Fareham College

Annual Report and Financial Statements

Year Ended 31st July 2022

CONTENTS

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 2021/22:

Andrew Kaye	Principal and CEO; Accounting Officer
Richard Bryant	Deputy Principal Finance and Resources
Christian Allen-Kotze	Deputy Principal Curriculum, Quality & Innovation
Sarah Carruthers	Director People & Culture (resigned February 2022)
Laura Jelly	Head of People & Culture (appointed February 2022)
Victoria Adams	Director of Student Experience (resigned July 2022)
Anoushka Ottley	Managing Director of Business Partnerships & Commercial

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 2022.

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 purpose

Our purpose is our cultural norm, our why. Our purpose is who we are at our absolute best and the role we are here to fulfil. Our purpose comes from our DNA and is connected to our aspirations. Our purpose brings value through increased employee engagement and higher levels of productivity.

Our purpose is timeless, whereas our mission (what we do day-by-day) can change – it's influenced by our external environment, changes in government priorities and regional competition.

Our purpose is:

- To have high expectations for our students to achieve their fullest potential.

Our mission

To enable all our students and apprentices to be successful in their future, whatever that may hold for them, through high-quality technical and professional education and training.

Our vision 2026

By 2026 we will lead a better distributed, more coherent, and collaborative group of Solent Colleges. Through this, we will provide outstanding education and training across a wide community of students and employers in the Solent region. Our work will support the skills needs of employers and improve regional productivity and economic development.

Our Culture

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

Our culture is the golden thread connecting everything we do.

- 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 strategic priorities

- Preparing learners for success
- Meeting employers' skills needs
- Ensuring financial resilience
- Providing high-quality, inclusive curriculum to meet local need
- Improving economic development and delivering education policy
- Providing sector-leading, industry standard learning environments

Implementation of strategic plan

Fareham College was judged to be outstanding by Ofsted in October 2017 and has continued to excel. We continue to provide outstanding support for our students and have maintained excellent achievement rates, year after year. Our students are well prepared for their future successes and our excellent links to local and regional employers add value to our students' studies.

Being endorsed as an 'outstanding' education provider by Ofsted, was a catalyst for substantial change and continuous improvement. Significant investment means our large and growing apprenticeship provision, combined with our successes in the first waves of T Levels, has positioned the College as the leading technical and professional further education provider in the Solent region.

The College has further increased its standing and reputation in recent years, seen by many now as a regional and national leader on many collaborative programmes which sit at the heart of government ambitions for technical and professional education reform.

Our links with employers enables us to support students' industry placement options, and workforce industry exchange programmes for teaching staff, provide students and staff with insight to current industry standards, open doors to apprenticeships and employment, share equipment and work collaboratively.

Our ability to meet the government policy objectives in the Further Education (FE) Whitepaper, 'Skills for Jobs: Lifelong Learning for Opportunity and Growth,' as well as the enhanced 2023 Ofsted inspection (which provides a judgement on our response to meeting local skills needs) is already deeply embedded in the way the College works.

In October 2022 the College adopted a strategic plan for the period to 2026. The Corporation monitors the performance of the College against this plan and the plan is reviewed and updated each year.

RESOURCES

Over the last 7 years, £40m of investment has transformed the campuses at Bishopsfield Road and the Solent Enterprise Zone, into a state-of-the-art post-16 college which is easily the best equipped in the region and rivals the best in the country. Recent investment in equipment, through T Levels, the Strategic Development Fund, and the Institute of Technology, has enabled us to achieve standards that are on a par with many universities. These resources enable the college to deliver level 3 and higher technical courses to the highest possible standards

Financial

The College has £12.989m of net assets at 31 July 2022 (2021 £7.029m) and long-term debt of £2.614m (2021: £2.779m).

People

The College employed an average of 291 people (2021: 282), of whom 131 are teaching staff (2021: 119).

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"). Using the Education and Skills Funding Agency calculator, the College has assessed itself as having a "Requires Improvement" financial health grading, with the bank loan being reclassified as short term due to a breach of covenants. The college has the support of the bank and expects a full waiver to be issued once the accounts are signed off and covenant testing is carried out.

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 £1,789k (2021: deficit of £2,041k), with total comprehensive income of £5,961k (2021: income of £447k).

The total comprehensive income in 2022 is stated after accounting for actuarial gains in respect of pension schemes.

Developments

Tangible fixed asset additions for equipment purchased during the year amounted to £2,608k (2021: £1,693k).

The College started a £1.4m programme in May to convert the sports hall into an Energy Hub which will support delivery on green energy programs such as the T Level in Building Service Engineering being delivered from September 2022. This was completed at the start of the new term in September.

Reserves

The College has accumulated reserves of £12,989m and cash balances of £3.49m as at 31st July 2022 (2021: accumulated reserve £7.029m and cash balances £2.95m).

Sources of Income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022 the ESFA provided 81% of the College total income (2021: 84%).

KEY PERFORMANCE INDICATORS

The college leadership team and governors monitor the performance of the college against the strategic priorities as set out in the strategic plan, along with other key performance indicators related to finance and resources.

In addition, a detailed Quality Improvement Plan (QIP) related to the performance of the curriculum and quality is maintained by the leadership team and monitored by the Governors' Teaching, Students, Curriculum and Quality committee (TSCQ).

KPI	21/22 Actual	Target
Student numbers		
• Full Time Study Programmes (R04)	1,585	1,600
• Higher Education	261	200
• Total inc. PT	3,446	3,600
Student achievement		
• 16-18	89%	90%
• Adults	85%	90%
• Apprenticeships (overall)	57%	75%
Ofsted Rating	Outstanding	Outstanding
ESFA Financial Health	Requires Improvement	Outstanding
Turnover	£15.9m	£16.1m
o/w apprenticeships	£2.3m	£3.3m
Surplus / (deficit)	£ (1,795) k	£ (520) k
Cash days	99	>30 average
Bank Covenants		
Debt Service cover	0.98:1	1.5:1
Interest Cover	2.61:1	2:1
Net Assets (Exc pension liability)	£14.98m	>£10m

Student achievements

- Outcomes for 16-18 year olds are 83.3%, a slight decline in comparison to 2020/21 at 87.5%.
- Outcomes for adults are 85.1% an increase in comparison to 83.2% in 2020/21.
- The achievement rates for level 2 (83.1%) and level 3 (85.4%) qualifications for 16-18 year olds are positive.
- The overall achievement rates are 83.8%.
- Overall achievement rates for apprentices at 57.2% has improved from 43.3% in 2020/21.
- GCSE maths 9-4 rate for 16-18 year olds is 16.8%, lower than the 2020/21 Centre Assessed Grading (CAG) profile of 34.7%.
- GCSE English 9-4 rate for 16-18 year olds is 20.8%, lower than the 2020/21 Centre Assessed Grading (CAG) profile of 39.2%.
- Achievement of high grades has declined overall due to the return of exam based assessment from centre assessed grading in previous years. However, achievement data is in line with the national picture and demonstrates the difficulties this cohort had encountering their first formal exams.

Progression through the grades are positive with 42% of maths students and 39% of English students improving upon their starting grades.

In the College self-assessment report for 2021/22 outcomes for learners will be reported as Outstanding. The achievement rates of the core study programme qualifications are high at Levels 1, 2 and 3.

The achievement of adults and apprentices has improved in comparison to 20/21 with improved processes ensuring that learners remain on programme and make positive progress. This will remain a priority for 22/23 academic year.

The College was inspected by Ofsted in October 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 2021/22 makes a judgement that the overall effectiveness of the College is Outstanding.

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 through to 2022/23 academic year to continue delivering the project.

Through this project, the college relocated the Hampshire Chamber of Commerce on site and supported the submission of a Local Skills Improvement Plan.

The College is the lead FE partner in the Solent Institute of Technology which will invest in an extension at CEMAST to provide space and equipment for delivery on higher level qualifications starting in September 2023.

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.

As part of its vision to be more collaborative and is objective to become a more financially resilient organisation, the college is exploring the opportunity of merger in August 2023 with other local colleges.

Financial plan

The College governors approved a three-year financial plan in June 2022 which sets objectives for the period to 2025.

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 £3.55m in net cash flow from operating activities (2021: Increase £2.60m). After servicing debt and a capital programme, there was a net cash inflow of £547k (2021: £865k).

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 £9.185m (2021: £3.040m). 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 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.

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.	A team focussed on supporting students with mental health concerns is in place. Volumes of learners accessing this service is increasing year on year. Success coaches provide an additional layer focused on triage and supporting learner progress. Staff can discuss concerns with their manager or P&C team. An Employee Health Cash Plan is being implemented in 22/23.
Affordability of competitive rates of pay causes issues relating to recruitment which adversely affects student experience and quality of outcomes.	Pay award of 3% in August 2022. However, the scarcity of teaching resource in certain subject areas is driving competition between providers which, coupled with increasing pay in the private sector, is forcing salaries to levels that are unsustainable without funding rate increases across all delivery programmes.
Difficulty in recruiting qualified staff especially in Engineering, Construction and Digital areas, leads to pressure on pay budgets, delivery, and quality.	Market uplifts for hard to recruit to roles in these areas. Programmes enabling teachers to visit employers and upskill have been relatively successful, supported by funding from the Strategic Development Fund. Enabling employers to release their staff into college to deliver in niche areas is proving harder to implement.
Serious IT security failure causing security breach - Cyber Security	Ability to lockdown systems has been enhanced. Use of AI to analyse logins looking for improbable attempts. Use of Multi-Factor Authentication. Use of VPN
Outcomes for learners decline	Regular progress meetings. Improved tracking of apprenticeship progress.

Streamlined Energy and Carbon Reporting
The college is committed to reducing its carbon emissions and undertook the following measures in the year to improve energy efficiency:

- Upgrade of M&E in parts of C Block
- Lighting upgrade to car parks

The college's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	1 April 2021 to 31 March 2022	1 April 2020 to 31 March 2021
Energy consumption used to calculate emissions (kWh)	2,744,162	2,984,827
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	264.85	312.06
Owned transport	7.38	6.03
Total	272.23	318.09
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	226.90	255.85
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	20.57	11.63
Total gross emissions in metric tonnes CO2e	**519.50**	**585.57**
Intensity ratio		
Metric tonnes CO2e per student/FTE/staff member/floor area	1.84	2.08

Qualification and reporting methodology
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity ratio
The chosen intensity measurement ratio is Full time equivalents (FTE).

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 enrols 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.

Gender Pay Gap

	Year ending 31 March 2022
Mean gender pay gap	+13.5% (Male v Female)
Median gender pay gap	+26.6% (Male v Female)
Mean bonus gender pay gap	-0.8% (Male v Female)
Median bonus gender pay gap	0% (Equal)
Proportion of males/females receiving a bonus	25%/75%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	33.8%	66.2%
2	28.4%	71.6%
3	52%	48%
4 – Upper quartile	36.5%	63.5%

The college publishes its annual gender pay gap report on its website.

Disability statement

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

a) Working with Local Authorities to ensure facilities are adapted to meet the needs of students with disabilities.

b) The College has appointed an Additional Learning Support Manager, who provides information, advice and arranges support where necessary for students with disabilities.

c) The college has access to specialist equipment which can be made available for use by students and a range of assistive technology is available in the learning centres.

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 appointed of specialist staff to support students with learning difficulties and, or, disabilities. There are a number of learning 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 online student learning area, which is available to students together with the Complaints and Disciplinary Procedure.

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 2021 to 31 July 2022, 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	£6,227
Total pay bill	£11,165,611
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:

K.J.Briscoe

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 2021 to 31 July 2022 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 2022. This opinion is based on an internal review of compliance with the Code reported to the board on 4 July 2022.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges.

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 and up to the date of signature of this report were as listed in the table below.

	Date appointed	Current Term of office	Date resigned	Status of appointment	Committee	Attendance 2021-22
Kevin Briscoe	2.4.14	1.5.20 – 30.4.23	N/A	Independent	TSCQ/Search	6/7 86%
Frances Butler	1.1.22	1.1.22 – 31.12.24	N/A	Independent	F&R	4/4 100%
Luca Caserta	1.2.22	1.2.22 – 31.1.25	N/A	Associate	Audit	3/4 75%
Emma Champion		1.9.20 – 31.8.23	N/A	Independent	TSCQ/Search	6/7 86%
Louise Fowler	1.1.22	1.1.22 – 31.12.24	N/A	Associate	TSCQ	1/ 4 25%
Ian Harris	1.9.20	1.9.20 – 31.8.23	N/A	Independent	Audit	5/7 71%
Simon Harris	1.1.22	1.1.22 – 31.12.24	N/A	Independent	Audit	3/ 4 75%
Mark Hoban	26.6.19	1.9.22 – 31.8.25	N/A	Independent	F&R/Search	4/7 57%
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	4/7 57%
Collins Ntim	1.1.22	1.1.22 – 31.12.24	N/A	Independent	TSCQ	4/4 100%
Tanya-Marie Richardson	26.6.19	1.7.22 – 30.6.25	N/A	Staff Gov	TSCQ	6/7 86%
Karen Shreves	13.12.17	1.1.21 –31.21.24	N/A	Staff Gov	F&R	7/7 100%
Adam Spires	9.12.15	1.1.19 – 31.12.21	31.12.21	Independent	Audit	0/3
Chris Thompson	10.12.14	1.1.21 – 31.12.24	16.4.21	Independent	Audit	5/5 100%
Pauline Tilt	27.6.12	1.1.19 – 31.12.21	31.12.21	Independent	TSCQ	3/3 100%
Andy Wannell	27.3.19	1.7.22 – 30.6.25	N/A	Independent	F&R/Search	7/7 100%
Karen Woods	2.4.14	1.5.20 – 30.4.23	N/A	Independent	F&R	6/7 86%

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 2022. As in previous years, a range of factors was used to assess the performance of individual Governors, Committees and ultimately the Corporation as a whole. This included analysis of attendance statistics, appraisals, training records, link governor feedback as well and anonymous post meeting surveys. Each Committee also reviewed its performance against the Code of Good Governance and identified items for improvement or best practice. A dedicated Governance self-assessment review (SAR) session was held on 4 October and the Corporation used the evidence above alongside group work and discussion to assess itself against the FETL (Further Education Trust for Leadership). 2020. Further Education Governance Maturity Matrix. An associated action plan was drawn up and will be monitored by the SEARCH Committee.

Recognising the increased scrutiny on Board effectiveness and the future requirement for regular assessment, the Corporation 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.

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. For 2022-23 all Governors are required at least one item of training or CPD for the academic year ahead.

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 - ongoing from 2021
- AOC SE/London Chair Network meetings throughout year x 4
- 10 Feb 22 ETF C5: Understanding sector, policy and inspection

Head of Governance

- AOC SE/London Governance Professionals Network meetings throughout year x 4
- Communicate with Influence and Impact 25 November 2021.
- Strategic Governance: Developing a whole college approach to careers 18 Jan 22
- Collaboration, Commerciality, Communication 20 Jan 22
- Governance Professionals' Leadership Programme: Alumni Conference 2022 9 Feb 2022
- AOC Regional Governance Conference 15 March 2022

- Leadership for LSIP's webinar 30 March 2022
- AOC Governance Professionals Conference 27 April 2022

Finance & Resources Committee

Throughout the year ending 31 July 2022 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 2022 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 2022. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Adam Spires	1 (of 1)
Ian Harris	3
Chris Thompson	2 (of 2) resigned April 2022
Kerrie Clark (co-optee)	1 (of 3)
Tony Rudd (co-optee)	No meeting during his tenure
Simon Harris	2 (of 2) joined Jan 2022
Luca Caserta	2 (of 2) joined Feb 2022

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 and OFS registration conditions. 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 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The corporation is of the view that there is a formal ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place for the period ending 31 July 2022 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 continue to maintain a Board Assurance Framework (BAF) using '4Risk'. 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 and the Corporation 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

No significant internal control weaknesses or failures have arisen during the period 1 August 2021 to 31 July 2022. Audit testing identified a number of potential errors in apprenticeship compliance that have been addressed by the college.

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.

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 2021/22 and up to the date of the approval of the financial statements are:

- Governance
- HR Management Arrangements
- IT Cyber Security
- Payroll
- Sub-contracting Controls

The Audit Committee continually monitored the audit plan and mad minor adjustments to timing and order of reviews throughout the year as appropriate.

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 2022 meeting, the corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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:

K. J. Briscoe

Kevin Briscoe	**Andrew Kaye**
Chair	**Accounting Officer**

Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm, on behalf of the Corporation, that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material noncompliance with the terms and conditions of funding under the Corporation's grant funding agreements and contracts with the ESFA or any other public funder.

I 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.

Andrew Kaye
Accounting Officer

Date: 12 December 2022

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

K. J. Briscoe

Kevin Briscoe
Chair

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 which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. 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
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

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

K. J. Briscoe

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 2022 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 2022 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; and
- have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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 2021 to 2022 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 page 24 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	2022 £'000	2021 £'000
INCOME			
Funding body grants	2	13,702	12,411
Tuition fees and education contracts	3	1,180	1,199
Other grants and contracts	4	297	332
Other income	5	721	374
Investment income	7	3	-
Donations	8	34	18
Total income		**15,937**	**14,334**
EXPENDITURE			
Staff costs	9	11,166	10,522
Other operating expenses	10	4,683	4,070
Depreciation	13	1,574	1,476
Interest and other finance costs	11	303	307
Total expenditure		**17,726**	**16,375**
(Deficit) before other gains and losses		**(1,789)**	**(2,041)**
Loss on disposal of assets	13	(6)	-
(Deficit) before tax		**(1,795)**	**(2,041)**
Taxation	12	-	-
(Deficit) for the year		**(1,795)**	**(2.041)**
Actuarial gain/ (loss) in respect of pensions schemes	18,24	7,756	2,488
Total Comprehensive Income for the year		**5,961**	**447**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		5,961	447
		5,961	**447**

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

Balance sheet as at 31st July

	Notes	2022	2021
		£'000	£'000
Fixed assets			
Tangible Fixed assets	13	33,964	32,938
		33,964	**32,938**
Current assets			
Trade and other receivables	14	682	766
Cash and cash equivalents	19	3,492	2,945
		4,174	**3,711**
Current Liabilities			
Creditors – amounts falling due within one year	15	(8,350)	(6,906)
Net current assets		**(4,176)**	**(3,195)**
Total assets less current liabilities		**29,788**	**29,742**
Creditors – amounts falling due after more than one year	16	(14,351)	(13,498)
Provisions for Liabilities			
Defined benefit obligations	18	(1,993)	(8,664)
Other provisions	18	(455)	(552)
Total net assets		**12,989**	**7,029**
Unrestricted Reserves			
Income and expenditure account		9,185	3,040
Revaluation reserve		3,804	3,989
Total unrestricted reserves		**12,989**	**7,029**

The financial statements on pages 29 to 50 were approved and authorised for issue by the Corporation on 12th December 2022 and were signed on its behalf on that date by:

K. J. Briscoe

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 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**
(Deficit) from the income and expenditure account	(1,795)	-	(1,795)
Other comprehensive income	7,756	-	7,756
Transfers between revaluation and income and expenditure reserves	184	(184)	-
Total comprehensive income for the year	6,145	(184)	5,961
Balance at 31st July 2022	**9,185**	**3,804**	**12,989**

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Surplus/ (Deficit) for the year		(1,795)	(2,041)
Adjustment for non-cash items			
Depreciation		1,574	1,476
(Increase)/ decrease in debtors		84	67
Increase/ (decrease) in creditors due within one year		1,599	1,729
Increase/(decrease) in creditors due more than one year		949	203
Increase/ (decrease) in provisions		(38)	(48)
Pensions costs less contributions payable		1,026	1,071
Adjustment for investing or financing activities			
Investment income		(3)	(18)
Interest receivable		-	-
Interest payable		151	162
Loss on sale of fixed assets		6	-
Net cash flow from operating activities		**3,552**	**2,602**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		3	18
Interest receivable		-	-
Payments made to acquire fixed assets		(2,608)	(1,344)
		(2,605)	(1,326)
Cash flows from financing activities			
Interest paid		(151)	(162)
Repayments of amounts borrowed		(165)	(165)
Repayments of obligations under finance leases		(84)	(84)
		(400)	(411)
Increase / (decrease) in cash and cash equivalents in the year		**547**	**865**
Cash and cash equivalents at beginning of the year	18	2,945	2,080
Cash and cash equivalents at end of the year	18	3,492	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 2021 to 2022, the Regularity Advice 9: Accounts Direction issued by Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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, which are fixed rate interest over a period of 14 years with a 23-year amortisation profile. As at 31 July 2021, the College was in breach of its debt service cover covenant, and this remains the case as at 31 July 2022. A waiver has been obtained for the breach as at 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.

An overdraft facility of £250k is available to the College and cash flows are monitored on a day to day basis with an overnight deposit system is in operation.

The College's forecasts and financial projections, including a worst-case scenario, indicate that it will be able to operate within its loan facility and meet covenants for the foreseeable future. The College has £3.4m of working capital which is sufficient for its needs and will not need to utilise the overdraft facility over the foreseeable future. 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 -15 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding Body Grants

	2022 £'000	2021 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	995	799
Education and Skills Funding Agency – 16 -18	8,552	8,290
Education and Skills Funding Agency - apprenticeships	2,306	1.702
Grant income from the Office for Students	144	146
Specific Grants		
Releases of government capital grants	647	509
ESFA Coronavirus Specific Funding Grants		
COVID 19 mass testing funding	9	36
ESFA Other Grants	1,049	929
Total	**13,702**	**12,411**

3. Tuition Fees and Education Contracts

	2022 £'000	2021 £'000
Adult education fees	262	260
Apprenticeship fees and contracts	349	322
Fees for FE loan supported courses	357	346
Fees for HE loan supported courses	212	225
International students' fees	-	46
Total	**1,180**	**1,199**

4. Other Grants and Contracts

	2022 £'000	2021 £'000
Other grants and contracts	67	36
Local Authority Grants	224	205
Coronavirus Job Retention Scheme grant	-	73
HCC Contain Outbreak Management Fund grant	6	18
Total	**297**	**332**

5.Other Income

	2022 £'000	2021 £'000
Catering and residences	303	117
Other income generating activities	105	49
Miscellaneous income	313	208
Total	**721**	**374**

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

	2022 £'000	2021 £'000
Grant income from the Office for Students	144	146
Fee income for taught awards (exclusive of VAT)	414	378
Total	**558**	**524**

7. Investment Income

	2022 £'000	2021 £'000
Other Interest Receivable	3	-
Total	**3**	**-**

8. Donations

	2022 £'000	2021 £'000
Unrestricted Donations	34	18
Total	**34**	**18**

9. Staff Costs

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

	2022 No.	2021 No.
Teaching Staff	131	119
Non-Teaching Staff	160	163
	291	282

Staff Costs for the above persons	**2022 £'000**	**2021 £'000**
Wages and Salaries	7,639	7,209
Social Security Costs	743	688
Other pension costs (including FRS102 adjustments of £884,000 (2021: £935,000))	2,507	2,453
Payroll sub total	**10,889**	**10,350**
Contracted out staffing services	245	60
	11,134	**10,410**
Restructuring costs - Contractual	8	93
- Non-contractual	24	19
Total Staff Costs	**11,166**	**10,522**

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, Head 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

	2022 £'000	2021 £'000
The number of key management personnel including the Accounting Officer was:	9	6

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	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
£50,001 to £55,000			1	
£55,001 to £60,000			1	2
£60,001 to £65,000			1	
£70,001 to £75,000			1	
£75,001 to £80,000			1	
£80,001 to £85,000				1
£85,001 to £90,000	1	1		
£110,001 to £115,000		1		
£120,001 to £125,000	1			
	2	2	5	3

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic Salary	544	435
Benefits in kind	-	-
National Insurance	67	53
Pension Contributions	124	90
Total	**735**	**579**

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:

	2022 £'000	2021 £'000
Basic Salary	120	113
Benefits in kind	-	-
National Insurance	16	14
Pension Contributions	28	27
Total	**164**	**154**

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 College has adopted the AOC's Colleges Senior Staff Remuneration Code and has followed the minimum requirements of the code.

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	4.07
Principal and CEO's total remuneration as a multiple of the median of all staff	4.23

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

	2022 £'000	2021 £'000
Teaching costs	1,462	1,242
Non-teaching costs	1,391	1,202
Examination Costs	601	560
Premises costs	1,229	1,065
Total	**4,683**	**4,070**

Other operating expenses include:

	2022 £'000	2021 £'000
Auditor's Remuneration:		
Financial Statements Audit	50	46
Teacher Pensions Audit	2	2
ESFA Non-Recurrent Grant Audits		
Internal Audit	11	17
Operating Lease payments	26	27
Subcontractor payments	429	484

11. Interest and other finance costs

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:	136	148
	136	148
On Finance Leases	15	14
Net interest on defined pension liability (note 24) & enhanced pension provision	152	145
Total	**303**	**307**

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 2021	25,642	10,066	9,590	536	45,835
Additions	-	-	1,904	704	2,608
Transfers from Assets in Construction	-	-	523	(523)	-
Eliminations in respect of disposals	-	-	(21)	-	(21)
As at 31 July 2022	**25,642**	**10,066**	**11,997**	**717**	**48,422**
Depreciation					
As at 1 August 2021	4,443	1,304	7,150	-	12,897
Charge for the year	525	186	863	-	1,574
Eliminations in respect of disposals	-	-	(13)	-	(13)
As at 31 July 2022	**4,967**	**1,490**	**8,001**		**14,458**
Net book value as at 31 July 2022	**20,675**	**8,576**	**3,996**	**717**	**33,964**
Net book value as at 31 July 2021	21,199	8,763	2,440	536	32,938

The net book value of equipment includes an amount of £176,895 (2021: £267,795) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £90,901

(2021: £48,589).

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

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	77	151
Prepayments and accrued income	381	236
Amounts owed by the ESFA	224	379
Total	**682**	**766**

15. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	2,779	2,944
Obligations under finance leases	95	84
Trade payables	982	438
Payments received in advance	2,098	963
Other Creditors	54	222
Pension Creditor	182	163
Other taxation and social security	197	181
Accruals and deferred income	377	578
Deferred income - government capital grants	768	510
Amounts owed to the ESFA	818	823
Total	**8,350**	**6,906**

16. Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Bank loans	-	-
Obligations under finance leases	76	171
Deferred income - government capital grants	14,275	13,327
Total	**14,351**	**13,498**

17. Maturity of debt

	2022 £'000	2021 £'000
(a) Bank Loans and Overdrafts		
In one year or less	2,779	2,944
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
Total	**2,779**	**2,944**

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.

One bank covenant will be breached. A Reservation of Rights letter has been issued ahead of an expected full waiver being issued once the accounts are finalised. As a result, the loan has been reclassified as due within one year.

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

	2022 £'000	2021 £'000
(b) Finance Leases		
In one year or less	95	89
Between two and five years	76	171
In five years or more	-	-
Total	**171**	**260**

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

18. Provisions

	Defined Benefit Obligations £'000	Enhanced Pensions £'000	Total £'000
As at 1s August 2021	(8,664)	(552)	(9,216)
Change in period	6,671	97	6,768
As at 31 July 2022	**(1,993)**	**(455)**	**(2,448)**

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:

	2022	2021
Price inflation	2.9%	2.6%
Discount rate	3.3%	1.6%

19. Analysis of changes in net debt

	As at 1 August 2021	Cash flows	Other non-cash Changes	As at 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	2,945	547	-	3,492
	2,945	**547**	**-**	**3,492**
Borrowings				
Loans due within one year	(165)	165	(165)	(165)
Loans due after one year	(2,779)	-	165	(2,613)
	(2,944)	**165**	**-**	**(2,779)**
Finance Leases due within one year	(89)	84	(90)	(95)
Finance Leases due after one year	(171)	-	95	(76)
	(260)	**84**	**5**	**(171)**
Total	**(259)**	**796**	**5**	**542**

20. Capital commitments

	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	816	352

21. Lease obligations

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

	2022	2021
	£'000	£'000
Future minimum lease payments due		
Other (non-land and buildings)		
In one year or less	26	26
Between two and five years	12	38
In five years or more	-	2
Total lease payments due	**38**	**66**

22. Contingent Liabilities

There are no contingent liabilities at the reporting date

23. Events after the reporting period

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 rephasing 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.

		2022 £'000		2021 £'000
Teachers' Pension Scheme: contributions paid		907		824
Local Government Pension Scheme:				
Contributions paid	658		688	
FRS 102 (28) charge	884		935	
Charge to the Statement of Comprehensive Income		1,542		1,623
Enhanced pension charge to Statement of Comprehensive Income		46		46
Total pension cost for the year		**2,495**		**2,493**

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 2022-23 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 £1,254k (2021: £1,105k). The year-end creditor was £108k (2021: £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 2022 was £822,000, of which employer's contributions totalled £658,000 and employees' contributions totalled £164,000. The contribution rates for future years are 21.8% for employers plus an annual fixed amount of £79,000 from April 2022 and range from 5.5% to 12.5% cent for employees, depending on salary. The year-end creditor was £73k (2021: £65k).

Principal Actuarial Assumptions

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

	As at 31 July 2022	As at 31 July 2021
Rate of increase in salaries	3.60%	3.60%
Future pensions increase	2.60%	2.60%
Discount rate for scheme liabilities	3.50%	1.70%
Inflation assumption (CPI)	2.60%	2.60%

The college acknowledges CPI in the quarter after year end reached 10% but is comfortable in accepting the qualified actuaries assumption of CPI at 2.60% given the long term nature of this provision. In the 2022 triennial revaluation the funds actuary has added in an assumption for CPI above 2.60%. Interest rates have also increased since this valuation.

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

	As at 31 July 2022 Years	As at 31 July 2021 Years
Retiring today		
Males	22.9	23.1
Females	25.4	25.5
Retiring in 20 years		
Males	24.7	24.8
Females	27.1	27.3

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

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equities	8,672	8,832
Debt Instruments	2,232	2,608

Multi Asset Credit	1,342	-
Property	1,222	946
Cash	121	153
Other	1,493	2,715
Total market value of assets	**15,082**	**15,254**
Actual return on plan assets	**(494)**	**2,276**

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 2022 £'000	Fair Value at 31 July 2021 £'000
Fair value of plan assets	15,082	15,254
Present value of plan liabilities	17,075	23,918
Net pensions (liability) (Note 18)	**(1,993)**	**(8,664)**

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	1,542	1,623
Past service cost	-	-
Total	**1,542**	**1,623**
Amounts included in investment income		
Interest income	262	180
Interest expense on defined benefit obligation	(404)	(316)
Total	**(142)**	**(136)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(756)	2,096
Experience gains/ (losses) arising on defined benefit obligations	8.453	383
Total	**7,697**	**2,479**

Movement in net defined benefit (liability) in year

	2022 £'000	2021 £'000
Net defined benefit (liability) in scheme at 1 August	(8,664)	(10,072)
Movement in year:		
Current service cost	(1,542)	(1,623)
Employer contributions	658	688
Past service cost	-	-
Net interest on the defined benefit (liability)/ asset	(142)	(136)
Actuarial gain or (loss)	7,697	2,479
Net defined benefit (liability) in scheme at 31 July	**(1,993)**	**8,664**

Asset and liability reconciliation

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	23,918	22,752
Current Service cost	1,542	1,623
Interest cost	404	316
Contributions by Scheme participants	164	172
Experience (gains) and losses on defined benefit obligations	(8,453)	(383)
Estimated benefits paid	(500)	(562)
Past Service cost	-	-
Defined benefit obligation at end of period	**17,075**	**23,918**

	2022 £'000	2021 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	15,254	12,680
Interest on plan assets	262	180
Return on plan assets	-	-
Actuarial gain/ (loss)	(756)	2,096
Employer contributions	658	688
Contributions by scheme participants	164	172
Estimated benefits paid	(500)	(562)
Fair value of plan assets at end of period	**15,082**	**15,254**

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 related party transactions during the year (2021: £0). There were no expenses paid to or on behalf of the Governors during the year (2021: £0).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: None).

26. Amounts disbursed as agent

	2022 £'000	2021 £'000
Funding body grants – ESFA (DLSF, Free School Meals, Bursary)	211	275
	211	275
Disbursed to students	(118)	(247)
Administration costs	(14)	(18)
Balance unspent as at 31 July, included in creditors	79	10

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 2021 to 31 July 2022 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 2021 to 31 July 2022 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.

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

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 those of any other public funder and high-level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

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

Use of our report

This report is made solely to the Corporation of 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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