<b>At 31 July 2017</b>	<b>6,198</b>	<b>759</b>	<b>1,501</b>	<b>27</b>	<b>8,485</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>38,764</b>	<b>186</b>	<b>1,003</b>	<b>13</b>	<b>39,966</b>
Net Book Value At 31 July 2016	39,331	257	1,072	13	40,673

**14 TANGIBLE FIXED ASSETS - (COLLEGE ONLY)**

	Freehold Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2016	44,200	918	2,172	35	47,325
Additions	229	27	107	6	369
Disposals	(39)	(23)	-	-	(62)
<b>At 31 July 2017</b>	<b>44,390</b>	<b>922</b>	<b>2,279</b>	<b>41</b>	<b>47,632</b>
<b>Depreciation</b>					
At 1 August 2016	5,340	608	1,185	24	7,157
Charge for the year	752	92	176	6	1,026
Disposals	-	(23)	-	-	(23)
<b>At 31 July 2017</b>	<b>6,092</b>	<b>677</b>	<b>1,361</b>	<b>30</b>	<b>8,160</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>38,298</b>	<b>245</b>	<b>918</b>	<b>11</b>	<b>39,472</b>
Net Book Value At 31 July 2016	38,860	310	987	11	40,168

Agricultural land was revalued as at 1 August 2014 at fair value by Fox Bennet a firm of independent chartered surveyors.

If land and buildings had not been revalued and recognised at deemed cost on transition they would have been included at the following historical cost amounts:

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

Land and buildings with a net book value of £21,527k (2016: £21,775k) have been purchased from exchequer funds. Should these assets be sold, the College may be liable under the terms of the financial memorandum with the funding bodies, to surrender the funds.

The net book value of equipment includes an amount of £93k (2016: £115k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £39k (2016: £43k).

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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**15 INVESTMENTS**

	The College 2017 £	The College 2016 £
Investment in subsidiary companies at cost	6	6

The College owns 100 per cent of the issued ordinary £1 shares in the following companies, all of which are incorporated and registered in England and Wales:

Name	Principal business activity
Brooksby Enterprises Limited	Commercial catering and conferences and management of equestrian centre
Brooksby Natural Resources Limited	Income from mineral extraction
Melton Leisure Services Limited	Theatre and room hire

**16 STOCKS**

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Farm stocks	127	127	130	130
Other stocks	16	7	16	8
	<u>143</u>	<u>134</u>	<u>146</u>	<u>138</u>

**17 DEBTORS**

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	96	36	71	48
Amounts owed by subsidiary undertakings	-	1,058	-	1,038
Sundry debtors	260	260	368	368
Prepayments and accrued income	555	504	241	211
	<u>911</u>	<u>1,858</u>	<u>680</u>	<u>1,665</u>

Amounts owed by group undertakings are non interest bearing and have no fixed repayment date.

**18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	202	202	214	214
Obligations under finance leases	31	31	31	31
Payments received in advance	78	-	63	1
Trade creditors	330	300	364	333
Other taxation and social security	309	234	273	216
Corporation tax	4	-	1	-
Accruals and deferred income	462	337	434	312
Deferred income - Government capital grants	565	565	556	556
Amounts owed to the ESFA (see below)	517	517	515	515
	<u>2,498</u>	<u>2,186</u>	<u>2,451</u>	<u>2,178</u>

Amounts owed to the ESFA represent potential clawback and retention payments for capital projects.

**BROOKSBY MELTON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**19 CREDITORS: AMOUNTS FALLING DUE AFTER  
MORE THAN ONE YEAR**

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	3,013	3,013	2,912	2,912
Obligations under finance leases	32	32	47	47
Deferred income - Government capital grants	21,660	21,660	21,973	21,973
	<u>24,705</u>	<u>24,705</u>	<u>24,932</u>	<u>24,932</u>

**20 MATURITY OF DEBT**

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	202	202	214	214
Between one and two years	235	235	168	168
Between two and five years	706	706	504	504
In five years or more	2,072	2,072	2,240	2,240
	<u>3,215</u>	<u>3,215</u>	<u>3,126</u>	<u>3,126</u>

Bank loans and overdrafts at 3.957% repayable by instalments falling due between 1 August 2017 and 31 July 2036 totalling £2,912,000 are unsecured.

(b) Finance leases

The total future minimum lease payments are payable:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	31	31	31	31
Between two and five years	32	32	47	47
	<u>63</u>	<u>63</u>	<u>78</u>	<u>78</u>

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

**21 PROVISIONS FOR LIABILITIES**

	Group and College		Total
	Defined benefit obligations £'000	Enhanced pensions £'000	£'000
At 1 August 2016	7,946	159	8,105
Amounts utilised	(569)	(10)	(579)
Additions in period	265	(4)	261
At 31 July 2017	<u>7,642</u>	<u>145</u>	<u>7,787</u>

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

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	3.50%	2.30%
Discount rate	1.70%	1.30%

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**22 FINANCIAL INSTRUMENTS**

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	198	160	358
Overdrafts	(102)	102	-
Total	<u>96</u>	<u>262</u>	<u>358</u>
		Group	
		2017	2016
		£'000	£'000
<b>Financial assets</b>			
Debt instruments measured at amortised cost		<u>714</u>	<u>439</u>
<b>Financial liabilities</b>			
Financial liabilities measured at amortised cost		<u>4,587</u>	<u>1,040</u>

**23 RETIREMENT BENEFITS**

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

**Total pension cost for the year**

	2017 £'000	£'000	2016 £'000	£'000
Teachers Pension Scheme: contributions paid		357		365
Local Government Pension Scheme:				
Contributions paid	569		490	
FRS 102 charge	<u>371</u>		<u>247</u>	
		940		737
Enhanced pension charge to Statement of Comprehensive Income		-		-
<b>Total Pension Cost for Year within staff costs</b>		<u>1,297</u>		<u>1,102</u>

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

Contributions amounting to £109k (2016: £101k) were payable to the schemes at 31 July and are included in creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer.

**Valuation of the Teachers' pension scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

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**23 RETIREMENT BENEFITS (continued)**

The TPS valuation for 2012 determined an employer rate of 16.48% (including 0.08% administration fees), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £357k (2016: £365k)

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Leicestershire Local Authority. The total contributions made for the year ended 31 July 2017 were £750k of which employer's contributions totalled £569k and employee contributions totalled £181k. The agreed contribution rates for future years are 19.99% for employers and range from 5.5% and 12.5% for employees depending on salary.

**Principal Actuarial Assumptions**

The following is based on a full actuarial valuation of the Fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary:

	At 31 July 2017	At 31 July 2016
	% per annum	% per annum
Inflation assumption (CPI)	2.9%	1.9%
Rate of increase in salaries	3.5%	2.9%
Rate of increase for pensions	2.5%	1.9%
Discount rate for liabilities	2.7%	2.4%
Commutation of pensions to lump sums	50%	50%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2017	2016
	Years	Years
Retiring today		
Male	22.1	22.2
Female	24.3	24.3
Retiring in 20 years		
Male	23.8	24.2
Female	26.2	26.6

The College's share of the assets in the plan at the balance sheet date were: 0.38% 0.38%

	Long-term rate of return expected at 31 July 2017	Fair value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Fair value at 31 July 2016
		£'000		£'000
Equities	1.25%	10,079	1.25%	9,796
Bonds	1.25%	3,009	1.25%	2,281
Property	1.25%	1,204	1.25%	1,208
Cash	1.25%	752	1.25%	134
<b>Total fair value of plan assets</b>		<u>15,044</u>		<u>13,419</u>
<b>Actual return on plan assets</b>		<u>2,316</u>		<u>1,409</u>

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

	2017	2016
	£'000	£'000
Fair value of plan assets	15,044	13,419
Present value of plan liabilities	<u>(22,686)</u>	<u>(21,365)</u>
Net pensions liability (Note 21)	<u>(7,642)</u>	<u>(7,946)</u>

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**23 RETIREMENT BENEFITS (continued)**

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost (net of employer contributions)	940	737
<b>Total</b>	<u>940</u>	<u>737</u>

	2017 £'000	2016 £'000
<b>Amounts included in interest payable and other finance costs</b>		
Net interest cost	195	276
	<u>195</u>	<u>276</u>

	2017 £'000	2016 £'000
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	927	1,257
Experience losses arising on defined benefit obligations	1,123	293
Changes in assumptions underlying the present value of plan liabilities	(1,180)	(1,431)
<b>Amount recognised in Other Comprehensive Income</b>	<u>870</u>	<u>119</u>

The £879k (2016: £107k) in Other Comprehensive Income includes an actuarial gain of £9k (2016: loss £12k) for the enhanced pension provision.

	2017 £'000	2016 £'000
<b>Movement in net defined deficit in year</b>		
Net defined deficit in scheme at 1 August 2016	(7,946)	(7,542)
Movement in year:		
Current service cost	(940)	(737)
Employer Contributions	569	490
Net interest on the defined liability	(195)	(276)
Actuarial gain / (loss)	870	119
<b>Deficit in scheme at 31 July 2017</b>	<u>(7,642)</u>	<u>(7,946)</u>

**Asset and Liability Reconciliation**

	2017 £'000	2016 £'000
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**Changes in the present value of defined benefit obligations**

<b>Defined benefit obligations at start of period</b>	21,365	18,970
Current service cost	940	737
Interest cost	521	693
Employee contributions	181	168
Experience gains and losses on defined benefit obligations	(1,123)	(293)
Changes in financial assumptions	1,487	1,431
Changes in demographic assumptions	(307)	-
Estimated benefits paid	(378)	(341)
<b>Defined benefit obligations at end of period</b>	<u>22,686</u>	<u>21,365</u>

**Changes in fair value of plan assets**

	2017 £'000	2016 £'000
<b>Fair value of plan assets at start of period</b>	13,419	11,428
Interest on plan assets	326	417
Return on plan assets (excluding net interest on the net defined benefit liability)	927	1,257
Employer contributions	569	490
Employee contributions	181	168
Estimated benefits paid	(378)	(341)
<b>Fair value of plan assets at end of period</b>	<u>15,044</u>	<u>13,419</u>

**BROOKSBY MELTON COLLEGE  
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**24 POST BALANCE SHEET EVENTS**

Details of post balance sheet events are given in the report of the members of the Corporation.

**25 CAPITAL COMMITMENTS**

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	276	448

**26 COMMITMENTS UNDER OPERATING LEASES**

The total future minimum lease payments under non-cancellable operating leases are as follows (none were for Land & Buildings): -

	Group and College	
	2017	2016
	£'000	£'000
Payments due:		
Not later than one year	71	71
Later than one year and not later than five years	50	70
	121	141

**27 RELATED PARTY TRANSACTIONS**

The Members of the Corporation other than the Accounting Officer and staff members did not receive any payment other than the reimbursement of travelling expenses incurred in the performance of their duties.

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of principal and staff members under contracts of employment and not in respect of their roles as governors. The total expenses paid to or on behalf of the Governors during the year was £441 (2016: £834). This represents travel and subsistence expenses and other out of pocket expenses

No Governor has received any remuneration or waived payments from the College during the year (2016: none). Key management compensation disclosure is given in note 7.

**28 AMOUNTS DISBURSED AS AGENT**

<b>Learner Support Funds</b>	2017	2016
	£'000	£'000
Funding body grants - bursary support	173	124
Funding body grants - discretionary learner support	85	95
Funding body grants - residential bursaries	68	68
	326	287
Disbursed to students	(78)	(119)
Administration charges	(12)	(6)
Amount consolidated in the financial statements	(157)	(79)
<b>Balance unspent at 31 July 2017, included in creditors</b>	79	83

Funding body grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the payment of transport, equipment and residential costs by the College on the student's behalf.

## **INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF BROOKSBY MELTON COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION**

### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency / funding agreement with the Education Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Brooksby Melton College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

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

### **Responsibilities of Corporation of Brooksby Melton College for regularity**

The Corporation of Brooksby Melton College is responsible, under the SFA financial memorandum / EFA funding agreement and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Brooksby Melton College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework

of authorities including the specific requirements of the financial memorandum with Skills Funding Agency / funding agreement with the Education Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

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

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

*RSM UK Audit LLP*

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Chartered Accountants  
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Grove Park  
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Leicestershire

Date: *15/12/17*