



Annual Report and Financial Statements
Year Ended 31st July 2021

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 17 of these financial statements.
Mrs Georgina Flood acted as Head of Governance throughout the period.

Key Management Personnel

Key management personnel were represented by the following in 2020/21:

Andrew Kaye	Principal and CEO; Accounting Officer
Richard Bryant	Deputy Principal Finance and Resources
Angie Hinton	Assistant Principal People and Organisational Development (resigned Aug 2020)
Leah Palmer	Assistant Principal Study Programmes (resigned Sep 2020)
Louise Davis	Assistant Principal Students & Improvement (resigned Aug 2020)
Lesley Roberts	Managing Director Business Plus (resigned Feb 2021)
Christian Allen-Kotze	Deputy Principal Curriculum, Quality & Innovation (appointed Sep 2020)
Sarah Carruthers	Director People & Culture (appointed Sep 2020)
Victoria Adams	Director of Student Experience (appointed Sep 2020)
Anoushka Ottley	Managing Director of Business Partnerships & Commercial (appointed Apr 2021)

Principal and Registered Office

Bishopsfield Road
Fareham
Hampshire
PO14 1NH

Professional Advisers

External auditors:

RSM UK Audit LLP
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Internal auditors:

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
Hampshire
PO14 1AH

Bankers:

Barclays Bank plc
Wytham Court
11 West Way
Oxford
OX2 0JB

Solicitors:

Glanvilles
West Wing
Cams Hall
Fareham
PO16 8AB

Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditors report for Fareham College for the year ended 31 July 2021.

Legal status

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

Our strategic intent

Delivering excellence in professional and technical education.

Our culture

Our culture is our personality and character, it is made up of our shared values and describes how our people behave and interact, how decisions are made and how we approach our work.

- We create a culture where **respect** is deeply-embedded for all that work, study and visit Fareham College.
- We encourage **innovation** in design, development and delivery of our curriculum and services.
- We promote **excellence** in staff and student performance.

Our strategy 2020 to 2022

In order to deliver our longer-term vision, we will deliver against 4 key strategic corporate priorities over the next 2 years, which are to:

- Respond to policy change and economic drivers to ensure financial resilience for future growth and investment;
- Deliver innovative and flexible teaching, learning and assessment making best use of technology and blended learning;
- Provide excellent customer service and support which adds real value to our future-focused students, apprentices and employers;
- Set and maintain a culture of high expectations for students' progress and employers' future success.

Implementation of strategic plan

In July 2020 the College adopted a strategic plan for the period 2020 to 2025. The Corporation monitors the performance of the College against this plan and the plan is reviewed and updated each year.

By 2025, we will be the region's leading further education college and professional and technical education provider of choice.

To realise our vision for 2025 we will

- be a larger, financially resilient college, able to invest in its people and facilities;
- deliver consistently outstanding teaching, learning and assessment;
- set high ambitions for our students and apprentices, celebrating their progress and employability;
- impact positively on the Solent LEP Local Industrial Strategy and their four "Grand Challenges";
- enhance our training and our services with sector-leading digital capabilities;

- provide world-class facilities and technologies for all our customers;
- extend our regional reach, capitalising on our excellent transport links, to include the cities of Portsmouth and Southampton;
- be an employer of choice, valuing the efforts and talents of our people and further developing their skills to impact positively on their careers.
- further develop our strong and meaningful partnerships with regional and national employers to inform and advance our training and services.

This vision will be achieved only with the support and commitment of fully engaged and motivated people who are proud to work for Fareham College.

To deliver this vision, we will:

- inspire our people to be innovative and confident in the teaching they deliver or the services they provide;
- extend the use of digital technology to enhance teaching, learning and assessment and improve the services offered;
- continue to invest in our facilities, resources and IT infrastructure to meet the needs of industry standard training;
- provide strong leadership with clarity of purpose and appropriate levels of support and challenge;
- establish strong and meaningful partnerships and collaborations with a range of stakeholders to add value to our customers;
- embed innovation and teamwork in all the work we do.

COVID-19

The College transitioned successfully out of the first lockdown and, outside of the government initiated second and third lockdowns, was able to offer a substantially normal offering throughout the year. Online tuition remained a part of the delivery model outside of lockdowns, though a majority of students wanted to be back onsite, and being in college enabled skills to be practiced in the workshops and practical areas which in turn improved chances of success. Having direct 'in person' access to support services was of benefit to many students who struggled with mental health during the pandemic and preferred this to the online support offered during the closures.

PPE was made available and enforced in line with government guidelines. Hand Sanitisers were installed throughout the College and classroom windows were opened to improve airflow. Additional cleaning was put in place to ensure touchpoints were cleaned regularly throughout the day. Screens were installed on receptions and mobile screens made available for meetings with students, parents and visitors to minimise transmission. Staff travel between campuses was minimised to avoid cross contamination between bubbles.

Students operated in Faculty bubbles at the main campus and as site bubbles on other smaller campuses. Within each bubble there was segregation between the majority of courses. The number of student cases was low with the need for close contacts to self-isolate causing the biggest impact on time in college for both staff and students.

Planned capital programmes were delivered on time and to budget despite the challenges of COVID. In some cases, programme timelines were brought forward to allow for contingencies on lead times for some products and services.

RESOURCES

The College has high quality resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main BRC site, which benefitted from a £17m investment programme in 2015, the £11m CEMAST site which opened in September 2014, and a further investment of £4m in 2019 enabling the college to develop a Civil Engineering Training Centre adjacent to the CEMAST site.

So far, the college has invested £1.4m in facilities to support the rollout of T Level qualifications in Digital, Early Years, Healthcare and Science and plans to invest £1.4m to create a Centre of Excellence in Environmental Technologies ahead of offering the Building Services Engineering T Level from September 2023.

Financial

The College has £7.029m of net assets at 31 July 2021 (2020 £6.582m) and long-term debt of £2.944m (2020: £3.11m).

People

The College employed an average of 282 people (2020: 287), of whom 119 are teaching staff (2020: 121).

Reputation

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

Financial objectives

The College's financial objectives are that we:

- Implement an annual financial plan that will maintain a robust financial position for the College for the next two years and beyond in order to generate funds for future investment;
- Identify new and grow existing markets, particularly apprenticeships and higher-level technical qualifications, and further develop our programme of full-cost provision that will enable us to increase and diversify our incomes;
- Expand our educational trading activities with new projects and initiatives;
- Have an affordable capital investment strategy that is sufficient to ensure that facilities, infrastructure and learning technologies are of a high quality and relevant to meet the requirements of the curriculum as it develops;
- Maintain strong controls and checks on our finances and have systems in place to ensure the most efficient use of the funds we have available.

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

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website as well as nationally prepared data sets such as MiDES to assess its performance against like organisations. Both sets of data look at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). Prior to the outcome of the ESFA Funding Audit the college was assessing its Financial Health as "Good". As a result of the audit outcome, the college is self-assessing as "Requires Improvement"

The Corporation monitors the performance of the Executive using a variety of key performance indicators including:

- Learner success rates
- Learner destinations
- Satisfaction survey - learners

- Satisfaction survey - employers
- Satisfaction survey - parents
- Financial performance
- Capital project progress

The College closely monitors EBITDA for the purposes of cash flow planning and banking covenants, as well as debt service cover and interest cover.

Stakeholders

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Bankers.

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a deficit before other gains and losses in the year of £2,041k (2020: deficit of £462k), with total comprehensive income of £447k (2020: deficit of £3.737m).

The total comprehensive income in 2021 is stated after accounting for actuarial gains in respect of pension schemes.

COVID-19

The budget for 2020/21 was finalised in June 2020 at which point there was a reasonable, but unconfirmed, expectation that some form of normality would return after the first lockdown. The College believed it was being prudent by assuming reduced delivery in the autumn term and a return to normality from January 2021 onwards. As it was some form of COVID measures remained in place for the whole year, including lockdowns in November 2020 and between January and March 2021.

Delivery of the Adult Education Budget allocation was severely impacted by the ongoing pandemic. The College had successfully delivered Sector Work Academy Programmes (SWAP) prior to the pandemic and had planned to use this programme alongside Traineeships to deliver the Government's Plan for Jobs strategy. Unfortunately, with the ongoing pandemic, partner agencies such as Job Centre Plus were unable to mandate learners to attend courses and the College was unable to meet its allocation, returning £50k in funding to the ESFA despite having teachers available to deliver.

The COVID 19 Skills Offer to fund a full Level 3 for learners aged over 24 years old who did not already have a Level 3 qualification was available from March. Despite programmes being available and a marketing campaign, the College struggled to recruit learners in the academic year and returned £153k of allocated funding to the ESFA.

Apprenticeship income was lower than expected as employers initially deferred starts, then reduced number of starts as the year progressed.

Commercial activity was much lower than the planned assumption of reduced delivery in the autumn term and full delivery from January 2021. The hair salon re-opened following sector guidelines but with a reduced capacity and closing during the second and third lockdowns. The College restaurant remained closed throughout the year with changes to the Government's guidelines on hospitality not providing the opportunity for full re-opening. However, students were able to prepare meals and other produce which they sold to staff for take-away thus enabling them to gain necessary experience for their qualifications. Outside of the lockdowns, the College refectories remained open during the year with a reduced offering. Overall the income from commercial areas of the college was £193k below plan and £171k lower than 19/20.

The College utilised the furlough scheme for as many positions as was allowed, though this did not cover teachers who were involved with adult education delivery and not utilised as described above. In total 52 roles were furloughed at some point through the year, with some moving to part time furlough in October 2020. The College received £73k in payments from the Coronavirus Job Retention Scheme covering 46 staff.

Additional cleaning was put in place from the start of the academic year to clean high use touch points regularly through the day. Cleaning costs were £50k higher than the prior year.

In March 2021 to support the return to College after the third lockdown, the College was required to put in place an onsite COVID testing facility to provide students with three lateral flow tests prior to returning to College and the start of regular twice weekly testing at home. This was to provide Staff and Students with instruction on how to use the devices and to identify asymptomatic cases in the College community to prevent further outbreaks as the country eased out of lockdown. Over 4,700 tests were conducted on staff and students with 3 positive cases being identified. Costs incurred in running the test facility were covered by Government grants provided for the purpose.

Alongside this, the College also provided space to Fareham Borough Council to run a community testing station for March and April.

Developments

Tangible fixed asset additions for equipment purchased during the year amounted to £1,693k (2020: £2.489m).

The College started a £0.5m programme in June to provide new facilities for Healthcare and Science T Levels being delivered from September 2021. This was completed in time for the start of the new term in September.

Reserves

The College has accumulated reserves of £7.029m and cash balances of £2.95m as at 31st July 2021 (2020: accumulated reserve £6.582m and cash balances £2.08m).

Sources of Income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021 the ESFA provided 84% of the College total income (2020: 78%).

FUTURE PROSPECTS

Developments

The College is the lead college in the Solent Strategic Development Fund which is part of the government's Skills Accelerator programme outlined in the FE White paper announced in January 2021. This is a collaborative project with other providers and employers in the region to improve technical and professional education resources and facilities. Additional revenue and capital funds will be made available for the 2021/22 academic year to fulfil the plan.

Through this project, the college is working very closely with the Hampshire Chamber of Commerce and will support the future submission of a Local Skills Improvement Plan.

The College was also successful in its bid for Higher Technical Qualification Growth funds and has received revenue and capital funds to improve the higher-level offering at the college.

The College is the lead FE partner in the Solent Institute of Technology, which will provide further investment to develop CEMAST.

The College remains committed to the further development of a full range of T Level programmes as these continue to be made available for teaching from the DfE.

Financial plan

The College governors approved a three-year financial plan in June 2020 which sets objectives for the period to 2023.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

There was a net increase of £2.60m in net cash flow from operating activities (2020: Increase £2.415m). After servicing debt and a capital programme, there was a net cash inflow of £865k (2020: outflow £260k).

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.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £3.040m (2020: £2.409m). The College recognises the importance of maintaining sufficient reserves to enable it to meet its short-term financial obligations in the event of an unexpected revenue shortfall. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Going Concern

Recruitment for 16-19 year olds in September 2021 was slightly down on the previous year, though still showed an increase on 2019/20. Recruitment for 16-19 year olds in September 2022 was in line with the previous year. Numbers on Level 1 courses were flat with the prior year, at Level 2 numbers were down slightly year to year compensated by an increase at Level 3, especially in T level student numbers. Some of the change in spread is due to grade inflation at GCSE level that enabled more students to enrol onto Level 3 courses. However, this also enabled more students to enrol on A-Level courses at Sixth Form Colleges resulting in the flat recruitment seen despite an expected demographic increase. Due to an abnormally high in year recruitment rate for 2020/21 which affected the 2022/23 allocation, 16-19 income will decline in 2023/24 despite flat student numbers.

The College was successful in bids for the second round of the Strategic Development Fund, which provides funding for capital and revenue activity aimed at increasing future provision in the areas of Digital and Marine in line with employer needs.

The College is protected from the current energy price increase with fixed contracts for utilities than run until October 2023 and 2024.

The Management team continue to review the financial performance of the College monthly via management accounts and a monthly cashflow forecast. Notwithstanding the current pressures on staff pay and apprenticeship recruitment and delivery, forecasts show an ongoing ability to maintain cash reserves for the next 24 months.

The 5-year financial plan is reviewed half yearly which also includes a monthly cashflow. Without increases to the base funding rate for 16-19 year olds or an increase to Adult Funding rates, the longer term outlook is more challenging with the rate of inflation, pay pressures and changes to pension and taxation rates all having negative effects on financial performance and limiting capital investment outside of centrally funded programmes. A cautious approach is adopted with cashflow forecasting which should provide additional assurance on the ability to operate in the future.

Therefore, 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.

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PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

The top 5 risk factors affecting the College are outlined below along with the mitigating actions taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Risk	Mitigation
Student and staff health and wellbeing.	<p>A new team has been implemented to support the management of students with mental health concerns.</p> <p>Success coaches provide an additional layer focused on triage and supporting learner progress.</p> <p>Staff can discuss concerns with their manager or P&C team and have access to an Employee Assistance Program.</p>
Affordability of competitive rates of pay causes issues relating to recruitment which adversely affects student experience and quality of outcomes.	<p>A pay award of 3% was made in February 2020 and 1% in August 2021. The pay policy has been revised and reviewed.</p> <p>A revised middle management structure has been implemented to improve progression.</p>
Difficulty in recruiting qualified staff especially in Engineering, Construction and Digital areas, leads to pressure on pay budgets, delivery, and quality.	<p>Market uplifts are offered for hard to recruit to roles in these areas.</p> <p>Programmes are being developed with employers where their staff can be released into college to deliver in niche areas and teachers can visit employers to upskill.</p>
Serious IT security failure causing security breach - Cyber Security	<p>Ability to lockdown systems has been enhanced.</p> <p>Use AI to analyse logins looking for improbable attempts.</p>
COVID-19	<p>Online learning embedded into the standard program and can be turned fully on if another lockdown occurs.</p> <p>Flexible working is adopted where feasible and if needed remote working can be fully implemented.</p>

KEY PERFORMANCE INDICATORS

KPI	20/21 Actual	Target
Student numbers		
• Full Time Study Programmes (R04)	1,585	1,600
• Apprenticeships	£2.5m	£3.3m
• Higher Education	261	200
• Total inc. PT	3,446	3,600
Student achievement		
• 16-18	84.4%	90%
• Adults	76.5%	90%
• Apprenticeships (overall)	43.3%	75%
Ofsted Rating	Outstanding	Outstanding
ESFA Financial Health	Requires Improvement	Outstanding
Turnover	£14.3m	£16.1m
Surplus / (deficit)	£(2,041)k	£(282)k
Cash days	78	60
Bank Covenants		
Debt Service cover	0.44:1	1.5:1
Interest Cover	1.04:1	2:1
Net Assets (Exc pension liability)	£15.7m	£10m
Staff Satisfaction (via survey)		
• Communication to all staff	80%	90%
• Communication with line manager	93%	90%
• Opportunity to discuss professional development	94%	90%
• Fair contractual Pay and Benefits	78.6%	90%
• Team and Culture	95%	90%

Student achievements

- The timely success rate of all classroom learning enrolments is 84%, down from 85.8% in 2019/20.
- Outcomes for 16-18 year olds are 87.4% (2019/20: 87.5%) and outcomes for adults are 76.5% compared to 77.5% in 2020.
- The achievement rates for level 2 (90%) and level 3 (91.9%) qualifications for 16-18 year olds are outstanding, both are substantially above national averages.
- The overall achievement rates have been negatively affected by adult learners who did not complete their qualifications during the Covid-19 lockdown period.
- Overall achievement rates for apprentices at 43.3% has declined from 67% in 2019/20.
- Achievement rates of apprentices were affected by redundancies and job losses during Covid-19.
- GCSE maths 9-4 rate for 16-18 year olds is 34.7%, higher than 2019/20 of 27.3%.
- GCSE English 9-4 rate for 16-18 year olds is 39.2%, slightly lower than 2019/20 of 42.4%.
- As a result of Covid-19, GCSE English and maths grades were centred assessed rather than examined.

In the College self-assessment report for 2020/21 outcomes for learners will be reported as good. The achievement rates of the core study programme qualifications are very high at Levels 2 and 3, centred assessed grades for GCSE were very good. The achievement of adults and apprentices has declined but the support provided to these groups of students during Covid-19 was excellent and enabled many to still achieve their qualifications despite the challenges they faced.

The College was inspected by Ofsted between October 3rd and 6th 2017. The inspectorate determined the College's overall effectiveness to be 'Outstanding', and six of seven further judgments were all also 'Outstanding'.

The self-assessment for 2020 makes a judgement that the overall effectiveness of the College is good under the new EIF framework. Leadership and management responded successfully to the issues arising from Covid-19 and ensured outstanding teaching and learning and support continued throughout, which resulted in the very large majority of students achieving their qualifications.

OTHER INFORMATION

Public Benefit

Fareham College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 4,000 students. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

Fareham College aims to ensure that all actual or potential employees and students are treated equally, regardless of age; disability; gender reassignment; marriage and civil partnership; pregnancy or maternity; race; religion or belief; sex; sexual orientation; socio-economic disadvantage; trade union activity; unrelated criminal convictions; other irrelevant criteria. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. The College policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is a Disability Confident employer providing a range of support to our employees from application stage including a guaranteed interview for people with disabilities who meet the essential criteria for the job and we provide reasonable adjustments where required and reasonable. Where an existing employee becomes disabled, every effort is made to support the employee to continue in their employment with the College. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) 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.
- d) Admissions policies are published on the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has appointment of specialist staff 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.

- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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. During the accounting period 1 August 2020 to 31 July 2021, the College paid 94 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Trade union facility time

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

Numbers of employees who were trade union representatives for this period	1
FTE employee number	0.13

Total cost of facility time	£6,172
Total pay bill	£10,521,516
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
Percentage of time	Number of employees
0%	-
1-50%	1
51-99%	-
100%	-

Events after the end of the reporting period

There have been no post balance sheet events.

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 12 December 2022 and signed on its behalf by:



Kevin Briscoe
Chair

GOVERNANCE STATEMENT

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 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

In carrying out its responsibilities, the college endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. This opinion is based on an internal review of compliance with the Code reported to the board on 29 June 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

THE CORPORATION

The governance framework

It is the corporation’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources, and standards of conduct.

The corporation is provided with regular 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 half-termly.

The corporation conducts its business through several committees. Each committee has terms of reference, which have been approved by the corporation. These committees are Audit, Finance & Resources, Teaching, Students, Curriculum, and Quality (TSCQ) and Search. Full minutes of all meetings, except those deemed to be confidential by the corporation, are available on the college’s website www.fareham.ac.uk or from the clerk to the corporation at the college’s registered address.

The clerk to the corporation maintains a register of financial and personal interests of the governors. The register is also available via the website www.fareham.ac.uk

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis. During the pandemic, the Corporation moved its activities ‘online’ and held all meetings virtually. There was no disruption to meetings and all duties and reporting were fulfilled as usual.

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.

Members of the corporation

The members who served on the corporation during the year were as listed in the table below.

	Date appointed	Current Term of office	Date resigned	Status of appointment	Committees served	Attendance 2020/21
Kevin Briscoe (Chair)	2.4.14	1.5.20 – 30.4.23	N/A	Independent	TSCQ/ Search	7/7 100%
Emma Champion	2.7.14	1.9.20 – 31.8.23	N/A	Independent	TSCQ/ Search	7/7 100%
Ian Harris	1.9.20	1.9.20 – 31.8.23	N/A	Independent	Audit	7/7 100%
Mark Hoban	26.6.19	1.9.19 – 31.8.22	N/A	Independent	F&R/ Search	7/7 100%
Andrew Kaye	27.3.19	N/A	N/A	Ex-officio (Principal)	N/A	7/7 100%
Paul Marchbank	7.12.16	1.5.20 – 30.4.23	N/A	Independent	TSCQ	2/7 29%
Bryan Newton	1.9.20	N/A	7.6.21	Independent	F&R	5/6 83%
Tanya-Marie Richardson	26.6.19	1.7.19 – 30.6.22	N/A	Staff Governor	TSCQ	4/7 57%
Karen Shreves	13.12.17	1.1.21 – 31.21.24	N/A	Staff Governor	F&R	6/7 86%
Adam Spires	9.12.15	1.1.19 – 31.12.21	N/A	Independent	Audit	3/7 43%
Chris Thomas	10.12.14	1.1.21 – 31.12.24	N/A	Independent	Audit	6/7 86%
Pauline Tilt	27.6.12	1.1.19 – 31.12.21	N/A	Independent	TSCQ	7/7 100%
Andy Wannell	27.3.19	1.7.19 – 31.8.22	N/A	Independent	F&R/ Search	7/7 100%
Karen Woods	2.4.14	1.5.20 – 30.4.22	N/A	Independent	F&R	7/7 100%

Appointments to the corporation

Any new member appointments to the corporation are a matter for the consideration of the corporation. The corporation has a search committee, consisting of three members of the corporation, 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 three years. There were two new appointments to the Corporation during the year.

Corporation performance

The corporation carried out a self-assessment of its own performance for the year ended 31 July 2021. As in previous years, Committees were asked to individually assess their performance against key aspects of the Code of Good Governance. Results were fed back to Corporation and assessed as a whole. A small number of 'best practice' actions were identified and an action plan created.

Recognising the increased scrutiny on Board effectiveness and the future requirement for regular assessment, the Corporation additionally appointed an external review of Board effectiveness during the Spring and Summer of 2021. External Consultant Shirley Collier (National Leader of Governance) assessed and interviewed members, observed several meetings, and made some recommendations for improvement. These actions have been added to a self-assessment action plan and continue to be reviewed by the Search Committee.

Governor's individual training and development is given due priority. All Governors are expected to take part in annual self-assessment appraisals followed by 121 conversations with the Chair. A 360-degree feedback mechanism is in place for the Chair of the Corporation with 121 feedback provided by the Vice Chair.

Governors are encouraged to maintain good levels of knowledge and understanding in all areas of Governance and maintain awareness of sector changes. Regular bulletins of training opportunities and events as well as sector updates are circulated by the Head of Governance. The Corporation maintains an ongoing subscription to the ETF Governor Development Training Programme for access by all Governor's. Individual training logs are maintained.

The Chair and the Head of Governance have particular focus on developing their skills and maintaining knowledge. A list of their attended training for the financial year can be found below.

Chair

ETF Chair's Leadership programme 18/19 February 21
AOC (Association of Colleges) Annual Conference 8/9 Feb 21
The College of the Future the role of the Chair in Leading Strategic Change 9 March 21
AOC SE/ London Chair's Network meetings throughout year x 4

Head of Governance

AOC SE/ London Governance Professionals Network meetings throughout year x 4
DoE/ ETF Steering Group GPDP x 3 meetings 2020-21
AOC Governance Professionals Conference 27 Jan 2021
AOC Annual Conference 8/9 Feb 21

AOC/ ETF Regional Governance Conference for Chairs/Governors/Clerks/GP 2 March 2021

AOC Governance Professionals Development Programme 'Expert' March 22/29/31 2021

Finance & Resources Committee

Throughout the year ending 31 July 2021 the college's Finance & Resources Committee comprised 5 members of the corporation. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders and the Head of Governance (Clerk)

The College adopted the AOC's Senior Staff Remuneration Code in March 2019 and provides annual reporting in line with its recommendations to the Autumn Committee meeting of the Finance & Resources Committee.

Details of remuneration for the year ended 31 July 2021 are set out in note 9 to the financial statements.

Audit Committee

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

The Audit Committee meets on a termly basis and provides a forum for reporting by the college's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of college management. The Committee also receives and considers reports from the main FE (Further Education) funding bodies as they affect the college's business.

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

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

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

The audit committee met three times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Adam Spires	3
Ian Harris	3
Chris Thomas	3
Kerrie Clark (co-opted)	2
Tony Rudd (co-opted)	3

Other Committees

The College also delegates elements of oversight and decision making to other Committees within its Governance structure. These include Search (responsible for the recruitment, appointment, and review of Corporation members) and TSCQ (responsible for the oversight of curriculum, attainment, attendance, and all related student matters).

Minutes of all Committees can be found on our website www.fareham.ac.uk

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 they are personally responsible, in accordance with the responsibilities assigned to them in the Funding Agreement between Fareham College and the funding bodies. They are 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 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 Fareham College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The corporation is of the view that there is a formal ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts.
- setting targets to measure financial and other performance.
- clearly defined capital investment control guidelines.
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the

recommendation of the audit committee. At minimum, annually, the Internal Audit (IA) provider gives the governing body a report on internal audit activity in the College. The report includes the IA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

Risks faced by the corporation

The College established a Board Assurance Framework (BAF) using '4Risk' during 2020. The BAF enables risks to be monitored in real time, with mitigations and controls, initial risk scores are set and then calibrated after controls are in place. A risk group meet on a quarterly basis to assess and review the risk register. Departmental risk registers as also in place. The Audit Committee review the BAF at each meeting.

The College also establish a 'risk appetite' on an annual basis. Members of the Senior Leadership Team, the Audit Committee and Corporation score and agree a calibrated risk appetite statement based on current local and national environment. This risk appetite is used by members of SLT and other officers to assess and consider risk, their relative mitigations, and controls.

Control weaknesses identified

The College was subject to an ESFA Funding Audit that started in November 2021 and concluded in September 2022. Errors were found in compliance with apprenticeship funding rules that resulted in a clawback of £469k that is reflected in these accounts. Processes and paperwork have been revised to meet the latest set of funding rules issued by the ESFA with a new compliance role added to the headcount to support this.

No other significant internal control weaknesses or failures have arisen during the period 1 August 2020 to 31 July 2021.

Responsibilities under funding agreements

The Corporation takes its contractual responsibilities in relation to funding and contracts seriously. A 'regulatory returns' report presented to each Corporation meeting provides assurance that all filing requirements are met on a timely basis. All ESFA/ OFS and similar regulatory body correspondence is shared with the Corporation at each meeting.

Regular management information system (MIS) internal audits (scheduled for 2021-22) will provide additional external assurance.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements are:

- Governance Health Check
- Risk Management (Business Continuity)
- Key Financial Controls
- Sub-contracting
- Health and Safety
- IT Network Security

Internal Audit reviews largely took place unchanged during COVID-19 although the original timetable was adjusted. Reviews that could most easily be completed remotely were prioritised first, with remaining reviews taking place once lockdown rules released.

The Audit Committee continually monitored the audit plan and requested assurance of any effects to the control environment considering the effects of COVID-19. As a result, reviews of Key Financial Controls (to cover income and debtors, payroll and purchasing and payments) and IT Network

Security scheduled for 2021-22 were brought forward into the audit plan for the year 2020-21. Those reviews previously scheduled for 2020-21 (MIS data integrity and IT Cyber Security) have been included in the IA plan for 2021-22.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of their 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

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*".

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:



Kevin Briscoe
Chair



Andrew Kaye
Accounting Officer

Statement of Regularity, Propriety and Compliance

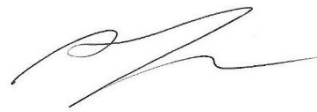
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the colleges' grant funding agreement and contracts with the ESFA. As part of our consideration,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

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

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



Kevin Briscoe
Chair



Andrew Kaye
Accounting Officer

Date: 12 December 2022

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Strategic Report for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the annual Accounts Direction issued by the Education and Skills Funding Agency, the Accounts Direction issued by the Office for Students 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 of the College's deficit of income over expenditure for that period.

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 UK 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 responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 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 Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:



Kevin Briscoe
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF FAREHAM COLLEGE**Opinion**

We have audited the financial statements of Fareham College (the "College") for the year ended 31 July 2021 which comprise the college statements of comprehensive income, the college balance sheet, the college statement of changes in reserves, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

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

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Corporation of Fareham College

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 16 to 22 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the College operate in and how the college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, Regulatory Advice 9: Accounts Direction published by the Office for Students' and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the college is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 22 November 2022. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

Chartered Accountants

Highfield Court

Tollgate

Chandlers Ford

Hampshire

SO53 3TY

Statement of Comprehensive Income

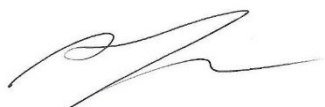
	Notes	2021 £'000	2020 £'000
INCOME			
Funding body grants	2	12,411	11,930
Tuition fees and education contracts	3	1,404	1,467
Other grants and contracts	4	127	461
Other income	5	374	616
Investment income	7	-	5
Donations	8	18	22
Total income		14,334	14,502
EXPENDITURE			
Staff costs	9	10,522	9,416
Other operating expenses	10	4,070	3,955
Depreciation	13	1,476	1,307
Interest and other finance costs	11	307	293
Total expenditure		16,375	14,971
(Deficit) before other gains and losses		(2,041)	(469)
Gain on disposal of assets	13	-	7
(Deficit) before tax		(2,041)	(462)
Taxation	12	-	-
(Deficit) for the year		(2,041)	(462)
Actuarial gain/ (loss) in respect of pensions schemes	18,24	2,488	(3,275)
Total Comprehensive Income for the year		447	(3,737)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		447	(3,737)
		447	(3,737)

The statement of comprehensive income is in respect of continuing activities.

Balance sheet as at 31st July

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible Fixed assets	13	32,938	32,721
		32,938	32,721
Current assets			
Trade and other receivables	14	766	834
Cash and cash equivalents	19	2,945	2,080
		3,711	2,914
Current Liabilities			
Creditors – amounts falling due within one year	15	(6,906)	(2,315)
Net current assets			
		(3,195)	600
Total assets less current liabilities			
		29,742	33,320
Creditors – amounts falling due after more than one year	16	(13,498)	(16,068)
Provisions for Liabilities			
Defined benefit obligations	18	(8,664)	(10,072)
Other provisions	18	(552)	(598)
Total net assets			
		7,029	6,582
Unrestricted Reserves			
Income and expenditure account		3,040	2,409
Revaluation reserve		3,989	4,173
Total unrestricted reserves			
		7,029	6,582

The financial statements on pages 29 to 52 were approved and authorised for issue by the Corporation on 12th December 2022 and were signed on its behalf on that date by:



Andrew Kaye
Accounting Officer



Kevin Briscoe
Chair of Governors

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2019	5,962	4,357	10,319
(Deficit) from the income and expenditure account	(462)	-	(462)
Other comprehensive income	(3,275)	-	(3,275)
Transfers between revaluation and income and expenditure reserves	184	(184)	-
Total comprehensive income for the year	(3,553)	(184)	(3,737)
Balance at 31st July 2020	2,409	4,173	6,582
(Deficit) from the income and expenditure account	(2,041)	-	(2,041)
Other comprehensive income	2,488	-	2,488
Transfers between revaluation and income and expenditure reserves	184	(184)	-
Total comprehensive income for the year	631	(184)	447
Balance at 31st July 2021	3,040	3,989	7,029

Statement of Cash Flows

	2021	2020
	£'000	£'000
Cash flow from operating activities		
Surplus/ (Deficit) for the year	(2,041)	(462)
Adjustment for non-cash items		
Depreciation	1,476	1,307
(Increase)/ decrease in debtors	67	(5)
Increase/ (decrease) in creditors due within one year	1,729	(516)
Increase/(decrease) in creditors due more than one year	203	1,308
Increase/ (decrease) in provisions	(48)	26
Pensions costs less contributions payable	1,071	639
Adjustment for investing or financing activities		
Investment income	(18)	(22)
Interest receivable	-	(9)
Interest payable	162	156
Profit on sale of fixed assets	-	(7)
Net cash flow from operating activities	2,602	2,415
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	7
Investment income	18	22
Interest receivable	-	5
Payments made to acquire fixed assets	(1,344)	(2,388)
	(1,326)	(2,354)
Cash flows from financing activities		
Interest paid	(162)	(156)
Repayments of amounts borrowed	(165)	(165)
Repayments of obligations under finance leases	(84)	-
	(411)	(321)
Increase / (decrease) in cash and cash equivalents in the year	865	(260)
Cash and cash equivalents at beginning of the year	18	2,080
Cash and cash equivalents at end of the year	18	2,945

NOTES TO THE ACCOUNTS

1. Accounting Policies

Statement of accounting policies and estimation techniques

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

General Information

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 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 financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102).

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 presented in the Financial Statements and accompanying Notes.

The College currently has £2.779m of loans outstanding with Santander, at a fixed rate interest over a period of 14 years with a 23-year amortisation profile. As of 31 July 2021, the College was in breach of its debt service cover covenant, and this remains the case as of 31 July 2022. A waiver has been obtained for the breach as of 31 July 2021 although based on discussions with the bank, a waiver for 2022 will only be issued upon receipt of final audited accounts. This is supported by the fact that cash flow forecasts do not indicate any risk of default of the loan within the next twelve months, it is only a single covenant which has been breached, and the fact that the breach has occurred as a result of a retrospective one-off event for which the college had no opportunity to take remedial action, the College is confident that the loan will not be recalled in the next twelve months.

The College has £3.4m of working capital as of 31 July 2022. An overdraft facility of £250k is available to the College, cash flows are monitored on a day to day basis and an overnight deposit system in operation. The College maintains a positive dialogue with both bank providers.

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

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the 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. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Apprenticeship income

Income from the delivery of apprenticeships is recognised in the period in which it is earned, with 20% withheld until successful completion of the apprenticeship.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Hampshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme and the assets of the scheme are held separately. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in Interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Certain items of fixed assets that had been revalued to fair value on or prior to the date of transaction to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount of the date of that revaluation.

Land and buildings

No depreciation is provided on freehold land. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years. The College has an ageing campus and will exercise judgement on the useful life of any building adaptations where it is not deemed appropriate to depreciate the asset between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policies. The related grants are credited to a deferred capital grant account and released to the income and expenditure account in equal annual instalments over the expected useful economic life of the assets on a basis consistent with the depreciation policy.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Depreciation is provided evenly on the cost or valuation of other assets to write them down to their estimated residual values over their expected useful lives as follows:

- Motor vehicles and general equipment - straight line over 5 years
- Furniture, fixtures and fittings - straight line over 5 years
- Computer equipment and software - straight line over 3 years

Where equipment is acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policies. The related grants are credited to a deferred capital grant account and released to the income and expenditure account in equal annual instalments over the expected useful economic life of the assets on a basis consistent with the depreciation policy.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise, borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

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

Leasing agreements which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

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 % 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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Agency arrangements

The College acts as an agent in distributing Bursary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering 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 considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding Body Grants

	2021	2020
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	799	666
Education and Skills Funding Agency – 16 -18	8,290	6,905
Education and Skills Funding Agency - apprenticeships	1,702	3,126
Grant income from the Office for Students	146	138
Specific Grants		
Releases of government capital grants	509	421
ESFA Coronavirus Specific Funding Grants		
COVID 19 mass testing funding	36	-
ESFA Other Grants	929	674
Capital Grant income from the Office for Students	-	-
Total	12,411	11,930

The funding received for COVID 19 mass testing funding covered costs of £37k in 2020 to 2021

3. Tuition Fees and Education Contracts

	2021	2020
	£'000	£'000
Adult education fees	260	272
Apprenticeship fees and contracts	322	517
Fees for FE loan supported courses	346	314
Fees for HE loan supported courses	225	195
International students' fees	46	169
Total	1,404	1,467

4. Other Grants and Contracts

	2021	2020
	£'000	£'000
Other grants and contracts	36	70
Coronavirus Job Retention Scheme grant	73	152
Local Authority Grants	205	239
HCC Contain Outbreak Management Fund grant	18	-
Total	127	461

The College furloughed 52 staff at various points through the year relating to commercial roles or roles that could not be undertaken at home dependant on lockdown and industry guidance applicable at the time. The Coronavirus Job Retention Scheme was used to fund on average 46 of those furloughed. The College received £72,607 in total.

The funding received for HCC Contain Outbreak Management Fund grant covered costs of £18k in 2020 to 2021

5. Other Income

	2021 £'000	2020 £'000
Catering and residences	117	226
Other income generating activities	49	110
Miscellaneous income	208	280
Total	374	616

6. Office for Students income (included within disclosures above)

	2021 £'000	2020 £'000
Grant income from the Office for Students	146	138
Fee income for taught awards (exclusive of VAT)	378	312
Total	524	450

7. Investment Income

	2021 £'000	2020 £'000
Other Interest Receivable	0	5
Total	0	5

8. Donations

	2021 £'000	2020 £'000
Unrestricted Donations	18	22
Total	18	22

9. Staff Costs

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

	2021 £'000	2020 £'000
Teaching Staff	119	121
Non-Teaching Staff	163	166
	<u>282</u>	<u>287</u>
Staff Costs for the above persons	2021 £'000	2020 £'000
Wages and Salaries	7,209	6,806
Social Security Costs	688	631
Other pension costs (including FRS102 adjustments of £935,000 (2020: £549,000))	2,453	1,851
Payroll sub total	10,350	9,287
Contracted out staffing services	60	64
	10,410	9,351
Restructuring costs - Contractual	93	65
- Non-contractual	19	-
Total Staff Costs	10,522	9,416

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Deputy Principal Finance & Resources, Deputy Principal Curriculum, Quality & Improvement, Director Business Partnerships, Director of People & Culture, Director of Student Experience. Staff costs include compensation paid to key management personnel for loss of office.

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

	2021 £'000	2020 £'000
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>6</u>

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

	Senior Post Holder		Other Key Management Personnel	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
£55,001 to £60,000	-	-	3	-
£60,001 to £65,000	-	-	-	4
£80,001 to £85,000	-	-	1	-
£85,001 to £90,000	1	1	-	-
£110,001 to £115,000	1	1	-	-
£115,001 to £120,000	-	-	-	-
	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Basic Salary	435	410
Benefits in kind	-	-
National Insurance	53	48
Pension Contributions	90	85
Total	<u>578</u>	<u>543</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 paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration are as follows:

	2021 £'000	2020 £'000
Basic Salary	113	112
Benefits in kind	-	-
National Insurance	14	14
Pension Contributions	27	26
Total	<u>154</u>	<u>152</u>

The remuneration package of the Accounting Officer and Senior Post Holders are subject to annual review by the Finance and Resources Committee of the governing body who use benchmarking information to provide objective guidance.

The remuneration package of key management personnel is benchmarked with local providers to ensure value for money.

The performance of the Accounting Officer, Senior Post Holders and Key Management Personnel is undertaken throughout the year following the College's performance development programme in order to meet the strategic objectives of the College.

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

Principal and CEO's basic salary as a multiple of the median of all staff	3.67
Principal and CEO's total remuneration as a multiple of the median of all staff	3.72

Compensation for loss of office paid to former key management personnel

	2021	2020
	£'000	£'000
Compensation paid to the former post-holder	-	58

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

10. Other operating expenses

	2021	2020
	£'000	£'000
Teaching costs	1,242	1,531
Non-teaching costs	1,202	1,017
Examination Costs	560	428
Premises costs	1,066	979
Total	4,070	3,955

Other operating expenses include:

	2021	2020
	£'000	£'000
Auditor's Remuneration:		
Financial Statements Audit	46	28
Teacher Pensions Audit	2	2
Internal Audit	17	11
Operating Lease payments	27	27
Subcontractor payments	484	737

11. Interest and other finance costs

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans:	148	156
	<u>148</u>	<u>156</u>
On Finance Leases	14	-
Net interest on defined pension liability (note 24) & enhanced pension provision	145	137
Total	<u>307</u>	<u>293</u>

12. Taxation

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

13. Tangible Fixed Assets

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold £'000	Long leasehold £'000	£'000	£'000	£'000
Cost or Valuation					
As at 1 August 2020	25,483	10,066	7,788	935	44,273
Additions	159	-	1,010	524	1,693
Transfers from Assets in Construction	-	-	923	(923)	-
Eliminations in respect of disposals	-	-	(131)	-	(131)
As at 31 July 2021	<u>25,642</u>	<u>10,066</u>	<u>9,590</u>	<u>536</u>	<u>45,835</u>
Depreciation					
As at 1 August 2020	3,919	1,117	6,516	-	11,552
Charge for the year	524	186	766	-	1,476
Eliminations in respect of disposals	-	-	(131)	-	(131)
As at 31 July 2021	<u>4,443</u>	<u>1,303</u>	<u>7,150</u>	<u>-</u>	<u>12,897</u>
Net book value as at 31 July 2021	<u>21,199</u>	<u>8,763</u>	<u>2,440</u>	<u>536</u>	<u>32,938</u>
Net book value as at 31 July 2020	21,378	9,135	1,272	935	32,721

The net book value of equipment includes an amount of £267,795 (2020: £0) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £48,589 (2020: £0).

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at historical cost and depreciation of £ nil.

14. Trade and other receivables

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	151	203
Prepayments and accrued income	236	212
Amounts owed by the ESFA	379	419
Total	766	834

15. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank loans and overdrafts	2,944	165
Obligations under finance leases	84	-
Trade payables	438	388
Payments received in advance	963	330
Other Creditors	222	123
Pension Creditor	163	159
Other taxation and social security	181	158
Accruals and deferred income	578	475
Deferred income - government capital grants	510	444
Amounts owed to the ESFA	823	72
Total	6,906	2,315

16. Creditors: amounts falling due after one year

	2021	2020
	£'000	£'000
Bank loans	-	2,944
Obligations under finance leases	171	-
Deferred income - government capital grants	13,327	13,124
Total	13,498	16,068

17. Maturity of debt

	2021	2020
	£'000	£'000
(a) Bank Loans and Overdrafts		
In one year or less	2,944	165
Between one and two years	-	165
Between two and five years	-	496
In five years or more	-	2,284
Total	2,944	3,110

A Bank loan at 5.32 per cent repayable by instalments falling due between 8 May 2018 and 8 April 2029 totalling £2,125,000, is secured on a portion of the freehold land and buildings of the College.

A Bank loan at 2.84 per cent repayable by instalments falling due between 4 August 2016 and 30

September 2030 totalling £600,000, is secured on a portion of the freehold land and buildings of the College.

A Bank loan at 5.07 per cent repayable by instalments falling due between 9 May 2016 and 8 May 2030 totalling £875,000, is secured on a portion of the freehold land and buildings of the College.

Two bank covenants were breached as a result of the ESFA funding audit outcome. A waiver was issued in August 2022, when the outcome of the funding audit and resulting breaches were known, but this was too late to prevent the loan being reclassified as due within one year.

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

	2021	2020
	£'000	£'000
(b) Finance Leases		
In one year or less	89	-
Between two and five years	171	-
In five years or more	-	-
Total	260	0

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

18. Provisions

	Defined Benefit Obligations	Enhanced Pensions	Total
	£'000	£'000	£'000
As at 1s August 2020	(10,072)	(598)	(10,670)
Change in period	1,408	46	1,454
As at 31 July 2021	(8,664)	(552)	(9,216)

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.6%	2.2%
Discount rate	1.6%	1.3%

19. Analysis of changes in net debt

	As at 1 August 2020 £'000	Cash flows £'000	Other non-cash Changes £'000	As at 31 July 2021 £'000
Cash and cash equivalents				
Cash	2,080	865	-	2,945
	2,080	865	-	2,945
Borrowings				
Loans due within one year	(165)	165	(165)	(165)
Loans due after one year	(2,944)	-	165	(2,779)
	(3,109)	165	-	(2,944)
Finance Leases due within one year	-	84	(173)	(89)
Finance Leases due after one year	-	-	(171)	(171)
	-	84	(344)	(260)
Total	(1,029)	1,114	(344)	(259)

20. Capital commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	352	524

21. Lease obligations

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

	2021 £'000	2020 £'000
Future minimum lease payments due		
Other (non-land and buildings)		
In one year or less	26	23
Between two and five years	38	47
In five years or more	2	-
Total lease payments due	66	70

22. Contingent Liabilities

There are no contingent liabilities at the reporting date

23. Events after the reporting period

The college was subject to a funding audit by the ESFA which was announced in November 2021 and concluded in September 2022. As a result of this post balance sheet event two bank covenants were breached and the Financial Health grading dropped to Requires Improvement.

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector, which includes further education colleges, into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector

will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury. An example of immediate change is the requirement now to seek approval for increased use of existing overdraft facilities or to take out new borrowing facilities.

The College will be seeking approval for a loan from the Solent LEP which should have been in place in the Spring of 2022, but was delayed due to the ESFA funding audit and not finalised ahead of the reclassification. The announced re-phasing of grant funding should negate the need to utilise the overdraft facility along with capital works that can be deferred until 2024 if the loan is not drawdown before March 2023.

24. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Hampshire Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

	2021	2020
	£'000	£'000
Teachers' Pension Scheme: contributions paid	824	756
Local Government Pension Scheme:		
Contributions paid	688	581
FRS 102 (28) charge	<u>935</u>	<u>514</u>
Charge to the Statement of Comprehensive Income	1,623	1,095
Enhanced pension charge to Statement of Comprehensive Income	46	66
Total pension cost for the year	<u>2,493</u>	<u>1,917</u>

Teachers' Pension Scheme

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

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

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

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

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

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

together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £1,105k (2020: £1,044k). The year-end creditor was £97k.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2021 was £860,000, of which employer's contributions totalled £688,000 and employees' contributions totalled £172,000. The proposed contribution rates for future years are 21.8% for employers plus a fixed amount of £75,000 from April 2020 increasing to £79,000 from April 2022 and range from 5.5% to 12.5% cent for employees, depending on salary. The year-end creditor was £65k.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2021 by a qualified independent actuary

	As at 31 July 2021	As at 31 July 2020
Rate of increase in salaries	3.60%	3.30%
Future pensions increase	2.60%	2.30%
Discount rate for scheme liabilities	1.70%	1.40%
Inflation assumption (CPI)	2.60%	2.30%

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

	As at 31 July 2021 Years	As at 31 July 2020 Years
<i>Retiring today</i>		
Males	23.1	23.0
Females	24.8	24.7
<i>Retiring in 20 years</i>		
Males	25.5	25.5
Females	27.3	27.2

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

	Fair Value at 31 July 2021 £'000	Fair Value at 31 July 2020 £'000
Equities	8,832	6,974
Debt Instruments	2,608	2,637
Property	946	773
Cash	153	203
Other	2,715	2,092
Total market value of assets	15,254	12,680
Actual return on plan assets	2,276	354

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

	Fair Value at 31 July 2021 £'000	Fair Value at 31 July 2020 £'000
Fair value of plan assets	15,254	12,680
Present value of plan liabilities	23,918	(22,072)
Net pensions (liability) (Note 18)	(8,664)	(10,072)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	1,623	1,095
Past service cost	-	35
Total	1,623	1,130
Amounts included in investment income		
Interest income	180	257
Interest expense on defined benefit obligation	(316)	(382)
Total	(136)	(125)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,096	97
Experience gains/ (losses) arising on defined benefit obligations	383	(3,275)
Total	2,479	(3,178)

Movement in net defined benefit (liability) in year

	2021	2020
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(10,072)	(6,220)
Movement in year:		
Current service cost	(1,623)	(1,095)
Employer contributions	688	581
Past service cost	-	(35)
Net interest on the defined benefit (liability)/ asset	(136)	(125)
Actuarial gain or (loss)	2,479	(3,178)
Net defined benefit (liability) in scheme at 31 July	(8,664)	(10,072)

Asset and liability reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	22,752	18,390
Current Service cost	1,623	1,095
Interest cost	316	382
Contributions by Scheme participants	172	152
Experience (gains) and losses on defined benefit obligations	(383)	3,275
Estimated benefits paid	(562)	(577)
Past Service cost	-	35
Defined benefit obligation at end of period	23,918	22,752

	2021	2020
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	12,680	12,170
Interest on plan assets	180	257
Return on plan assets	-	-
Actuarial gain/ (loss)	2,096	97
Employer contributions	688	581
Contributions by scheme participants	172	152
Estimated benefits paid	(562)	(577)
Fair value of plan assets at end of period	15,254	12,680

25. Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

There were no expenses paid to or on behalf of the Governors during the year (2020: £0).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

26. Amounts disbursed as agent

	2021 £'000	2020 £'000
Funding body grants – ESFA (DLSF, Free School Meals, Bursary)	275	295
	<u>275</u>	<u>295</u>
Disbursed to students	(247)	(293)
Administration costs	(18)	(17)
	<u>10</u>	<u>(16)</u>
Balance unspent as at 31 July, included in creditors	<u>10</u>	<u>(16)</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

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

We have carried out an engagement, in accordance with the terms of our engagement letter dated 22 November 2022 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Fareham College during the period 1 August 2020 to 31 July 2021 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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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) data returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Fareham 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 Fareham College for regularity

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

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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

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

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

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