



**Annual Report and Financial Statements**

**Year ended 31 July 2018**

## **Fareham College**

### **Contents**

Reference and administrative details	1
Strategic Report	2
Statement of Corporate Governance and Internal Control	12
Statement of Regularity, Propriety and Compliance	19
Statement of Responsibilities of the Members of the Corporation	20
Independent Auditor's Report on the Financial Statements	21
Statement of Comprehensive Income and Expenditure	23
Statement of Changes in Reserves	24
Balance Sheet	25
Statement of Cash Flows	26
Notes to the Financial Statements	27

## **Fareham College**

### **Reference and Administrative Details**

#### **Board of Governors**

A full list of Governors is given on page 12-14 of these financial statements.

Jackie Eayrs Clerk to the Corporation.

#### **Key Management Personnel**

Key management personnel were represented by the following in 2017/18:

Nigel Duncan	Principal and CEO; Accounting Officer
Andrew Kaye	Deputy Principal
Emma Baxter	Finance Director (to 5/18)
Mike Lewis	Assistant Principal Finance, Funding and Resources (from 8/18)
Angie Hinton	Assistant Principal People and Organisational Development

#### **Professional Advisers**

External auditors:

RSM UK Audit LLP

Highfield Court

Tollgate

Chandlers Ford

Eastleigh

Hampshire

SO53 3TY

Internal auditors:

Mazars LLP

Tower Bridge House

St Katherines Way

London

E1W 1DD

Bankers:

Barclays Bank plc

Wytham Court

11 West Way

Oxford

OX2 0JB

Solicitors:

Glanvilles

West Wing

Cams Hall

Fareham

PO16 8AB

## **Fareham College**

### **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 2018.

#### **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.

#### **Mission**

To prepare our students for meaningful careers through the provision of outstanding technical and professional programmes of study.

#### **Our Vision**

Our vision is that by 2020 we will be a further education college that achieves excellence in all areas of work that we do, inspiring learners, creating opportunities and changing lives by:

- Delivering high quality teaching, learning and assessment by highly effective and dedicated staff;
- Delivering a rich, inclusive and holistic student experience that provides our students with a 'direct line of sight' to sustainable careers;
- Leading innovation in learning and skills;
- Delivering a responsive and accessible curriculum that provides opportunities and supports the development of the local workforce and the regional economy;
- Working in partnership to deliver a better future for all our students.

#### **RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main BRC site, which has benefitted from a £17m investment programme, and the £11m CEMAST site opened in September 2014.

#### **Financial**

The College has £11,824k of net assets at 31 July 2018 (2017: £11,003k) and long term debt of £3,275k (2017: £2,131k).

#### **People**

The College employs 219 people (expressed as full time equivalents), (2017: 227), of whom 98 are teaching staff (2017: 99).

#### **Reputation**

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

## Fareham College

### Implementation of strategic plan

In July 2017 the College adopted a strategic plan for the period 2017 to 2020. The Corporation monitors the performance of the College against this plan and the plan is reviewed and updated each year. In July 2018 the strategic plan was temporarily delayed whilst the Board reviewed options generated by the Area Review. The strategic plan will be adopted in December 2018. The College's six strategic priorities are as follows:

### Priorities to guide our future

We have identified six strategic priorities. Within these priorities, we identify the themes and some changes we need to make to deliver our purpose and realise our vision. Fareham College will be an organisation in which:

<b>1</b>	<b>Students:</b> Our student and apprenticeship numbers will grow as a result of delivering excellence in teaching, learning and assessment supported by a systematic campaign of PR and communications that positions Fareham College as the Further Education College of choice in the Solent region.
<b>2</b>	<b>Staff:</b> Our staff are qualified and confident professionals who are passionate about learning, ambitious and will act as ambassadors for the College and the business sectors they serve.
<b>3</b>	<b>Stakeholders:</b> Our stakeholders will be encouraged to contribute to the overall success of the College through partnerships that are mutually beneficial.
<b>4</b>	<b>Skills:</b> Our responsive technical and professional curriculum will develop a range of skills that reflect the needs of the local economy, the businesses and the individuals we support.
<b>5</b>	<b>Systems:</b> We will continue to develop our management, learning and support systems to improve the experience and efficiency of our operations.
<b>6</b>	<b>Study Facilities:</b> We will continue to invest in our learning environments to enhance the student experience, and to support the development of our provision.

## **Fareham College**

### **Financial objectives**

The College's financial objectives are:

- Implement an annual financial plan that will maintain our financial position for the next two years and beyond in order to generate funds for future investment;
- Identify new markets (ESF, ESoL, and International) and further develop our programme of full-cost provision that will enable us to increase and diversify our incomes;
- Expand our commercial/educational trading activities with new projects and initiatives;
- Revisit our capital investment strategy to further develop facilities, infrastructure and learning technologies;
- Develop and implement a cost centre financial modelling and monitoring system in the College to promote efficiency and effectiveness in resource deployment.

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"). The College is assessed by the Education and Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

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.

## **Fareham College**

### **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 £539k (2016/17: deficit of £504k), with total comprehensive income surplus of £1,005k (2016/17: surplus of £960k). The total comprehensive income in 2017/18 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 £324k (2017: £517k). The addition to land and buildings during the year was in respect of legal and professional fees.

### **Reserves**

The College has accumulated reserves of £11,824k and cash balances of £1,907k as at 31<sup>st</sup> July 2018 (2017: accumulated reserve £11,003k and cash balances £2,972k).

### **Sources of Income**

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 77% of the College total income (2017: 77%).

## **FUTURE PROSPECTS**

### **Developments**

The college has invested recently in its facilities and aims to significantly increase contribution by further expansion during 2018/19.

### **Financial plan**

The College governors approved a three-year financial plan in July 2018 which sets objectives for the period to 2020.

## **Fareham College**

### **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. Santander is the College's preferred lending partner and the College has entered into arrangements to forward fix some 80% of its forecast long term debt requirements including £2,125k in relation to the refinancing of the LEP loan in 2017 and 2018 and £1,475k to finance the BRC campus development completed during 2016/17.

### **Cash flows and liquidity**

A net increase of £216k in net cash flow from operating activities (2016/17 Increase £676k).

During the year the College drew down a forward fixed unsecured loan of £1,325k to finance the repayment of the LEP loan of £1,325k.

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 that adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £7,283k (2016/17: £6,278k). 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**

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.



## Fareham College

### Risk Management (Continued)

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 main risk factors affecting the College are outlined below along with the action 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.

- Strategic - decline in funding leading to financial pressures limiting viability of the business. Particularly issues associated with Levy and Grant funding of apprenticeships.
  - Develop longer term funding strategy. Grow other funding streams such as International, HE and 19+ student loans. Looking at strategic options to support longer term growth in a variety of funding streams.
- Failure to recruit sufficient apprentices to meet the growth plan in the budget. College too dependent upon in-year apprenticeship growth leading to poor budgetary performance.
  - Increased recruitment activity and careful setting of targets for sales team.
- Financial position deteriorates leading to a decline in the College's financial health grade (ESFA).
  - Close controls implemented for all spends. Maximising income towards year-end wherever possible. Exploring new income streams.

### KEY PERFORMANCE INDICATORS

Key performance Indicator	Measure/Target	Actual for 2017/18		
Student number targets:				
- Full Time Study Programmes	1,500			1,495
- Apprenticeships	1,000			960
- Higher Education	250			145
- Total Learners	3,000			2,600
Student achievement/progression	87.0%			86.0%
Operating deficit/EBITDA as % of income	£53k / 7.7%			£541k / 4.7%
ESFA Financial Health	Good			Good
Staff satisfaction (via survey)				
- Management Style		Your College	Comparison Colleges	% Difference
- Communication		63.0	63.3	-0.3
- Customers		68.0	68.9	-0.9
- College		67.0	79.6	-12.6
- Me		76.6	77.0	-0.5
- Staff		73.4	74.3	-0.9
		72.0	76.4	-4.4
Ofsted rating	Outstanding			Outstanding

## **Fareham College**

### **Student achievements**

- The timely success rate of all classroom learning enrolments is 86.0%, down from a high position of 87.1% in the previous academic year but up from the 85.2% achieved the year preceding. Outcomes for 16-18 year olds are 85.1% compared to 87.2% in 2015/16 and outcomes for adults are 88.4% compared to 86.6% in 2015/16.
- The success rates for level 2 (83.8%) and level 3 (91.6%) qualifications for 16-18 year olds are outstanding, both are substantially above national averages.
- Timely success rates for apprentices at 64.0% are good and above the national average for all ages / all levels. However, this achievement measure has declined from 70.9% in 2016/17.
- Overall Functional Skills success rates for 16-18 year olds have improved from 66.3% to 75.2%, well above national rates. Level 1 functional skills are 71.8% against a national average of 62.2%. Functional skills for adults are 88.4%, 11.2% above national rates.
- GCSE maths 9-4 rate for 16-18 year olds is 14.3%, lower than 2016/17 of 22.2% but the percentage of students who improved to a grade 4 from a grade 3 is 33.1%, which is in line with national rates.
- GCSE English 9-4 rate for 16-18 year olds is 22.0%, higher than 2016/17 of 21.8% the percentage of students who improved to a grade 4 from a grade 3 is 28.6%, which is in line with national rates.

In the College self-assessment report for 2017/18 outcomes for learners will be reported as good. The achievement rates of the core study programme qualifications are outstanding; Apprenticeship achievement rates are good at 64.0% timely, 4.0% above national averages.

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

The self-assessment for 2017/18 makes a judgement that the overall effectiveness of the College is good, the downgrade from outstanding is largely a recognition of a decline in the achievement rates of the apprenticeship provision which needs addressing and the continuing difficulty in securing high grades for students resitting their GCSE's.

### **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 12-14. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

## **Fareham College**

### **Public Benefit (continued)**

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce.

### **Equality**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's 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 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has invested to improve access for staff and students with disabilities that impair their mobility and now has a campus with 100% access for those with such a disability.

### **Disability statement**

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

### Disability Statement (continued)

- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2017 to 31 July 2018, the College paid 97 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 relevant period	FTE employee number
2	0.29

Percentage of time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Total cost of facility time	£24,654
Total pay bill	£3,623,923
Percentage of total bill spent on facility time	0.7%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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### 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<sup>th</sup> December 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Russell Kew', with a large, stylized flourish above it.

Mr Russell Kew

Chair

Date: 12<sup>th</sup> December 2018

## Fareham College

### 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<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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 2018. 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 in March 2015, which it formally adopted in June 2015.

### 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 of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Ms Karen Allen	13.12.17	3 years (1 <sup>st</sup> term)		Support Staff Member	Audit Committee until 31.7.18. Transfer to Finance Committee approved 27.6.18 effective from 01.08.18	83%
Mr K Briscoe	02.04.14 Reappointed: 05.04.17. 2 <sup>nd</sup> term began 01.05.17	3 years (2 <sup>nd</sup> term)		Independent Member	Teaching, Students, Curriculum & Quality Committee	100%
Miss E Champion	02.07.14 Reappointed: 28.06.17. 2 <sup>nd</sup> term began 01.09.17	3 years (2 <sup>nd</sup> term)		Independent Member	Teaching, Students, Curriculum & Quality Committee	89%

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Mr N Duncan	05.10.10	n/a		Principal & Chief Executive	Appointed Principal 28.03.12. As Principal he is <i>ex-officio</i> member of all committees	100%
Mrs B Farrer-Williams	13.12.17	3 years	Ceased to be a student June 2018	Student Member	Teaching, Students, Curriculum & Quality Committee	100%
Mr P Grimwood	27.06.12 Reappointed 27.06.18. 2 <sup>nd</sup> term began 01.09.15	3 years (3 <sup>rd</sup> term)		Independent Member	Finance & Resources Committee.  Elected as Vice-Chair of Corporation 05.04.17	69%
Miss Z Healey	13.12.17	3 years	Ceased to be a student June 2018	Student Member (role share)	Teaching, Students, Curriculum & Quality Committee	43%
Mr R Kew	08.12.10 Reappointed 07.12.16. 3 <sup>rd</sup> term began 01.01.17	3 years (3 <sup>rd</sup> term)		Independent Member	Finance & Resources. Elected Chair of Corp 12.12.12.	81%
Mrs J Lancaster	07.12.11 Reappointed 10.12.14	3 years (2 <sup>nd</sup> term)	13.12.17	Support Staff Member	Audit Committee	100%
Mr M Mansergh	02.04.14 Reappointed: 05.04.17. 2 <sup>nd</sup> term began 01.05.17	3 years (2 <sup>nd</sup> term)		Independent Member	Finance & Resources Committee.	89%
Mr Paul Marchbank	28.06.17. 1 <sup>st</sup> term began 01.05.17	3 years (1 <sup>st</sup> term)		Independent Member	Teaching, Students, Curriculum & Quality Committee.	22%

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Mr A Ramsay	29.06.16	3 years (1 <sup>st</sup> term)		Independent Member	Teaching, Students, Curriculum & Quality. Elected as Chair of TSC&Q Committee May 2017.	62%
Miss J Ross-Barton	13.12.17	3 years	Ceased to be a student June 2018	Student Member (role share)	Teaching, Students, Curriculum & Quality Committee	57%
Mr C Seaton	13.12.17	3 years (1 <sup>st</sup> term)		Teaching Staff Member	Teaching, Students, Curriculum & Quality Committee	83%
Mr A Spires	09.12.15	3 years (1 <sup>st</sup> term)		Independent Member	Audit Committee. Elected Chair of Audit March 2016	67%
Dr C Thomas	10.12.14 Reappointed 13.12.17. 2 <sup>nd</sup> term began 01.01.18	3 years (2 <sup>nd</sup> term)		Independent Member	Audit Committee	100%
Mrs P Tilt	27.06.12 Reappointed 24.06.15. 2 <sup>nd</sup> term began 01.09.15.	3 years (2 <sup>nd</sup> term)		Independent Member	Teaching, Students, Curriculum & Quality Committee and Chair of Wellbeing Committee	92%
Ms K Woods	02.04.14 Reappointed: 05.04.17. 2 <sup>nd</sup> term began 01.05.17	3 years (2 <sup>nd</sup> term)		Independent Member	Finance & Resources Committee and Chair of Marketing Working Group.	83%
Mrs J Eayrs acts as Clerk to the Corporation.						

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are;

- Audit
- Search
- Teaching, Students, Curriculum & Quality
- Finance & Resources

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Fareham College  
Bishopsfield Road  
Fareham  
Hampshire  
PO14 1NH

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

All Governors are able to take independent professional advice in 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.

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 Chairman and Accounting Officer are separate.

#### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of the Vice-Chair, the Principal and three other members of the Corporation from the pool of members eligible to serve, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

### **Corporation performance**

The Corporation undertakes an annual self-assessment of its effectiveness and consideration of the arrangements for this process is discussed and agreed at the Spring Term Board meeting every year. A separate dedicated session is convened in the summer term to provide the opportunity to have some informal discussion about the sector and to provide clarification of any issues raised in the self-assessment questionnaire. This year, due to time constraints on members' time, the dedicated session did not take place and the self-assessment questionnaires were completed independently by members. The Corporation received the analysis from the completed questionnaires at the full Corporation meeting on the 27<sup>th</sup> June 2018 and members agreed to assign a Grade 1 for Governance for the 2017/2018 year.

### **Remuneration Committee**

The College does not have a separate remuneration committee but the responsibility is undertaken by the Finance & Resources Committee. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and Deputy Principal who are the two senior post-holders appointed by the Corporation and the Clerk to the Corporation.

Details of remuneration for the year ended 31 July 2018 are set out in Note 8 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 members. 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, reporting accountants and financial statements auditor, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes 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, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

### **Internal control**

#### *Scope of responsibility*

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

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

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Fareham College for the year ended 31 July 2018 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 2018 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 Auditor provides the governing body with a report on internal audit activity in the College. The report includes the auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditor, 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 his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance and risk committee, if appropriate, 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 2018 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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"*.

### **Going concern**

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

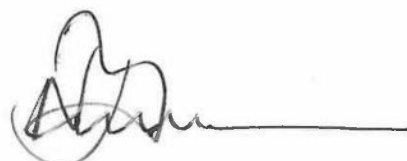
Approved by order of the members of the Corporation on 12<sup>th</sup> December 2018 and signed on its behalf by:



**Russell Kew**

**Chair**

Date: 12<sup>th</sup> December 2018



**Nigel Duncan**

**Accounting Officer**

Date: 12<sup>th</sup> December 2018

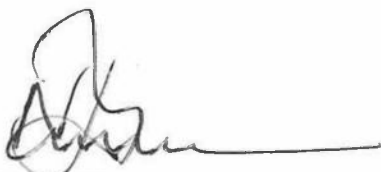
## Fareham College

### Statement of Regularity, Propriety and Compliance

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

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

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



Nigel Duncan  
Accounting Officer

Date: 12<sup>th</sup> December 2018



Russell Kew  
Chair of Governors

Date: 12<sup>th</sup> December 2018

## Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Strategic Report for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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

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

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

Approved by order of the members of the Corporation on 12<sup>th</sup> December 2018 and signed on its behalf by:



Russell Kew  
Chair of Governors

Date: 12<sup>th</sup> December 2018

## **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 2018 which comprise the College statement of comprehensive income, the College balance sheet, the College statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, 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 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

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

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

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

### **Other information**

The 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. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



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

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 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.

**Responsibilities of the Corporation of Fareham College**

As explained more fully in the Statement of the Corporation's Responsibilities on page 20, 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 intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

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

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

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

**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 02 July 2018. 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

Tollgate,

Chandlers Ford,

Eastleigh,

Hampshire,

SO53 3TY

Date: 17 December 2018



**Fareham College**  
**Statement of Comprehensive Income and Expenditure**  
**for the year ended 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	2	11,680	11,733
Tuition fees and education contracts	3	1,778	1,457
Other grants and contracts	4	38	132
Other income	5	865	876
Investment income	6	6	2
Donations and Endowments	7	9	21
<b>Total income</b>		<b>14,376</b>	<b>14,221</b>
<b>EXPENDITURE</b>			
Staff costs	8	8,291	8,173
Fundamental restructuring costs	8	4	66
Other operating expenses	9	4,947	4,677
Depreciation	12	1,428	1,566
Interest and other finance costs	10	249	244
<b>Total expenditure</b>		<b>14,919</b>	<b>14,726</b>
<b>Deficit before other gains and losses</b>		<b>(543)</b>	<b>(505)</b>
Profit on disposal of assets		4	1
<b>Deficit before tax</b>		<b>(539)</b>	<b>(504)</b>
Taxation	11	-	-
<b>Deficit for the year</b>		<b>(539)</b>	<b>(504)</b>
Unrealised surplus on revaluation of assets		184	184
Remeasurement of net defined benefit pension liability		1,360	1,280
<b>Total Comprehensive Income for the year</b>		<b>1,005</b>	<b>960</b>

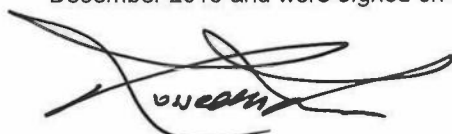
**Fareham College**  
**Statement of Changes in Reserves**  
**for the year ended 31 July 2018**

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Balance at 1st August 2016</b>	5,318	4,909	10,227
Surplus/(deficit) from the income and expenditure account	(504)	-	(504)
Other comprehensive income	1,280		1,280
Transfers between revaluation and income and expenditure reserves	184	(184)	-
	<hr/> 960	<hr/> (184)	<hr/> 776
<b>Balance at 31st July 2017</b>	6,278	4,725	11,003
Surplus/(deficit) from the income and expenditure account	(539)		(539)
Other comprehensive income	1,360		1,360
Transfers between revaluation and income and expenditure reserves	184	(184)	-
<b>Total comprehensive income for the year</b>	<hr/> 1,005	<hr/> (184)	<hr/> 821
<b>Balance at 31st July 2018</b>	<hr/> 7,283	<hr/> 4,541	<hr/> 11,824

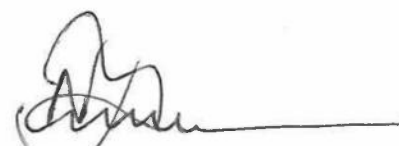
**Fareham College**  
**Balance sheet as at 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	29,785	30,889
		<u>29,785</u>	<u>30,889</u>
<b>Current assets</b>			
Debtors	13	811	744
Cash at bank and in hand	18	1,907	2,972
		<u>2,718</u>	<u>3,716</u>
<b>Less: Creditors – amounts falling due within one year</b>	14	(1,839)	(4,392)
<b>Net current assets/(liabilities)</b>		<u>879</u>	<u>(676)</u>
<b>Total assets less current liabilities</b>		<b>30,664</b>	<b>30,213</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	15	(14,171)	(13,419)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	17	(4,124)	(5,184)
Other provisions	17	(545)	(607)
<b>Total net assets</b>		<u><u>11,824</u></u>	<u><u>11,003</u></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		7,283	6,278
Revaluation reserve		4,541	4,725
<b>Total unrestricted reserves</b>		<u><u>11,824</u></u>	<u><u>11,003</u></u>

The financial statements on pages 23 to 44 were approved and authorised for issue by the Corporation on 12th December 2018 and were signed on its behalf on that date by:



**Mr Russell Kew**  
**Chair**



**Mr Nigel Duncan**  
**Accounting Officer**

**Fareham College**  
**Statement of Cash Flows**  
**for the year ended 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(539)	(504)
<b>Adjustment for non cash items</b>			
Depreciation		1,428	1,566
(Increase)/decrease in debtors		(67)	(138)
Increase/(decrease) in creditors due within one year		(551)	278
Increase/(decrease) in creditors due after one year		(392)	(810)
Increase/(decrease) in provisions		(62)	(50)
Pensions costs less contributions payable		300	285
<b>Adjustment for investing or financing activities</b>			
Investment income		(9)	(21)
Interest Receivable		(6)	(2)
Interest payable		118	70
(Gain)/Loss on sale of fixed assets		(4)	2
		<u>216</u>	<u>676</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		4	3
Investment income		9	21
Interest receivable		6	2
Payments made to acquire fixed assets		(1,017)	(518)
		<u>(998)</u>	<u>(492)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(118)	(70)
Proceeds from new borrowings		1,325	800
Repayments of amounts borrowed		(1,490)	(864)
		<u>(283)</u>	<u>(134)</u>
<b>Increase / (decrease) in cash and cash equivalents In the year</b>		<u><b>(1,065)</b></u>	<u><b>50</b></u>
Cash and cash equivalents at beginning of the year	18	2,972	2,922
Cash and cash equivalents at end of the year	18	1,907	2,972

## **Fareham College**

### **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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 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 £3.44m of loans outstanding with Santander, which are fixed rate interest over a period of 14 years with a 23-year amortisation profile. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Cash flows on a day to day basis are monitored and an overnight deposit system is in operation. The College has £1.9m of working capital which is sufficient for its needs.

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 HEFCE 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.

### *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, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis.

### *Equipment*

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

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

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

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



### *Borrowing costs*

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

### *Leased assets*

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

### **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 2% 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 taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- 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 23, 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 2016 to value the pensions liability at 31 July 2018. 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.

**Fareham College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	2018 £'000	2017 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	1,039	1,092
Education and Skills Funding Agency – 16 -18	6,832	7,085
Education and Skills Funding Agency - apprenticeships	3,008	2,312
Higher Education Funding Council	150	136
<b>Specific Grants</b>		
Education and Skills Funding Agency	-	299
Releases of government capital grants	651	809
<b>Total</b>	<b>11,680</b>	<b>11,733</b>

**3 Tuition fees and education contracts**

	2018 £'000	2017 £'000
Adult education fees	345	419
Apprenticeship fees and contracts	664	487
Fees for FE loan supported courses	301	287
Fees for HE loan supported courses	87	62
International students fees	80	3
<b>Total Tuition Fees</b>	<b>1,477</b>	<b>1,258</b>
Education contracts	301	199
<b>Total</b>	<b>1,778</b>	<b>1,457</b>

**4 Other grants and contracts**

	2018 £'000	2017 £'000
European Commission	38	25
Other grants and contracts	-	107
<b>Total</b>	<b>38</b>	<b>132</b>

**5 Other income**

	2018 £'000	2017 £'000
Catering and residences	351	333
Other income generating activities	174	185
Miscellaneous income	340	358
<b>Total</b>	<b>865</b>	<b>876</b>

**Fareham College**  
**Notes to the Accounts (continued)**

**6 Investment income**

	2018 £'000	2017 £'000
Other interest receivable	<u>6</u>	<u>2</u>
<b>Total</b>	<u><b>6</b></u>	<u><b>2</b></u>

**7 Donations**

	2018 £'000	2017 £'000
Unrestricted donations	<u>9</u>	<u>21</u>
<b>Total</b>	<u><b>9</b></u>	<u><b>21</b></u>

**8 Staff costs**

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

	2018 No.	2017 No.
Teaching staff	98	99
Non teaching staff	<u>121</u>	<u>128</u>
	<u><b>219</b></u>	<u><b>227</b></u>

**Staff costs for the above persons**

	2018 £'000	2017 £'000
Wages and salaries	6,496	6,395
Social security costs	596	558
Other pension costs	<u>1,152</u>	<u>1,072</u>
<b>Payroll sub total</b>	<b>8,244</b>	<b>8,025</b>
Contracted out staffing services	<u>47</u>	<u>148</u>
	<u><b>8,291</b></u>	<u><b>8,173</b></u>
Fundamental restructuring costs - contractual	4	60
non contractual	-	6
	<u><b>8,295</b></u>	<u><b>8,239</b></u>

**Fareham College**  
**Notes to the Accounts (continued)**

**8 Staff costs (Continued)**

**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 Executive Senior Leadership Team which comprises the Principal, Deputy Principal, Assistant Principal Finance, Funding and Resources and the Assistant Principal People and Organisational Development.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	4	4

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£40,001 to £50,000	2	2	-	-
£50,001 to £60,000	-	-	-	-
£60,001 to £70,000	-	-	1	1
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	1	-	-
	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>

Key management personnel compensation are made up as follows:

	2018 £'000	2017 £'000
Salaries	274	282
NI	33	34
Benefits in kind	<u>2</u>	<u>2</u>
	309	318
Pension contributions	<u>43</u>	<u>43</u>
<b>Total key management personnel compensation</b>	<u><b>352</b></u>	<u><b>361</b></u>

The above compensation include amounts payable to the Accounting Officer (who is also the highest paid officer)

	2018 £'000	2017 £'000
Salaries	104	107
Benefits in kind	<u>2</u>	<u>2</u>
	106	109
Pension contributions	<u>17</u>	<u>17</u>

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.

**Fareham College**  
**Notes to the Accounts (continued)**

**9 Other operating expenses**

	2018	2017
	£'000	£'000
Teaching costs	2,731	1,901
Non teaching costs	1,004	1,491
Examination costs	372	361
Premises costs	840	924
<b>Total</b>	<b>4,947</b>	<b>4,677</b>

**Other operating expenses include:**

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	29	27
Internal audit	14	14
Hire of assets under operating leases	76	87

**10 Interest payable**

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	118	70
	118	70
Pension finance costs (note 23)	131	174
<b>Total</b>	<b>249</b>	<b>244</b>

**11 Taxation**

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

**Fareham College**  
**Notes to the Accounts (continued)**

**12 Tangible fixed assets**

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	31,631	6,831	136	38,598
Additions	3	290	31	324
Disposals	-	(24)	-	(24)
<b>At 31 July 2018</b>	<b>31,634</b>	<b>7,097</b>	<b>167</b>	<b>38,898</b>
<b>Depreciation</b>				
At 1 August 2017	3,089	4,620	-	7,709
Charge for the year	632	796		1,428
Elimination in respect of disposals	-	(24)		(24)
<b>At 31 July 2018</b>	<b>3,721</b>	<b>5,392</b>	<b>-</b>	<b>9,113</b>
<b>Net book value at 31 July 2018</b>	<b>27,913</b>	<b>1,705</b>	<b>167</b>	<b>29,785</b>
Net book value at 31 July 2017	28,542	2,211	136	30,889

**13 Debtors**

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade Debtors	96	73
Prepayments and accrued income	278	386
Amounts owed by the ESFA	437	285
<b>Total</b>	<b>811</b>	<b>744</b>

**Fareham College**  
**Notes to the Accounts (continued)**

**14 Creditors: amounts falling due within one year**

	2018 £'000	2017 £'000
Bank loans and overdrafts	165	74
Trade payables	71	43
Pensions creditors	-	112
Payments received in advance	151	194
Other creditors	154	151
Other taxation and social security	158	164
Accruals and deferred income	530	577
Land Purchase	-	693
Deferred income - government capital grants	565	808
Amounts owed to the ESFA	45	249
Solent LEP loan	-	1,325
Community Infrastructure Levy	-	2
<b>Total</b>	<b>1,839</b>	<b>4,392</b>

**15 Creditors: amounts falling due after one year**

	2018 £'000	2017 £'000
Bank loans	3,275	2,131
Deferred income - government capital grants	10,896	11,288
<b>Total</b>	<b>14,171</b>	<b>13,419</b>

**16 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	165	1,399
Between one and two years	165	74
Between two and five years	496	269
In five years or more	2,614	1,788
<b>Total</b>	<b>3,440</b>	<b>3,530</b>

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 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.

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.



**Fareham College**  
**Notes to the Accounts (continued)**

**17 Provisions**

	Defined benefit Obligations £'000	Restructuring £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	(5,184)	-	(607)	(5,791)
Expenditure in the period	(750)	-	-	(750)
(Additions) /Expenditure in the period	1,810	-	62	1,872
<b>At 31 July 2018</b>	<b>(4,124)</b>	<b>-</b>	<b>(545)</b>	<b>(4,669)</b>

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	1.00%	1.00%

**18 Cash and cash equivalents**

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	2,972	(1,065)	-	1,907
<b>Total</b>	<b>2,972</b>	<b>(1,065)</b>	<b>-</b>	<b>1,907</b>

**19 Capital commitments**

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	100	-

**20 Lease Obligations**

	2018 £'000	2017 £'000
At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:		
Other		
Not later than one year	23	-
Later than one year and not later than five years	57	69
later than five years	19	6
<b>Total Lease Obligations</b>	<b>99</b>	<b>75</b>

**Fareham College**  
**Notes to the Accounts (continued)**

**21 Contingent liabilities**

There are no contingent liabilities at the reporting date.

**22 Events after the reporting period**

There are no events after the reporting period.

**23 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 Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council. 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 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £nil (2017: £112k) were payable to the scheme as 31 July and are included in creditors.

<b>Total pension cost for the year</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Teachers Pension Scheme: contributions paid	527	515
Local Government Pension Scheme:		
Contributions paid	450	440
FRS 102 (28) charge	<u>160</u>	<u>160</u>
Charge to the Statement of Comprehensive Income	610	600
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year</b>	<b><u>1,137</u></b>	<b><u>1,115</u></b>

## **Fareham College**

### **Notes to the Accounts (continued)**

#### **23 Defined benefit obligations (continued)**

##### **Teachers' Pension Scheme**

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- An employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

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 £515,000 (2017: £515,000)

**Fareham College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**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 2018 was £580,000, of which employer's contributions totalled £450,000 and employees' contributions totalled £130,000. The agreed contribution rates for future years are 15.1 % plus a fixed amount of £140,300 for the employer are salary banded and range from 5.5% to 12.5% for employees.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary:

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.60%	3.50%
Future pensions increases	2.10%	2.00%
Discount rate for scheme liabilities	2.80%	2.60%
Inflation assumption (CPI)	2.10%	2.00%

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

	At 31 July 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	24.10	24.00
Females	27.20	27.00
<i>Retiring in 20 years</i>		
Males	26.20	26.00
Females	29.40	29.30

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

	Fair Value of assets 2018 £'000	2017 £'000
Equity instruments	7,218	6,237
Property	795	662
Government Bonds	2,622	2,527
Corporate Bonds	125	112
Cash	238	306
Other	352	346
<b>Total fair value of plan assets</b>	<b>11,350</b>	<b>10,190</b>
<b>Actual return on plan assets</b>	<b>(1,060)</b>	<b>(810)</b>

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

	2018 £'000	2017 £'000
Fair value of plan assets	11,350	10,190
Present value of plan liabilities	(15,470)	(15,370)
<b>Net pensions (liability)/asset (Note 23)</b>	<b>(4,120)</b>	<b>(5,180)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	610	600
Past service cost	10	-
<b>Total</b>	<b>620</b>	<b>600</b>

**Analysis of Pension Finance Costs**

	2018 £'000	2017 £'000
Net Pension Finance benefit	80	40

**Fareham College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

	2018 £'000	2017 £'000
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	790	590
Experience gains arising on defined benefit obligations	570	734
Past service costs/other charges	-	(44)
<b>Amount recognised in Other Comprehensive Income</b>	<b>1,360</b>	<b>1,280</b>

**Movement in net defined benefit (liability)/asset during the year**

	2018 £'000	2017 £'000
Surplus/(deficit) in scheme at 1 August	(5,184)	(6,174)
Movement in year:		
Current service cost	(610)	(600)
Employer contributions	450	440
Past service cost	(10)	-
Net interest on the defined (liability)/asset	(130)	(150)
Actuarial gain or loss	1,360	1,300
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(4,124)</b>	<b>(5,184)</b>

**Asset and Liability Reconciliation**

	2018 £'000	2017 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>15,370</b>	<b>15,390</b>
Current Service cost	610	600
Interest cost	400	370
Contributions by Scheme participants	130	130
Experience gains and losses on defined benefit	(570)	(710)
Changes in financial assumptions		
Estimated benefits paid	(480)	(410)
Past Service cost	10	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>15,470</b>	<b>15,370</b>

**Reconciliation of Assets**

	2018 £'000	2017 £'000
<b>Fair value of plan assets at start of period</b>	<b>10,190</b>	<b>9,220</b>
Interest on plan assets	270	220
Return on plan assets	-	-
Actuarial gain/(loss)	790	590
Employer contributions	450	440
Contributions by Scheme participants	130	130
Estimated benefits paid	(480)	(410)
<b>Assets at end of period</b>	<b>11,350</b>	<b>10,190</b>

**Fareham College**  
**Notes to the Accounts (continued)**

**24 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.

The total expenses paid to or on behalf of the Governors during the year was £45; 1 governor (2017: £180; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

**25 Amounts disbursed as agent**

Learner support funds		2018	2017
		£'000	£'000
Funding body grants – ESFA (DLSF 16-18, Free School Meals, Bursary)		227	185
Other Funding body grants			
Interest earned			
		<u>227</u>	<u>185</u>
Disbursed to students		(209)	(174)
Administration costs		(11)	(8)
		<u>7</u>	<u>3</u>
Balance unspent as at 31 July, included in creditors			

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.

## **Fareham College**

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

#### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 02 July 2018 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Fareham College ("the College") during the period 01 August 2017 to 31 July 2018 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 01 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

#### **Basis for conclusion**

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

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

#### **Responsibilities of Corporation of Fareham College for regularity**

The Corporation of the 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 is 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 ACoP.

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 01 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

#### **Use of our report**

his 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.

RSM UK Audit LLP

RSM UK Audit LLP  
Chartered Accountants  
Tollgate,  
Chandlers Ford,  
Eastleigh,  
Hampshire,  
SO53 3TY

Date: 17 December 2018